

HUDSON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Hudson School District as of and for the year ended June 30, 2022, 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.

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 Hudson School District, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the major general and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hudson School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hudson School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hudson School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hudson School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in the fiscal year 2022, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

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

Supplementary Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hudson 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of the Hudson School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hudson School District's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson School District's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

January 25, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

**Management's Discussion and Analysis
For the Period Ending
June 30, 2022**

As management of the Hudson School District, we offer readers of the Hudson School District's financial statements this narrative overview and analysis of the financial activities of the Hudson School District for the fiscal year ending June 30, 2022. We encourage you to read and review the information presented here in conjunction with additional information that we have furnished in the District's annual audited financial statements, which accompany this report.

Financial Highlights

- The District's total net position for the year ending June 30, 2022, was (1,552,131). The total net position consisted of \$39,380,830 in the net investment in capital assets, a restricted net position of \$609,949 and an unrestricted net position balance of \$(41,542,910).
- The District's total liabilities of \$59,085,610 consisted primarily of long-term liabilities including bonds \$7,342,104, compensated absences \$2,232,220, net pension liability \$34,547,145 and estimated other postemployment benefits of \$11,437,345. Governmental Accounting Standards Board Statement No. 75 requires that districts implement Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. This liability represents an estimate of the cost to the District for additional postemployment benefits, primarily, retiree health insurance.
- During the year, the District's expenses from governmental activities totaled \$57,936,952 with \$34,147,609 (58.9%) expended for instruction.
- Total revenues were \$60,973,408 and consisted of charges for services, operating and capital grants restricted for specific programs, and general revenues (consisting of local and state property tax assessments and grants and contributions not restricted to specific programs). Local assessments generated 62.9% of the District's revenue.
- The fiscal year end balances for the governmental funds as of June 30, 2022 were categorized as follows:
 - **Non-spendable**= \$134,673 (interest payments on long-term bonds)
 - **Restricted**= \$609,949 (food service)
 - **Committed**= \$1,592,565
 - Expendable Trusts: \$1,049,868
 - Voted Appropriations: \$225,000
 - Alvirne Farm: \$48,179
 - Career & Tech Ed: \$236,314
 - Apprenticeship: \$33,204
 - **Assigned**= \$1,804,751 (Encumbrance for amounts owed for purchased services, student activity funds and reserve for contingency)
 - **Unassigned**= \$3,068,645

Overview of the Financial Statements

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

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements, and
- 4) required supplementary information.

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

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

Government-wide Financial Statements

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

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 objects. The fund financial statements focus on the individual parts to the government and report the District's operations in more detail than the government-wide statements. Fund definitions are part of a state mandated uniform accounting system and chart of accounts for all New Hampshire school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fiduciary Funds

Fiduciary Funds are agency funds which account for resources held in a purely custodial capacity consisting of student activities and athletic activity funds. The District excludes certain activities from the government-wide financial statements because these funds cannot be used to finance its operations. However, in FY 20, the District adopted GASB Statement No. 84, which changed the way the District reports certain fiduciary funds. Accordingly, certain student activity funds have been included in the District's government-wide financial statements. This change resulted in a prior period adjustment, reported in Note 15.

Statement of Net Position

The two government-wide statements report the District's net position and how they have changed. Net position is the difference between the District's total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. Measuring net position is one way to measure the District's financial position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements are in Exhibits A and B of the annual financial report.

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. The notes to the basic financial statements begin on page 18 of the annual audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. This is where the schedule of the school district's proportionate share of net pension liability, schedule of school district contributions-pensions, schedule of the school district's proportionate share of net other postemployment benefits liability, schedule of school district contributions-other postemployment benefits and the schedule of changes in school district's total other postemployment benefits liability and related ratios benefit are presented. The required supplementary information can be found in the annual financial report.

Summary of Changes in Net Position Governmental Activities				
	<u>2021 Amount</u>	<u>2022 Amount</u>	<u>\$ Difference</u>	<u>% Difference</u>
Revenues:				
Program Revenue:				
Charges for Services	\$404,465	\$854,942	\$450,477	111.4%
Operating Grants and Contributions	4,638,531	7,043,476	2,404,945	51.8%
Capital Grants and Contributions	8,837,567	377,961	(8,459,606)	-95.7%
General Revenue:				
School District Assessment	38,141,751	38,344,344	202,593	0.5%
Unrestricted Grants	13,400,841	13,771,823	370,982	2.8%
Miscellaneous & Interest	851,617	589,862	(261,755)	-30.7%
Total Revenues	<u>\$66,274,772</u>	<u>\$60,982,408</u>	<u>(\$5,292,364)</u>	<u>-8.0%</u>
Expenses:				
Instruction	\$35,967,212	\$34,147,609	-\$1,819,603	-5.1%
Support Services:				
Student	5,632,907	5,649,571	16,664	0.3%
Instructional Staff	2,027,690	2,108,578	80,888	4.0%
General Administration	163,374	289,077	125,703	76.9%
Executive Administration	934,878	979,656	44,778	4.8%
School Administration	3,918,398	3,243,186	(675,212)	-17.2%
Business	1,126,397	1,026,755	(99,642)	-8.8%
Op. & Maintenance of Plant	6,434,164	5,638,570	(795,594)	-12.4%
Student Transportation	2,121,280	2,599,013	477,733	22.5%
Other	468,858	560,790	91,932	19.6%
Noninstructional Services	1,087,956	1,443,818	355,862	32.7%
Interest on Long-Term Debt	268,193	250,329	(17,864)	-6.7%
Total Expenses	<u>\$60,151,307</u>	<u>\$57,936,952</u>	<u>(\$2,214,355)</u>	<u>-3.7%</u>
Change in Net Position	6,123,465	3,045,456	(3,078,009)	50.3%
Net Position, beginning, as restated	<u>(10,727,132)</u>	<u>(4,588,587)</u>	<u>6,138,545</u>	<u>57.2%</u>
Net Position, ending	<u><u>(\$4,603,667)</u></u>	<u><u>(\$1,543,131)</u></u>	<u><u>\$3,060,536</u></u>	<u><u>66.5%</u></u>

Management Discussion and Analysis
Hudson School District

Net position of the District's governmental activities increased 66.5% or \$3,036,456 as of June 30, 2022. Although the Hudson School District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The District received \$60,982,408 from all sources of revenue. Sixty-three percent (\$38,344,344) of the District's revenue came from local taxes. Twenty-three percent (\$13,748,526) came from the state education tax and the state adequacy grant. Approximately twelve percent (\$7,453,754) came from various state and federal grants. The balance (\$1,435,804) was derived from other local revenues.

Financial Analysis of the District's Funds

As noted earlier, the Hudson School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Hudson School District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Hudson School District's financing requirements.

On June 30, 2022, the governmental funds of the Hudson School District reported a combined fund balance of \$7,210,583. Included in the total fund balance are fund balances in the General Fund, Special Revenue Funds and Construction Funds. The Special Revenue Funds include Grants and other Governmental Funds.

General Fund Budgetary Highlights:

The following are highlights from the FY2022 Financial Report as presented to the Hudson School Board in 2022 by the Business Administrator.

Estimated Fund Balance per Report:

Revenue Surplus:	591,705
Unexpended Balance of appropriations	<u>2,838,702</u>
2021-22 Budget Surplus	3,430,407
Decrease in nonspendable fund balance	9,818
Increase in committed fund balance	(225,000)
Audited Unassigned Fund Balance (to Offset Tax Rate):	3,215,224

Unanticipated Revenue is comprised of the following:

Unanticipated/(Deficit) of Revenue Budget

Current Appropriation	0
Other local sources:	
Tuition	153,191
Investment earnings	(13,798)
Student Activities	531
Miscellaneous	68,680
State sources:	
Adequacy Aid	(23)
Vocational Aid	347,310
Other State Aid	23,298

Management Discussion and Analysis
Hudson School District

Federal sources:

Medicaid	38,738
Other	(26,222)
Total Revenue	<u>591,705</u>

The District's full internal year-end financial report is on file in the office of the Finance Director for public review.

Capital Asset and Debt Administration

Capital Assets

The Hudson School District's investment in capital assets for its governmental activities as of June 30, 2022, totals \$46,722,934 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, athletic fields and facilities, and vehicles.

Additional information on the School District's capital assets can be found in Exhibit C-2 of the Basic Financial Statements contained in the annual financial report, and in Note 6 of the Notes to the Basic Financial Statements of the audit.

Long-term Debt

As of June 30, 2022, the Hudson School District had total bonded debt outstanding of \$7,023,195.

**Hudson School District Capital Assets
Governmental Activities
(Net of depreciation)**

	June 30, <u>2021</u>	June 30, <u>2022</u>	% Change <u>2021-2022</u>
Land	\$ 329,201	\$ 329,201	0.00%
Land Improvements	1,025,554	960,842	6.73%
Construction in progress	25,076,069	25,369,044	-1.15%
Buildings & Improvements	18,432,365	18,428,299	0.02%
Machinery, Vehicles & Equipment	1,354,216	1,634,277	-17.14%
Intangible Assets	1,271	1,271	0.00%
Total	<u>\$ 46,218,676</u>	<u>\$ 46,722,934</u>	<u>-1.08%</u>

At the end of FY 2022 the District had \$7,023,195 in General Obligation bonds outstanding, a decrease of 5.56% from last year as shown above.

New Hampshire general statutes limit the amount of general obligation debt that a school district can issue to 7 percent of the total assessed value of taxable property located within that town's boundaries. The total assessed valuation for Hudson, NH is \$4,768,015,119. The legal debt limit for the Hudson School District is \$333,761,058. The District has \$7,023,195 in outstanding debt as of June 30, 2022.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the District.

- According to the New Hampshire Economic and Labor Market Information Bureau, the Northeast Urban consumer price index for all consumers (not seasonally adjusted) for June 2022 was, 306.453 up from 284.741 the prior year, with minimal change for the corresponding month the previous year. During the same time, the national CPI increased from 271.696 to 296.311, an increase of 9.17%.
- Student enrollment has started to climb. The enrollment in April 2022 was 3,086 including 197 kindergarten students. The District began kindergarten with the start of the 2010 school year. It is projected that although enrollment for kindergarten will increase slightly, enrollment overall will remain steady.
- Health insurance rates continue to increase but less than neighboring districts. The number of employees selecting district health coverage also continues to increase. The increase in health coverage is increasing at a rate higher than salaries.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information regarding the District's annual financial report should be directed to the Business Administrator, 20 Library Street, Hudson, NH 03051.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
HUDSON SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,389,491
Other receivables	78,530
Intergovernmental receivable	3,195,299
Capital assets, not being depreciated	25,698,245
Capital assets, net of accumulated depreciation	<u>21,024,689</u>
Total assets	<u>57,386,254</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	9,900,596
Amounts related to other postemployment benefits	<u>1,955,499</u>
Total deferred outflows of resources	<u>11,856,095</u>
LIABILITIES	
Accounts payable	706,496
Accrued salaries and benefits payable	2,778,315
Intergovernmental payable	41,985
Contracts payable	432
Noncurrent obligations:	
Due within one year	500,645
Due in more than one year	<u>55,058,169</u>
Total liabilities	<u>59,086,042</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - donations	60,182
Amounts related to pensions	10,823,826
Amounts related to other postemployment benefits	<u>824,430</u>
Total deferred inflows of resources	<u>11,708,438</u>
NET POSITION	
Net investment in capital assets	39,380,830
Restricted	609,949
Unrestricted	<u>(41,542,910)</u>
Total net position	<u><u>\$ (1,552,131)</u></u>

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

EXHIBIT B
HUDSON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Change in
		Services	Contributions	Contributions	Net Position
Governmental activities:					
Instruction	\$ 34,147,609	\$ 618,981	\$ 4,073,013	\$ -	\$ (29,455,615)
Support services:					
Student	5,649,571	-	761,690	-	(4,887,881)
Instructional staff	2,108,578	-	294,928	-	(1,813,650)
General administration	289,077	-	-	-	(289,077)
Executive administration	979,656	-	42,734	-	(936,922)
School administration	3,243,186	-	-	-	(3,243,186)
Business	1,026,755	-	6,339	-	(1,020,416)
Operation and maintenance of plant	5,638,570	-	2,695	377,961	(5,257,914)
Student transportation	2,599,013	-	58,129	-	(2,540,884)
Other	560,790	-	91,939	-	(468,851)
Noninstructional services	1,443,818	226,961	1,712,009	-	495,152
Interest on long-term debt	250,329	-	-	-	(250,329)
Total governmental activities	<u>\$ 57,936,952</u>	<u>\$ 845,942</u>	<u>\$ 7,043,476</u>	<u>\$ 377,961</u>	<u>(49,669,573)</u>
General revenues:					
School district assessment					38,344,344
Grants and contributions not restricted to specific programs					13,771,823
Miscellaneous					589,862
Total general revenues					<u>52,706,029</u>
Change in net position					3,036,456
Net position, beginning, as restated (see Note 15)					<u>(4,588,587)</u>
Net position, ending					<u>\$ (1,552,131)</u>

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

EXHIBIT C-1
HUDSON SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2022

	General	Grants	Capital Project Vocational Technical Center	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,313,118	\$ -	\$ 289,810	\$ 786,563	\$ 7,389,491
Accounts receivable	40,307	-	-	38,223	78,530
Intergovernmental receivable	1,715,499	842,311	45,943	591,546	3,195,299
Interfund receivables	1,140,594	-	-	-	1,140,594
Prepaid items	134,673	-	-	-	134,673
Total assets	<u>\$ 9,344,191</u>	<u>\$ 842,311</u>	<u>\$ 335,753</u>	<u>\$ 1,416,332</u>	<u>\$ 11,938,587</u>
LIABILITIES					
Accounts payable	\$ 416,116	\$ 221,840	\$ -	\$ 68,540	\$ 706,496
Accrued salaries and benefits payable	2,778,315	-	-	-	2,778,315
Intergovernmental payable	41,985	-	-	-	41,985
Contracts payable	-	-	432	-	432
Interfund payable	-	620,471	481,900	38,223	1,140,594
Total liabilities	<u>3,236,416</u>	<u>842,311</u>	<u>482,332</u>	<u>106,763</u>	<u>4,667,822</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - donations	-	-	-	60,182	60,182
FUND BALANCES (DEFICIT)					
Nonspendable	134,673	-	-	-	134,673
Restricted	-	-	-	609,949	609,949
Committed	1,274,868	-	-	317,697	1,592,565
Assigned	1,483,010	-	-	321,741	1,804,751
Unassigned (deficit)	3,215,224	-	(146,579)	-	3,068,645
Total fund balances (deficit)	<u>6,107,775</u>	<u>-</u>	<u>(146,579)</u>	<u>1,249,387</u>	<u>7,210,583</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,344,191</u>	<u>\$ 842,311</u>	<u>\$ 335,753</u>	<u>\$ 1,416,332</u>	<u>\$ 11,938,587</u>

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

EXHIBIT C-2
HUDSON SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,210,583
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	\$ 78,861,148	
Less accumulated depreciation	<u>(32,138,214)</u>	
		46,722,934
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	\$ 9,900,596	
Deferred inflows of resources related to pensions	(10,823,826)	
Deferred outflows of resources related to OPEB	1,955,499	
Deferred inflows of resources related to OPEB	<u>(824,430)</u>	
		207,839
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (1,140,594)	
Payables	<u>1,140,594</u>	
		-
Repayment of long-term liabilities and related interest not due until subsequent year is recorded in the governmental funds as a prepaid item, but reduce the liability or is recognized as an expense on the government-wide financial statements.		(134,673)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 6,533,000	
Unamortized bond premium	490,195	
Note	318,909	
Compensated absences	2,232,220	
Net pension liability	34,547,145	
Other postemployment benefits	<u>11,437,345</u>	
		(55,558,814)
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,552,131)</u></u>

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

EXHIBIT C-3
HUDSON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	General	Grants	Capital Project Vocational Technical Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$38,344,344	\$ -	\$ -	\$ -	\$38,344,344
Other local	538,652	7,396	81,717	815,435	1,443,200
State	15,141,295	-	248,011	16,596	15,405,902
Federal	117,516	3,991,705	-	1,670,741	5,779,962
Total revenues	54,141,807	3,999,101	329,728	2,502,772	60,973,408
EXPENDITURES					
Current:					
Instruction	31,115,737	2,715,975	-	574,349	34,406,061
Support services:					
Student	5,026,228	761,690	-	-	5,787,918
Instructional staff	1,830,931	294,928	-	-	2,125,859
General administration	289,077	-	-	-	289,077
Executive administration	955,336	42,734	-	-	998,070
School administration	3,315,242	-	-	-	3,315,242
Business	1,035,653	6,339	-	-	1,041,992
Operation and maintenance of plant	6,022,781	2,695	-	-	6,025,476
Student transportation	2,540,884	58,129	-	-	2,599,013
Other	468,851	91,939	-	-	560,790
Noninstructional services	-	24,672	-	1,409,142	1,433,814
Debt service:					
Principal	385,000	-	-	-	385,000
Interest	288,982	-	-	-	288,982
Facilities acquisition and construction	557,077	-	292,975	-	850,052
Total expenditures	53,831,779	3,999,101	292,975	1,983,491	60,107,346
Excess of revenues over expenditures	310,028	-	36,753	519,281	866,062
OTHER FINANCING SOURCES					
Note issuance	404,170	-	-	-	404,170
Net change in fund balances	714,198	-	36,753	519,281	1,270,232
Fund balances (deficit), beginning, as restated (see Note 15)	5,393,577	-	(183,332)	730,106	5,940,351
Fund balances (deficit), ending	\$ 6,107,775	\$ -	\$ (146,579)	\$ 1,249,387	\$ 7,210,583

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

EXHIBIT C-4
HUDSON 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, 2022

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 1,270,232
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay exceeded depreciation expense expenditure in the current year, as follows:		
Capitalized capital outlay	\$ 1,694,813	
Depreciation expense	<u>(1,190,555)</u>	
		504,258
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.		
Issuance of note	\$ (404,170)	
Principal repayment of bond	385,000	
Amortization of bond premium	28,835	
Principal repayment of note	<u>85,261</u>	
		94,926
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.		
Change in compensated absences payable	\$ (22,352)	
Change in prepaid bond interest	9,818	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	1,726,536	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(546,962)</u>	
		1,167,040
Change in net position of governmental activities (Exhibit B)		<u>\$ 3,036,456</u>

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

EXHIBIT D-1
HUDSON 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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
School district assessment	\$ 38,344,344	\$ 38,344,344	\$ 38,344,344	\$ -
Other local	309,000	369,000	577,604	208,604
State	14,835,710	14,770,710	15,141,295	370,585
Federal	40,000	105,000	117,516	12,516
Total revenues	<u>53,529,054</u>	<u>53,589,054</u>	<u>54,180,759</u>	<u>591,705</u>
EXPENDITURES				
Current:				
Instruction	32,609,572	32,658,828	30,649,737	2,009,091
Support services:				
Student	5,225,722	5,228,193	5,040,682	187,511
Instructional staff	2,181,752	2,174,996	1,831,481	343,515
General administration	155,293	239,809	289,077	(49,268)
Executive administration	910,598	910,598	924,020	(13,422)
School administration	3,444,995	3,447,277	3,314,162	133,115
Business	1,214,757	1,175,588	1,033,653	141,935
Operation and maintenance of plant	5,726,497	5,725,128	5,923,708	(198,580)
Student transportation	2,553,706	2,553,706	2,549,569	4,137
Other	407,303	410,303	382,135	28,168
Noninstructional	200,000	-	-	-
Debt service:				
Principal	385,000	385,000	385,000	-
Interest	290,182	290,182	288,982	1,200
Facilities acquisition and construction	700,000	700,000	554,469	145,531
Total expenditures	<u>56,005,377</u>	<u>55,899,608</u>	<u>53,166,675</u>	<u>2,732,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,476,323)</u>	<u>(2,310,554)</u>	<u>1,014,084</u>	<u>3,324,638</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	-	-	-
Transfers out	-	(105,769)	-	105,769
Total other financing sources (uses)	<u>60,000</u>	<u>(105,769)</u>	<u>-</u>	<u>105,769</u>
Net change in fund balance	<u>\$ (2,416,323)</u>	<u>\$ (2,416,323)</u>	1,014,084	<u>\$ 3,430,407</u>
Decrease in nonspendable fund balance			9,818	
Increase in committed fund balance			(225,000)	
Unassigned fund balance, beginning			2,416,322	
Unassigned fund balance, ending			<u>\$ 3,215,224</u>	

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

EXHIBIT D-2
HUDSON SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Other local	\$ -	\$ 7,396	\$ 7,396	\$ -
Federal	2,104,059	3,991,705	3,991,705	-
Total revenues	2,104,059	3,999,101	3,999,101	-
EXPENDITURES				
Current:				
Instruction	2,104,059	2,715,975	2,715,975	-
Support services:				
Student	-	761,690	761,690	-
Instructional staff	-	294,928	294,928	-
Executive administration	-	42,734	42,734	-
Business	-	6,339	6,339	-
Operation and maintenance of plant	-	2,695	2,695	-
Student transportation	-	58,129	58,129	-
Other	-	91,939	91,939	-
Noninstructional services	-	24,672	24,672	-
Total expenditures	2,104,059	3,999,101	3,999,101	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

The financial statements of the Hudson School District, in Hudson, 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.

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. 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. 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: instruction, support services, noninstructional, debt services 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 or notes. Capital outlay includes expenditures for equipment, real property, or infrastructure.

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

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

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

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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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, 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 related student activity funds and expendable trust funds are consolidated in the general fund.

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

Vocational Technical Center Capital Project Fund – the vocational technical center capital project fund accounts for the activity pertaining to the construction/renovation of the Wilbur H. Palmer Vocational Center.

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

1-D Cash and Cash Equivalents

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

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

1-E Receivables

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

1-F 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. This amount is also equal to nonspendable fund balance at year-end.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-G Capital Assets

Capital assets are reported in the government-wide financial statements but are not reported in the fund 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:

Capital Asset Class:	Years
Land improvements	15-30
Buildings and building improvements	30
Machinery, equipment, and vehicles	7-15
Intangible assets	10

1-H Interfund Receivables and Payables

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

1-I 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, 2022.

1-J 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 that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. The District has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenue from donations arises when the related eligible expenditures will not be made until the subsequent period.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-K 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.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the School District utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the School District negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the School District engages with a single buyer or limited number of buyers without a public offering.

1-L Compensated Absences

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

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

1-M Defined Benefit Pension Plan

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

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

1-N Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-O 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, notes, 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 \$1,100,000. The maximum amount to be retained is \$1,115,966, which is 2.5% of the net district assessment, to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-P 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 the useful lives of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits 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.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general and grants funds, as well as the nonmajor funds (food service, Alvirne Farm, vocational center, and Alvirne Trustees). However, the School Board has voted and accepted the federal grants awarded to the District through the year so these amounts are reported as a final budget for the grants fund, which is also reported as a major 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 2022, \$2,416,323 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 54,180,759
Adjustments:	
Basis differences:	
Notes payable inception	404,170
GASB Statement No. 54:	
To record the net investment loss of the expendable trust funds	(133,798)
To record revenue of the blended district student activity funds	94,846
Per Exhibit C-3 (GAAP Basis)	<u>\$ 54,545,977</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 53,166,675
Adjustments:	
Basis differences:	
Encumbrances, beginning	522,695
Encumbrances, ending	(328,355)
Notes payable inception	404,170
GASB Statement No. 54:	
To record expenditures of the blended district student activity funds	66,594
Per Exhibit C-3 (GAAP basis)	<u>\$ 53,831,779</u>

HUDSON SCHOOL DISTRICT
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2-C Deficit Fund Balance

The capital project fund had a fund balance deficit of \$146,579 at June 30, 2022. This deficit is a result of the ongoing construction and renovation of the vocational center. The School District plans receive additional funding to cover this deficit in 2022-23.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The School District has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 87 and have determined that none of the agreements have met the requirements of the pronouncement.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by Federal Depository Insurance Corporation (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 \$7,389,491 and the bank balances totaled \$8,609,725. Petty cash totaled \$650.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Hudson Trustees of Trust Funds for the School District. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – PREPAID ITEMS

Prepaid items at June 30, 2022 consisted of the following:

	Governmental Activities	General Fund
Interest payment on long-term bonds	\$ -	\$ 134,673 *

*Not recognized on the full accrual basis of accounting.

HUDSON SCHOOL DISTRICT
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NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 329,201	\$ -	\$ 329,201
Construction in progress	25,076,069	292,975	25,369,044
Total capital assets not being depreciated	<u>25,405,270</u>	<u>292,975</u>	<u>25,698,245</u>
Being depreciated:			
Land improvements	1,340,640	-	1,340,640
Buildings and building improvements	47,565,934	836,122	48,402,056
Machinery, equipment, and vehicles	2,841,779	565,716	3,407,495
Intangible assets	12,712	-	12,712
Total capital assets being depreciated	<u>51,761,065</u>	<u>1,401,838</u>	<u>53,162,903</u>
Total capital assets	<u>77,166,335</u>	<u>1,694,813</u>	<u>78,861,148</u>
Less accumulated depreciation:			
Land improvements	(315,086)	(64,712)	(379,798)
Buildings and building improvements	(29,133,569)	(840,188)	(29,973,757)
Machinery, equipment, and vehicles	(1,487,563)	(285,655)	(1,773,218)
Intangible assets	(11,441)	-	(11,441)
Total accumulated depreciation	<u>(30,947,659)</u>	<u>(1,190,555)</u>	<u>(32,138,214)</u>
Net book value, capital assets being depreciated	<u>20,813,406</u>	<u>211,283</u>	<u>21,024,689</u>
Net book value, all capital assets	<u>\$ 46,218,676</u>	<u>\$ 504,258</u>	<u>\$ 46,722,934</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	\$ 1,126,206
Support services:	
Operation and maintenance of plant	24,391
Noninstructional services	39,958
Total depreciation expense	<u>\$ 1,190,555</u>

NOTE 7 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2022 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 620,471
General	Capital Project Fund	481,900
General	Nonmajor	38,223
		<u>\$ 1,140,594</u>

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2022 consist of amounts related to pensions totaling \$9,900,596 and amounts related to OPEB totaling \$1,955,499. For further discussion on these amounts, see Notes 10 and 11, respectively.

HUDSON SCHOOL DISTRICT
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Deferred inflows of resources at June 30, 2022 consist of the following:

	Governmental Activities	Nonmajor Governmental Funds
Donations collected in advance of eligible expenditures being made	\$ 60,182	\$ 60,182
Amounts related to pensions, see Note 10	10,823,826	-
Amounts related to OPEB, see Note 11	824,430	-
Total deferred inflows of resources	<u>\$11,708,438</u>	<u>\$ 60,182</u>

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Bond payable:						
Direct placement	\$ 6,918,000	\$ -	\$ (385,000)	\$ 6,533,000	\$ 385,000	\$ 6,148,000
Premium	519,030	-	(28,835)	490,195	28,835	461,360
Total bond payable	<u>7,437,030</u>	<u>-</u>	<u>(413,835)</u>	<u>7,023,195</u>	<u>413,835</u>	<u>6,609,360</u>
Note payable - direct borrowing	-	404,170	(85,261)	318,909	75,899	243,010
Compensated absences	2,209,868	22,352	-	2,232,220	10,911	2,221,309
Pension related liability	50,598,978	-	(16,051,833)	34,547,145	-	34,547,145
Net other postemployment benefits	11,369,651	67,694	-	11,437,345	-	11,437,345
Total long-term liabilities	<u>\$71,615,527</u>	<u>\$494,216</u>	<u>\$ (16,550,929)</u>	<u>\$55,558,814</u>	<u>\$ 500,645</u>	<u>\$ 55,058,169</u>

The long-term bond and note are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2022
Bond payable:					
Direct placement:					
Technical center improvements	\$ 7,685,800	2019	2039	3.05%	<u>\$ 6,533,000</u>
Note payable:					
Direct borrowing:					
Copiers - finance purchase	\$ 404,170	2021	2026	3.29%	<u>\$ 318,909</u>

The annual requirements to amortize the general obligation bond and note outstanding as of June 30, 2022, including interest payments, are as follows:

Fiscal Year Ending June 30,	Bond - Direct Placement			Note - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 385,000	\$ 134,674	\$ 519,674	\$ 75,899	\$ 10,492	\$ 86,391
2024	385,000	249,712	634,712	78,396	7,995	86,391
2025	385,000	230,077	615,077	80,975	5,416	86,391
2026	385,000	210,442	595,442	83,639	2,752	86,391
2027	385,000	190,807	575,807	-	-	-
2028-2032	1,923,000	682,856	2,605,856	-	-	-
2033-2037	1,925,000	334,112	2,259,112	-	-	-
2038-2039	760,000	41,038	801,038	-	-	-
Totals	<u>\$6,533,000</u>	<u>\$2,073,718</u>	<u>\$8,606,718</u>	<u>\$318,909</u>	<u>\$26,655</u>	<u>\$345,564</u>

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

HUDSON SCHOOL DISTRICT
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NOTE 10 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

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

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 2022, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$4,589,308, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the School District reported a liability of \$34,547,145 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the School District's proportion was 0.78% which was a decrease of 0.01% from its proportion measured as of June 30, 2020.

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For the year ended June 30, 2022, the School District recognized pension expense of \$2,862,539. At June 30, 2022, 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	\$ 735,664	\$ 800,096
Net difference between projected and actual investment earnings on pension plan investments	-	9,662,045
Changes in assumptions	3,608,254	-
Differences between expected and actual experience	967,370	361,685
Contributions subsequent to the measurement date	4,589,308	-
Total	<u>\$ 9,900,596</u>	<u>\$ 10,823,826</u>

The \$4,589,308 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, 2023. 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,	
2022	\$ (610,517)
2023	(799,447)
2024	(852,547)
2025	(3,250,027)
Thereafter	-
Totals	<u>\$ (5,512,538)</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2020, rolled forward to June 30, 2021, using the following assumptions:

Inflation:	2.0% per year
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

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Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$49,406,371	\$ 34,547,145	\$22,152,126

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A New Hampshire Retirement System (NHRS)

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

HUDSON SCHOOL DISTRICT
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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 2021 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 2021, 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 2022, the School District contributed 1.54% for teachers and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$318,079, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the School District reported a liability of \$2,953,748 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the School District's proportion was 0.74% which was a decrease of 0.01% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$128,702. At June 30, 2022, 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	\$ -	\$ 370
Net difference between projected and actual investment earnings on OPEB plan investments	-	36,898
Differences between expected and actual experience	-	616
Contributions subsequent to the measurement date	318,079	-
Total	<u>\$ 318,079</u>	<u>\$ 37,884</u>

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The \$318,079 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, 2023. 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,	
2022	\$ (9,426)
2023	(7,753)
2024	(8,690)
2025	(12,015)
Thereafter	-
Totals	<u>\$ (37,884)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2021. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% 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 Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	<u>100.00%</u>	

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2022

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$ 3,210,957	\$ 2,953,748	\$ 2,729,961

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

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

11-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time. The School District OPEB plan is not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

The total OPEB liability is based on the School District offering retirees post-employment healthcare insurance governed by RSA 100-A:50. The retirees pay 100% of the premium cost to participate and are included in the same pool as the active members. The inclusion of the retirees in the same pool effects the insurance rates of the active employees as the rates for the retirees are assumed to be higher due to the age consideration, thereby creating an implicit rate subsidy.

Funding Policy – The School District's funding policy for the implicit rate subsidy is a pay-as-you-go basis.

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 Health Care Coalition.

Employees Covered by Benefit Terms – At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	366
Total participants covered by OPEB plan	379

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Total OPEB Liability – The School District’s total OPEB liability of \$8,483,597 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020. The School District contracts with an outside actuary to complete the actuarial valuation and schedule of changes in the total OPEB liability. Detailed information can be found in the separately issued report through request of the School District business office.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$8,483,597 in the July 1, 2020, 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	2.16%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.50%
Ultimate Trend	4.04%
Year Ultimate Trend is Reached	2089
Salary Increases	2.00%

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

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

Changes in the Total OPEB Liability

	June 30,	
	2021	2022
Total OPEB liability beginning of year	\$ 5,887,894	\$ 8,096,924
Changes for the year:		
Service cost	517,934	529,121
Interest	163,494	171,503
Assumption changes and difference between actual and expected experience	1,834,915	-
Benefit payments	(307,313)	(313,951)
Total OPEB liability end of year	\$ 8,096,924	\$ 8,483,597

Sensitivity of the School District’s OPEB Liability to Changes in the Discount Rate – The July 1, 2020 actuarial valuation was prepared using a discount rate of 2.16%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$7,889,644 or by 7.00%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$9,085,198 or by 7.09%.

	Discount Rate		
	1% Decrease	Baseline 2.16%	1% Increase
Total OPEB Liability	\$ 9,085,198	\$ 8,483,597	\$ 7,889,644

Sensitivity of the School District’s OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2020 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$9,681,542 or by 14.12%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$7,451,468 or by 12.17%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	\$ 7,451,468	\$ 8,483,597	\$ 9,681,542

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the School District recognized OPEB expense of \$1,050,284. At June 30, 2022, 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	\$ 1,633,939	\$ 75,803
Differences between expected and actual experience	3,481	710,743
Total	<u>\$ 1,637,420</u>	<u>\$ 786,546</u>

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

Fiscal Year Ending June 30,	
2023	\$ 189,884
2024	47,315
2025	305,310
2026	308,365
2027	-
Thereafter	-
Totals	<u>\$ 850,874</u>

NOTE 12 - ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2022 are as follows:

Current:

Instruction:

Regular programs	\$ 3,925
Special programs	47,937
Vocational programs	1,000
Other	98
Total instruction	<u>52,960</u>

Support services:

Student	14,663
Instructional staff	70,594
Executive administration	95,802
School administration	152
Operation and maintenance of plant	63,833
Student transportation	8,685
Other	21,666
Total support services	<u>275,395</u>

Total encumbrances	<u>\$ 328,355</u>
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HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2022 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 46,722,934
Less:	
General obligation bond payable	(6,533,000)
Unamortized bond premium	(490,195)
Note payable	(318,909)
Total net investment in capital assets	<u>39,380,830</u>
Restricted net position:	
Food service	609,949
Unrestricted	<u>(41,542,910)</u>
Total net position	<u><u>\$ (1,552,131)</u></u>

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2022 consist of the following:

	General Fund	Capital Project Fund Vocational Technical Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 134,673	\$ -	\$ -	\$ 134,673
Restricted:				
Food service	-	-	609,949	609,949
Committed:				
Expendable trust	1,049,868	-	-	1,049,868
Voted from surplus	225,000	-	-	225,000
Alvirne Farm	-	-	48,179	48,179
Vocational center	-	-	236,314	236,314
Apprenticeship	-	-	33,204	33,204
Total committed fund balance	<u>1,274,868</u>	<u>-</u>	<u>317,697</u>	<u>1,592,565</u>
Assigned:				
Encumbrances	328,355	-	-	328,355
Student activities	54,655	-	321,741	376,396
Retained fund balance (RSA 198:4-bII)	1,100,000	-	-	1,100,000
Total assigned fund balance	<u>1,483,010</u>	<u>-</u>	<u>321,741</u>	<u>1,804,751</u>
Unassigned (deficit)	<u>3,215,224</u>	<u>(146,579)</u>	<u>-</u>	<u>3,068,645</u>
Total governmental fund balances	<u><u>\$ 6,107,775</u></u>	<u><u>\$ (146,579)</u></u>	<u><u>\$ 1,249,387</u></u>	<u><u>\$ 7,210,583</u></u>

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position/fund balance at July 1, 2021 was restated for the following:

	Government-wide Statements	Other Governmental Funds
To restate for student balances	\$ 15,080	\$ 15,080
Net position/fund balance, as previously reported	(4,603,667)	715,026
Net position/fund balance, as restated	<u>\$ (4,588,587)</u>	<u>\$ 730,106</u>

NOTE 16 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2021 to June 30, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the District's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2021-22 the School District paid \$195,424 and \$122,629, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 17 – 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 18 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES Act) in response to the economic downfall caused by the COVID-19 pandemic. This Act provided funding through the Coronavirus Relief Fund (CRF), the Education Stabilization Fund (ESF), and the American Rescue Plan Act (ARPA). On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law, which provided additional funding for the ESF programs.

The ESF provided funds to the School District through the Elementary and Secondary School Emergency Relief Fund (ESSER). The objective of ESSER is to provide local education agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation. This funding was awarded to the School District under the ESSER I, II, and III grants, with the School District expending \$2,236,214 of this funding in the fiscal year 2022 and must be used for activities to prevent, prepare and respond to the coronavirus.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through January 25, 2023, the date the June 30, 2022 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
HUDSON 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, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
School District's Proportion of the net pension liability	0.77%	0.76%	0.73%	0.75%	0.74%	0.80%	0.78%	0.79%	0.78%
Proportionate share of the net pension liability	\$ 33,016,983	\$28,543,948	\$ 28,999,502	\$ 39,657,547	\$ 36,515,756	\$ 38,409,155	\$37,498,614	\$ 50,598,978	\$34,547,145
Covered payroll (as of measurement date)	\$ 21,414,546	\$20,257,696	\$ 21,099,057	\$ 21,070,322	\$ 22,076,550	\$ 22,970,505	\$23,087,257	\$ 23,087,257	\$24,127,691
Proportionate share of the net pension liability as a percentage of its covered payroll	154.18%	140.90%	137.44%	188.22%	165.41%	167.21%	162.42%	219.16%	143.18%
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%	58.72%	72.22%

EXHIBIT F
HUDSON 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, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 1,907,575	\$ 2,467,059	\$ 2,455,868	\$ 2,670,481	\$ 2,720,074	\$ 3,371,390	\$ 3,391,496	\$ 3,581,496	\$ 4,589,308
Contributions in relation to the contractually required contributions	<u>1,907,575</u>	<u>2,467,059</u>	<u>2,455,868</u>	<u>2,670,481</u>	<u>2,720,074</u>	<u>3,371,390</u>	<u>3,391,496</u>	<u>3,581,496</u>	<u>4,589,308</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll (as of fiscal year end)	<u>\$ 21,414,546</u>	<u>\$ 20,257,696</u>	<u>\$ 21,099,057</u>	<u>\$ 21,070,322</u>	<u>\$ 22,076,550</u>	<u>\$ 22,970,505</u>	<u>\$ 23,087,257</u>	<u>\$ 24,127,691</u>	<u>\$ 25,252,931</u>
Contributions as a percentag of covered payroll	8.91%	12.18%	11.64%	12.67%	12.32%	14.68%	14.69%	15.51%	18.17%

HUDSON SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2022. 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.

EXHIBIT G
HUDSON 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, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
School District's proportion of the net OPEB liability	0.90%	0.89%	0.71%	0.69%	0.75%	0.74%
School District's proportionate share of the net OPEB liability (asset)	\$ 4,339,259	\$ 4,059,818	\$ 3,230,902	\$ 3,024,585	\$ 3,272,727	\$ 2,953,748
School District's covered payroll (as of measurement date)	\$21,070,322	\$22,076,550	\$22,970,505	\$23,087,257	\$23,087,257	\$24,127,691
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.59%	18.39%	14.07%	13.10%	14.18%	12.24%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

EXHIBIT H
HUDSON 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, 2022

Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 520,832	\$ 526,264	\$ 312,141	\$ 314,841	\$ 354,458	\$ 318,079
Contributions in relation to the contractually required contribution	520,832	526,264	312,141	314,841	354,458	318,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of fiscal year end)	\$ 21,070,322	\$ 22,076,550	\$ 22,970,505	\$ 23,087,257	\$ 24,127,691	\$ 25,252,931
Contributions as a percentage of covered payroll	2.47%	2.38%	1.36%	1.36%	1.54%	1.26%

EXHIBIT I
HUDSON 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, 2022

Unaudited

	June 30,					
	2017	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 5,924,019	\$ 6,216,880	\$ 6,486,024	\$ 5,534,758	\$ 5,887,894	\$ 8,096,924
Changes for the year:						
Service cost	468,157	477,519	360,595	373,216	517,934	529,121
Interest	166,208	174,645	178,402	189,913	163,494	171,503
Assumption changes and difference between actual and expected experience	(157,209)	(205,046)	(1,287,371)	-	1,834,915	-
Benefit payments	(184,295)	(177,974)	(202,892)	(209,993)	(307,313)	(313,951)
OPEB liability, end of year	<u>\$ 6,216,880</u>	<u>\$ 6,486,024</u>	<u>\$ 5,534,758</u>	<u>\$ 5,887,894</u>	<u>\$ 8,096,924</u>	<u>\$ 8,483,597</u>
Covered payroll	<u>\$ 18,852,561</u>	<u>\$ 19,229,612</u>	<u>\$ 19,750,099</u>	<u>\$ 20,145,101</u>	<u>\$ 20,135,104</u>	<u>\$ 20,537,806</u>
Total OPEB liability as a percentage of covered payroll	32.98%	33.73%	28.02%	29.23%	40.21%	41.31%

HUDSON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2022. 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.

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2022. 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
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 38,344,344	\$ 38,344,344	\$ -
Other local sources:			
Tuition	185,000	338,191	153,191
Investment earnings	20,000	6,202	(13,798)
Student activities	39,000	39,531	531
Miscellaneous	125,000	193,680	68,680
Total from other local sources	369,000	577,604	208,604
State sources:			
Adequacy aid (grant)	7,454,243	7,454,220	(23)
Adequacy aid (tax)	6,294,306	6,294,306	-
School building aid	129,950	129,950	-
Kindergarten aid	328,227	328,227	-
Special education aid	333,984	333,985	1
Vocational aid	230,000	577,310	347,310
Other state aid	-	23,297	23,297
Total from state sources	14,770,710	15,141,295	370,585
Federal sources:			
Medicaid	40,000	78,738	38,738
Air Force JROTC	65,000	38,778	(26,222)
Total from federal sources	105,000	117,516	12,516
Total revenues	53,589,054	\$ 54,180,759	\$ 591,705
Use of fund balance to reduce school district assessment	2,416,323		
Total revenues and use of fund balance	\$ 56,005,377		

SCHEDULE 2
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 165	\$ 21,539,808	\$ 20,159,754	\$ 3,925	\$ 1,376,294
Special programs	19,033	8,512,245	7,852,619	47,937	630,722
Vocational programs	11,406	1,822,943	1,880,817	1,000	(47,468)
Other programs	17,592	783,832	751,783	98	49,543
Total instruction	<u>48,196</u>	<u>32,658,828</u>	<u>30,644,973</u>	<u>52,960</u>	<u>2,009,091</u>
Support services:					
Student	209	5,228,193	5,026,228	14,663	187,511
Instructional staff	70,044	2,174,996	1,830,931	70,594	343,515
General administration	-	239,809	289,077	-	(49,268)
Executive administration	127,118	910,598	955,336	95,802	(13,422)
School administration	1,232	3,447,277	3,315,242	152	133,115
Business	2,000	1,175,588	1,035,653	-	141,935
Operation and maintenance of plant	162,906	5,725,128	6,022,781	63,833	(198,580)
Student transportation	-	2,553,706	2,540,884	8,685	4,137
Other	108,382	410,303	468,851	21,666	28,168
Total support services	<u>471,891</u>	<u>21,865,598</u>	<u>21,484,983</u>	<u>275,395</u>	<u>577,111</u>
Debt service:					
Principal of long-term debt	-	385,000	385,000	-	-
Interest on long-term debt	-	290,182	288,982	-	1,200
Total debt service	<u>-</u>	<u>675,182</u>	<u>673,982</u>	<u>-</u>	<u>1,200</u>
Facilities acquisition and construction	<u>2,608</u>	<u>700,000</u>	<u>557,077</u>	<u>-</u>	<u>145,531</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>105,769</u>	<u>-</u>	<u>-</u>	<u>105,769</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 522,695</u>	<u>\$ 56,005,377</u>	<u>\$ 53,361,015</u>	<u>\$ 328,355</u>	<u>\$ 2,838,702</u>

SCHEDULE 3
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

Unassigned fund balance, beginning		\$ 2,416,322
Changes:		
Unassigned fund balance used to reduce school district assessment		(2,416,323)
2021-2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 591,705	
Unexpended balance of appropriations (Schedule 2)	<u>2,838,702</u>	
2021-2022 Budget surplus		3,430,407
Decrease in nonspendable fund balance		9,818
Increase in committed fund balance		<u>(225,000)</u>
Unassigned fund balance, ending		<u>\$ 3,215,224</u>

SCHEDULE 4
HUDSON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds						
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	Apprenticeship	Student Activities	Total
ASSETS							
Cash and cash equivalents	\$ 120,712	\$ 55,970	\$ 250,886	\$ -	\$ 37,254	\$ 321,741	\$ 786,563
Accounts receivable	-	-	-	38,223	-	-	38,223
Intergovernmental receivable	591,546	-	-	-	-	-	591,546
Total assets	<u>\$ 712,258</u>	<u>\$ 55,970</u>	<u>\$ 250,886</u>	<u>\$ 38,223</u>	<u>\$ 37,254</u>	<u>\$ 321,741</u>	<u>\$ 1,416,332</u>
LIABILITIES							
Accounts payable	\$ 46,177	\$ 7,791	\$ 14,572	\$ -	\$ -	\$ -	\$ 68,540
Interfund payable	-	-	-	38,223	-	-	38,223
Total liabilities	<u>46,177</u>	<u>7,791</u>	<u>14,572</u>	<u>38,223</u>	<u>-</u>	<u>-</u>	<u>106,763</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - donations	<u>56,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,050</u>	<u>-</u>	<u>60,182</u>
FUND BALANCES							
Restricted	609,949	-	-	-	-	-	609,949
Committed	-	48,179	236,314	-	33,204	-	317,697
Assigned	-	-	-	-	-	321,741	321,741
Total fund balances	<u>609,949</u>	<u>48,179</u>	<u>236,314</u>	<u>-</u>	<u>33,204</u>	<u>321,741</u>	<u>1,249,387</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 712,258</u>	<u>\$ 55,970</u>	<u>\$ 250,886</u>	<u>\$ 38,223</u>	<u>\$ 37,254</u>	<u>\$ 321,741</u>	<u>\$ 1,416,332</u>

SCHEDULE 5
HUDSON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds						
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	Apprenticeship	Student Activities	Total
REVENUES							
Local	\$ 227,051	\$ 126,675	\$ 26,096	\$ 60,504	\$ 94,319	\$ 280,790	\$ 815,435
State	16,596	-	-	-	-	-	16,596
Federal	1,670,741	-	-	-	-	-	1,670,741
Total revenues	1,914,388	126,675	26,096	60,504	94,319	280,790	2,502,772
EXPENDITURES							
Current:							
Instruction	-	130,750	54,803	60,504	61,115	267,177	574,349
Noninstructional services	1,409,142	-	-	-	-	-	1,409,142
Total expenditures	1,409,142	130,750	54,803	60,504	61,115	267,177	1,983,491
Net change in fund balances	505,246	(4,075)	(28,707)	-	33,204	13,613	519,281
Fund balances, beginning, as restated (see Note 15)	104,703	52,254	265,021	-	-	308,128	730,106
Fund balances, ending	\$ 609,949	\$ 48,179	\$ 236,314	\$ -	\$ 33,204	\$ 321,741	\$ 1,249,387

SCHEDULE 6
HUDSON SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2022

	Student Activity Funds					Total
	Hills Garrison	Nottingham West	Hudson Memorial	Alvirne High	Early Learning Center	
ASSETS						
Cash and cash equivalents	\$ 25,191	\$ 36,019	\$ 59,984	\$ 197,619	\$ 2,928	\$ 321,741
FUND BALANCES						
Assigned	\$ 25,191	\$ 36,019	\$ 59,984	\$ 197,619	\$ 2,928	\$ 321,741

SCHEDULE 7
HUDSON SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Student Activity Funds					
	Hills Garrison	Nottingham West	Hudson Memorial	Alvirne High	Early Learning Center	Total
REVENUES						
Other local	\$ 9,101	\$ 26,222	\$ 54,054	\$ 189,956	\$ 1,457	\$ 280,790
EXPENDITURES						
Current:						
Instruction	11,698	29,011	60,096	163,819	2,553	267,177
Net change in fund balances	(2,597)	(2,789)	(6,042)	26,137	(1,096)	13,613
Fund balances, beginning	27,788	38,808	66,026	171,482	4,024	308,128
Fund balances, ending	<u>\$ 25,191</u>	<u>\$ 36,019</u>	<u>\$ 59,984</u>	<u>\$ 197,619</u>	<u>\$ 2,928</u>	<u>\$ 321,741</u>

***INDEPENDENT AUDITOR'S REPORTS AND
SINGLE AUDIT ACT SCHEDULES***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hudson School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hudson School District's basic financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

***Hudson School District
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards***

Purpose of This Report

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

Sheryl A. Platt, CPA

January 25, 2023
Concord, New Hampshire

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hudson School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hudson School District's major federal programs for the year ended June 30, 2022. The Hudson School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hudson School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hudson School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hudson School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hudson School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hudson School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions

Hudson School District

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hudson School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hudson School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hudson School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hudson School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Sheryl A. Platt, CPA

January 25, 2023
Concord, New Hampshire

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SCHEDULE I
HUDSON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X no

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.425	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
HUDSON SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 289,053
National School Lunch Program	10.555	N/A	-	1,332,637
<i>CLUSTER TOTAL</i>			-	1,621,690
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies: Title I, Part A	84.010	20220141	-	214,850
<i>PROGRAM TOTAL</i>			-	214,850
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	92599	-	5,215
IDEA	84.027	202604	-	18,367
IDEA	84.027	20210832	-	71,881
IDEA	84.027	20220015	-	720,358
ARP IDEA	84.027X	20220497	-	2,067
Special Education - Preschool Grants:				
Preschool - 2019	84.173	92599	-	6,879
Preschool - 2022	84.173	20220015	-	14,513
<i>CLUSTER TOTAL</i>			-	839,280
Career and Technical Education - Basic Grants to States:				
Perkins V Program Improvement	84.048	20210826	-	13,677
Perkins Reserve Innovation	84.048	20211193	-	1,237
Perkins V Program Improvement	84.048	20220047	-	100,537
<i>PROGRAM TOTAL</i>			-	115,451
Supporting Effective Instruction State Grants:				
Title II Part A	84.367	20200184	-	11,637
Title II Part A	84.367	20211257	-	116,435
Title II Part A	84.367	20220593	-	55,365
<i>PROGRAM TOTAL</i>			-	183,437
Student Support and Academic Enrichment Program:				
Title IV A	84.424	20200277	-	9,435
Title IV A	84.424	20211183	-	22,206
<i>PROGRAM TOTAL</i>			-	31,641
English Language Acquisition Grants:				
Title III	84.365	20200736	-	14,916
Passed Through the Milford School District, New Hampshire				
Title III	84.365	20211146	-	770
<i>PROGRAM TOTAL</i>			-	15,686

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
HUDSON SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
COVID-19 - Education Stabilization Fund:				
ESSER I	84.425D	20200796	-	2,912
ESSER II	84.425D	20211573	-	816,487
ESSER III	84.425U	20220411	-	1,416,815
<i>PROGRAM TOTAL</i>			-	2,236,214
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the State of New Hampshire Department of Education				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:				
Project Aware 2.0	93.243	20211198	-	125,014
Project Aware 2.0	93.243	20220413	-	230,135
<i>PROGRAM TOTAL</i>			-	355,149
DIRECT FUNDING				
U.S. DEPARTMENT OF DEFENSE				
Air Force JROTC	12.UNKNOWN	N/A	-	38,778
Total Expenditures of Federal Awards			\$ -	\$ 5,652,176

The accompanying notes are an integral part of this schedule.

HUDSON SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Hudson School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hudson School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hudson School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2022 the value of food donations received was \$108,765.