

HUDSON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

HUDSON SCHOOL DISTRICT
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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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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 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, 2023, and the related notes to the financial statements, which collectively comprise the Hudson School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hudson School District, as of June 30, 2023, 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 (GAAS) 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in the year ending June 30, 2023, the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Hudson School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

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 GAAS 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.

In performing an audit in accordance with GAAS, 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 Hudson'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.

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 is the responsibility of management and, 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 and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

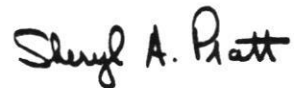
The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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

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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson School District's internal control over financial reporting and compliance.



February 14, 2024
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

**Management's Discussion and Analysis
For the Period Ending
June 30, 2023**

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, 2023. 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, 2023, was (\$746,225). The total net position consisted of \$38,267,981 in the net investment in capital assets, a restricted net position of \$655,749 and an unrestricted net position balance of (\$39,669,955).

Hudson School District Governmental Activities Summary of Net Position Two-Year Comparison				
	2023	2022	Change 2022-2023	% Change 2022-2023
Assets				
Current Assets	\$ 10,094,467	\$ 10,663,320	\$ (568,853)	-5.33%
Capital Assets	45,120,351	46,722,934	(1,602,583)	-3.43%
Total assets	55,214,818	57,386,254	(2,171,436)	-3.78%
Deferred Outflows of Resources	12,011,989	11,856,095	155,894	1.31%
Liabilities				
Other Liabilities	2,305,770	3,527,228	(1,221,458)	-34.63%
Long Term Liabilities	60,420,326	55,558,814	4,861,512	8.75%
Total Liabilities	62,726,096	59,086,042	3,640,054	6.16%
Deferred Inflows of Resources	5,246,936	11,708,438	(6,461,502)	-55.19%
Net Position				
Net Investment in Capital Assets	38,267,981	39,380,830	(1,112,849)	-2.83%
Restricted Net Position	655,749	609,949	45,800	7.51%
Unrestricted Net Position	(39,669,955)	(41,542,910)	1,872,955	4.51%
Total Net Position	\$ (746,225)	\$ (1,552,131)	\$ 805,906	-51.92%

- The District's total liabilities of \$62,726,096 consisted primarily of long-term liabilities including bonds and notes \$6,852,370, compensated absences \$1,481,364, net pension liability \$45,464,504 and estimated other postemployment benefits of \$6,622,088. 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 \$60,930,157 with \$35,345,281 (58%) expended for instruction.

Management Discussion and Analysis

Hudson School District

- Total revenues were \$61,736,063 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 64.0% of the District's revenue.
- The fiscal year end balances for the governmental funds as of June 30, 2023, were categorized as follows:
 - **Restricted**= \$655,749 (Food Service)
 - **Committed**= \$2,462,371
 - Expendable Trusts: \$1,287,588
 - Voted Appropriations: \$863,550
 - Alvirne Farm: \$41,712
 - Career & Tech Ed: \$210,258
 - Apprenticeship: \$59,263
 - **Assigned**= \$2,607,102 (Encumbrance for amounts owed for purchased services, student activity funds and reserve for contingency)
 - **Unassigned**= \$2,120,231

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

Management Discussion and Analysis Hudson School District

accounts for all New Hampshire school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 position 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 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.

Management Discussion and Analysis
Hudson School District

Hudson School District
Governmental Activities
Statement of Activities
Two Year Comparison

	June 30, 2023	June 30, 2022	Change	Change in %
Revenues				
Program Revenue				
Charges for Services	\$ 2,081,127	\$ 845,942	\$ 1,235,185	146.01%
Operating Grants & Contributions	5,799,091	7,043,476	(1,244,385)	-17.67%
Capital Grants & Contributions	153,429	377,961	(224,532)	-59.41%
General Revenue				
School District Assessment	39,493,094	38,344,344	1,148,750	3.00%
Unrestricted Grants and Contributions	13,715,565	13,771,823	(56,258)	-0.41%
Miscellaneous	493,757	589,862	(96,105)	-16.29%
Total Revenues	<u>61,736,063</u>	<u>60,973,408</u>	<u>762,655</u>	<u>1.25%</u>
Program Expenses				
Instruction	35,345,281	34,147,609	1,197,672	3.51%
Support Services:				
Student	5,459,739	5,649,571	(189,832)	-3.36%
Instructional Staff	2,441,508	2,108,578	332,930	15.79%
General Administration	332,360	289,077	43,283	14.97%
Executive Administration	967,432	979,656	(12,224)	-1.25%
School Administration	3,333,080	3,243,186	89,894	2.77%
Business	981,616	1,026,755	(45,139)	-4.40%
Operation and Maintenance of Plant	7,202,636	5,638,570	1,564,066	27.74%
Student Transportation	2,601,745	2,599,013	2,732	0.11%
Other	528,285	560,790	(32,505)	-5.80%
Noninstructional Services	1,506,806	1,443,818	62,988	4.36%
Interest on Long-Term Debt	229,669	250,329	(20,660)	-8.25%
Total Expenses	<u>60,930,157</u>	<u>57,936,952</u>	<u>2,993,205</u>	<u>5.17%</u>
Change in Net Position	805,906	3,036,456	(2,230,550)	73.46%
Net Position, beginning	(1,552,131)	(4,588,587)	3,036,456	66.17%
Net Position, ending	<u>\$ (746,225)</u>	<u>\$ (1,552,131)</u>	<u>\$ 805,906</u>	<u>51.92%</u>

Net position of the District's governmental activities increased 51.92% or \$805,906 as of June 30, 2023. 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 \$61,736,063 from all sources of revenue. Sixty-four percent (\$39,493,094) of the District's revenue came from local taxes. Twenty-four percent (\$14,772,571) came from the state education tax, the state adequacy grant, and other state aid. Approximately seven percent (\$4,895,514) came from various state and federal grants. The balance (\$2,574,884) was derived from other local revenues.

Management Discussion and Analysis
Hudson School District

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, 2023, the governmental funds of the Hudson School District reported a combined fund balance of \$7,845,453. 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.

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, 2023, totals \$45,120,351 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, athletic fields and facilities, and vehicles.

Governmental Activities Capital Assets Two Year Comparison				
	Governmental Activities		Increase	% Increase
	2023	2022	(Decrease)	(Decrease)
Land	\$ 329,201	\$ 329,201	\$ -	0.00%
Construction in Progress	193,298	25,369,044	(25,175,746)	-99.24%
Land Improvements	1,340,640	1,340,640	-	0.00%
Building & Building Improvements	73,830,195	48,402,056	25,428,139	52.54%
Machinery, Equipment & Vehicles	3,580,715	3,407,495	173,220	5.08%
Intangible assets	12,712	12,712	-	0.00%
Total Historical Costs	79,286,761	78,861,148	425,613	0.54%
Total Accumulated Depreciation	(34,166,410)	(32,138,214)	(2,028,196)	6.31%
Net Capital Assets	<u>\$ 45,120,351</u>	<u>\$ 46,722,934</u>	<u>\$ (1,602,583)</u>	<u>-3.43%</u>

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 5 of the Notes to the Basic Financial Statements of the audit.

Long-term Debt

As of June 30, 2023, the Hudson School District had total bonded debt outstanding of \$6,609,360.

Management Discussion and Analysis

Hudson School District

Governmental Activities Long Term Debt Two Year Comparison				
	Governmental Activities		Increase	% Increase
	2023	2022	(Decrease)	(Decrease)
General Obligation Bond and Premium	\$ 6,609,360	\$ 7,023,195	\$ (413,835)	-5.89%
Note Payable	243,010	318,909	(75,899)	-23.80%
Compensated Absences	1,481,364	2,232,220	(750,856)	-33.64%
Other Postemployment Benefits	6,622,088	11,437,345	(4,815,257)	-42.10%
Net Pension Liability	45,464,504	34,547,145	10,917,359	31.60%
Total Long Term Debt	<u>\$ 60,420,326</u>	<u>\$ 55,558,814</u>	<u>\$ 4,861,512</u>	<u>8.75%</u>

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 \$4,928,386,656. The legal debt limit for the Hudson School District is \$344,987,066. The District has \$6,609,360 in outstanding debt as of June 30, 2023.

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 2023 was, 313.329 up from 306.453 the prior year, with minimal change for the corresponding month the previous year. During the same time, the national CPI increased from 296.311 to 305.109, an increase of 3.0%.
- Student enrollment continues to slide. Enrollment at the start of 2023-2024 was 3,017 including 196 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, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,230,415
Intergovernmental receivable	2,864,052
Capital assets, not being depreciated	522,499
Capital assets, net of accumulated depreciation	44,597,852
Total assets	<u>55,214,818</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	10,457,641
Amounts related to other postemployment benefits	1,554,348
Total deferred outflows of resources	<u>12,011,989</u>
LIABILITIES	
Accounts payable	377,265
Accrued salaries and benefits payable	1,711,456
Accrued interest payable	123,830
Contracts payable	77,978
Retainage payable	15,241
Noncurrent obligations:	
Due within one year	908,442
Due in more than one year	59,511,884
Total liabilities	<u>62,726,096</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - donations	67,074
Amounts related to pensions	673,887
Amounts related to other postemployment benefits	4,505,975
Total deferred inflows of resources	<u>5,246,936</u>
NET POSITION	
Net investment in capital assets	38,267,981
Restricted	655,749
Unrestricted	<u>(39,669,955)</u>
Total net position	<u>\$ (746,225)</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, 2023

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
Governmental activities:					
Instruction	\$ 35,345,281	\$ 1,091,702	\$ 3,832,622	\$ -	\$ (30,420,957)
Support services:					
Student	5,459,739	-	544,721	-	(4,915,018)
Instructional staff	2,441,508	-	516,153	-	(1,925,355)
General administration	332,360	-	-	-	(332,360)
Executive administration	967,432	-	24,457	-	(942,975)
School administration	3,333,080	-	-	-	(3,333,080)
Business	981,616	-	4,314	-	(977,302)
Operation and maintenance of plant	7,202,636	23,930	-	153,429	(7,025,277)
Student transportation	2,601,745	-	75,417	-	(2,526,328)
Other	528,285	-	102,125	-	(426,160)
Noninstructional services	1,506,806	965,495	699,282	-	157,971
Interest on long-term debt	229,669	-	-	-	(229,669)
Total governmental activities	<u>\$ 60,930,157</u>	<u>\$ 2,081,127</u>	<u>\$ 5,799,091</u>	<u>\$ 153,429</u>	<u>(52,896,510)</u>
General revenues:					
School district assessment					39,493,094
Grants and contributions not restricted to specific programs					13,715,565
Interest					240,175
Miscellaneous					253,582
Total general revenues					<u>53,702,416</u>
Change in net position					805,906
Net position, beginning					<u>(1,552,131)</u>
Net position, ending					<u>\$ (746,225)</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, 2023

	General	Grants	Capital Project Vocational Technical Center	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,714,307	\$ -	\$ 223,968	\$ 1,292,140	\$ 7,230,415
Intergovernmental receivable	2,010,718	612,061	153,429	87,844	2,864,052
Interfund receivables	1,085,410	-	-	-	1,085,410
Total assets	<u>\$ 8,810,435</u>	<u>\$ 612,061</u>	<u>\$ 377,397</u>	<u>\$ 1,379,984</u>	<u>\$ 11,179,877</u>
LIABILITIES					
Accounts payable	\$ 342,794	\$ 2,566	\$ -	\$ 31,905	\$ 377,265
Accrued salaries and benefits payable	1,705,471	5,985	-	-	1,711,456
Contracts payable	-	-	77,978	-	77,978
Interfund payable	-	603,510	481,900	-	1,085,410
Retainage payable	-	-	15,241	-	15,241
Total liabilities	<u>2,048,265</u>	<u>612,061</u>	<u>575,119</u>	<u>31,905</u>	<u>3,267,350</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - donations	-	-	-	67,074	67,074
FUND BALANCES (DEFICIT)					
Restricted	-	-	-	655,749	655,749
Committed	2,151,138	-	-	311,233	2,462,371
Assigned	2,293,079	-	-	314,023	2,607,102
Unassigned (deficit)	2,317,953	-	(197,722)	-	2,120,231
Total fund balances (deficit)	<u>6,762,170</u>	<u>-</u>	<u>(197,722)</u>	<u>1,281,005</u>	<u>7,845,453</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,810,435</u>	<u>\$ 612,061</u>	<u>\$ 377,397</u>	<u>\$ 1,379,984</u>	<u>\$ 11,179,877</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, 2023

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,845,453
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	\$ 79,286,761	
Less accumulated depreciation	<u>(34,166,410)</u>	
		45,120,351
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	\$ 10,457,641	
Deferred inflows of resources related to pensions	(673,887)	
Deferred outflows of resources related to OPEB	1,554,348	
Deferred inflows of resources related to OPEB	<u>(4,505,975)</u>	
		6,832,127
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (1,085,410)	
Payables	<u>1,085,410</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(123,830)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 6,148,000	
Unamortized bond premium	461,360	
Note	243,010	
Compensated absences	1,481,364	
Net pension liability	45,464,504	
Other postemployment benefits	<u>6,622,088</u>	
		(60,420,326)
Net position of governmental activities (Exhibit A)		<u><u>\$ (746,225)</u></u>

EXHIBIT C-3
HUDSON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	General	Grants	Capital Project Vocational Technical Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 39,493,094	\$ -	\$ -	\$ -	\$ 39,493,094
Other local	914,341	-	-	1,749,388	2,663,729
State	14,772,571	-	153,429	18,155	14,944,155
Federal	20,469	3,953,833	-	660,783	4,635,085
Total revenues	55,200,475	3,953,833	153,429	2,428,326	61,736,063
EXPENDITURES					
Current:					
Instruction	31,790,368	2,666,302	-	852,007	35,308,677
Support services:					
Student	5,048,140	544,721	-	-	5,592,861
Instructional staff	1,954,289	516,153	-	-	2,470,442
General administration	332,360	-	-	-	332,360
Executive administration	934,810	24,457	-	-	959,267
School administration	3,478,009	-	-	-	3,478,009
Business	986,525	4,314	-	-	990,839
Operation and maintenance of plant	5,957,682	-	-	23,930	5,981,612
Student transportation	2,552,124	75,417	-	-	2,627,541
Other	431,726	102,125	-	-	533,851
Noninstructional services	-	20,344	-	1,520,771	1,541,115
Debt service:					
Principal	385,000	-	-	-	385,000
Interest	269,347	-	-	-	269,347
Facilities acquisition and construction	425,700	-	204,572	-	630,272
Total expenditures	54,546,080	3,953,833	204,572	2,396,708	61,101,193
Net change in fund balances	654,395	-	(51,143)	31,618	634,870
Fund balances (deficit), beginning	6,107,775	-	(146,579)	1,249,387	7,210,583
Fund balances (deficit), ending	\$ 6,762,170	\$ -	\$ (197,722)	\$ 1,281,005	\$ 7,845,453

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, 2023

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 634,870
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 425,613	
Depreciation expense	<u>(2,028,196)</u>	
		(1,602,583)
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.		
Principal repayment of bond	\$ 385,000	
Amortization of bond premium	28,835	
Principal repayment of note	<u>75,899</u>	
		489,734
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in compensated absences payable	\$ 750,856	
Decrease in prepaid bond interest	134,673	
Increase in accrued interest payable	(123,830)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(210,375)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>856,391</u>	
		1,283,885
Change in net position of governmental activities (Exhibit B)		<u>\$ 805,906</u>

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, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
School district assessment	\$ 39,493,094	\$ 39,493,094	\$ 39,493,094	\$ -
Other local	389,001	449,001	702,040	253,039
State	14,246,927	14,246,927	14,772,571	525,644
Federal	40,000	40,000	20,469	(19,531)
Total revenues	<u>54,169,022</u>	<u>54,229,022</u>	<u>54,988,174</u>	<u>759,152</u>
EXPENDITURES				
Current:				
Instruction	33,015,456	33,426,556	32,255,644	1,170,912
Support services:				
Student	5,732,143	5,409,941	5,050,243	359,698
Instructional staff	2,523,186	2,205,809	1,884,629	321,180
General administration	155,793	156,393	335,335	(178,942)
Executive administration	969,228	979,121	840,516	138,605
School administration	3,535,822	3,561,320	3,480,694	80,626
Business	1,113,553	1,113,048	986,698	126,350
Operation and maintenance of plant	5,531,388	6,019,644	6,143,529	(123,885)
Student transportation	2,883,917	2,734,880	2,663,011	71,869
Other	407,303	433,114	431,222	1,892
Debt service:				
Principal	385,000	385,000	385,000	-
Interest	269,347	270,547	269,347	1,200
Facilities acquisition and construction	625,000	625,000	505,700	119,300
Total expenditures	<u>57,147,136</u>	<u>57,320,373</u>	<u>55,231,568</u>	<u>2,088,805</u>
Deficiency of revenues under expenditures	<u>(2,978,114)</u>	<u>(3,091,351)</u>	<u>(243,394)</u>	<u>2,847,957</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	-	-	-
Transfers out	(523,237)	(350,000)	(150,000)	200,000
Total other financing sources (uses)	<u>(463,237)</u>	<u>(350,000)</u>	<u>(150,000)</u>	<u>200,000</u>
Net change in fund balance	<u>\$ (3,441,351)</u>	<u>\$ (3,441,351)</u>	<u>(393,394)</u>	<u>\$ 3,047,957</u>
Decrease in nonspendable fund balance			134,673	
Increase in committed fund balance			(638,550)	
Unassigned fund balance, beginning			3,215,224	
Unassigned fund balance, ending			<u>\$ 2,317,953</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, 2023

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Federal	\$ 3,950,889	\$ 3,953,833	\$ 3,953,833	\$ -
EXPENDITURES				
Current:				
Instruction	3,950,889	2,666,302	2,666,302	-
Support services:				
Student	-	544,721	544,721	-
Instructional staff	-	516,153	516,153	-
Executive administration	-	24,457	24,457	-
Business	-	4,314	4,314	-
Student transportation	-	75,417	75,417	-
Other	-	102,125	102,125	-
Noninstructional services	-	20,344	20,344	-
Total expenditures	3,950,889	3,953,833	3,953,833	-
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, 2023

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HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 GASB Statement No. 14 (as amended). 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, including capital assets and long-term liabilities.

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 function: instruction, support services, noninstructional, debt services or facilities acquisition and construction. Current expenditures are subclassified by object 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, and 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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The School District reports the following major governmental funds:

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

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

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 of intergovernmental receivables.

1-F Capital Assets

Capital assets are reported in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2023

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-G 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-H 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, 2023.

1-I 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 School 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 School 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.

1-J Long-term Obligations

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

In 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 transaction:

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.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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-K 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-L 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-M 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.

1-N 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.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 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-O Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, 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.

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.

HUDSON SCHOOL DISTRICT
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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 2023, \$3,216,351 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$225,000 was appropriated to fund the School District's capital reserve funds.

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)	\$ 54,988,174
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record the net investment loss of the expendable trust funds	87,720
To record revenue of the blended district student activity funds	124,581
Per Exhibit C-3 (GAAP Basis)	<u>\$ 55,200,475</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 55,381,568
Adjustments:	
Basis differences:	
Encumbrances, beginning	328,355
Encumbrances, ending	(1,131,657)
GASB Statement No. 54:	
To record expenditures of the blended district student activity funds	117,814
To remove transfer from the general fund to the blended expendable trust funds	(150,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 54,546,080</u>

2-C Deficit Fund Balance

The capital project fund had a fund balance deficit of \$197,722 at June 30, 2023. This deficit is a result of the ongoing construction and renovation of the vocational center. The School District plans to receive additional funding to cover this deficit in 2023-24.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The School District has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and have determined that none of the agreements have met the requirements of the pronouncement.

HUDSON SCHOOL DISTRICT
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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 \$7,230,415 and the bank balances totaled \$9,039,344. Petty cash totaled \$200.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023, consisted of 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 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 329,201	\$ -	\$ -	\$ 329,201
Construction in progress	25,369,044	193,298	(25,369,044)	193,298
Total capital assets not being depreciated	25,698,245	193,298	(25,369,044)	522,499
Being depreciated:				
Land improvements	1,340,640	-	-	1,340,640
Buildings and building improvements	48,402,056	25,428,139	-	73,830,195
Machinery, equipment, and vehicles	3,407,495	173,220	-	3,580,715
Intangible assets	12,712	-	-	12,712
Total capital assets being depreciated	53,162,903	25,601,359	-	78,764,262
Total capital assets	78,861,148	25,794,657	(25,369,044)	79,286,761
Less accumulated depreciation:				
Land improvements	(379,798)	(64,712)	-	(444,510)
Buildings and building improvements	(29,973,757)	(1,686,213)	-	(31,659,970)
Machinery, equipment, and vehicles	(1,773,218)	(277,271)	-	(2,050,489)
Intangible assets	(11,441)	-	-	(11,441)
Total accumulated depreciation	(32,138,214)	(2,028,196)	-	(34,166,410)
Net book value, capital assets being depreciated	21,024,689	23,573,163	-	44,597,852
Net book value, all capital assets	\$ 46,722,934	\$ 23,766,461	\$ (25,369,044)	\$ 45,120,351

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	\$ 1,110,302
Support services:	
Operation and maintenance of plant	891,267
Noninstructional services	26,627
Total depreciation expense	<u>\$ 2,028,196</u>

HUDSON SCHOOL DISTRICT
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NOTE 6 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2023, are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 603,510
General	Capital Project Fund	481,900
		<u>\$ 1,085,410</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2023, consist of the following:

	Governmental Activities
Amounts related to pensions, see Note 9	\$10,457,641
Amounts related to OPEB, see Note 10	1,554,348
Total deferred inflows of resources	<u>\$12,011,989</u>

Deferred inflows of resources at June 30, 2023, consist of the following:

	Governmental Activities	Nonmajor Governmental Funds
Donations collected in advance of eligible expenditures being made	\$ 67,074	\$ 67,074
Amounts related to pensions, see Note 9	673,887	-
Amounts related to OPEB, see Note 10	4,505,975	-
Total deferred inflows of resources	<u>\$ 5,246,936</u>	<u>\$ 67,074</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Bond payable:						
Direct placement	\$ 6,533,000	\$ -	\$ (385,000)	\$ 6,148,000	\$ 385,000	\$ 5,763,000
Premium	490,195	-	(28,835)	461,360	28,835	432,525
Total bond payable	7,023,195	-	(413,835)	6,609,360	413,835	6,195,525
Note payable - direct borrowing	318,909	-	(75,899)	243,010	78,396	164,614
Compensated absences	2,232,220	14,115	(764,971)	1,481,364	416,211	1,065,153
Pension related liability	34,547,145	10,917,359	-	45,464,504	-	45,464,504
Net other postemployment benefits	11,437,345	-	(4,815,257)	6,622,088	-	6,622,088
Total long-term liabilities	<u>\$55,558,814</u>	<u>\$ 10,931,474</u>	<u>\$ (6,069,962)</u>	<u>\$ 60,420,326</u>	<u>\$ 908,442</u>	<u>\$ 59,511,884</u>

Long-term bonds and note are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2023
Bond payable:					
Direct placement:					
Technical center improvements	\$ 7,685,800	2019	2039	3.05%	<u>\$ 6,148,000</u>
Note payable:					
Direct borrowing:					
Copiers - finance purchase	\$ 404,170	2021	2026	3.29%	<u>\$ 243,010</u>

HUDSON SCHOOL DISTRICT
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The annual requirements to amortize all general obligation bonds and note outstanding as of June 30, 2023, including interest payments, are as follows:

Fiscal Year Ending June 30,	Bond - Direct Placement			Note - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
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	385,000	171,172	556,172	-	-	-
2029-2033	1,923,000	604,013	2,527,013	-	-	-
2034-2038	1,920,000	269,143	2,189,143	-	-	-
2039	380,000	13,678	393,678	-	-	-
Totals	<u>\$ 6,148,000</u>	<u>\$ 1,939,044</u>	<u>\$ 8,087,044</u>	<u>\$ 243,010</u>	<u>\$ 16,163</u>	<u>\$ 259,173</u>

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – 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.

HUDSON SCHOOL DISTRICT
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Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2023, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2023 was \$4,710,722, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the School District reported a liability of \$45,464,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the School District's proportion was 0.79% which was an increase of 0.01% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$4,921,056. At June 30, 2023, 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	\$ 752,236	\$ 499,356
Net difference between projected and actual investment earnings on pension plan investments	1,723,046	-
Changes in assumptions	2,418,349	-
Differences between expected and actual experience	853,288	174,531
Contributions subsequent to the measurement date	4,710,722	-
Total	<u>\$ 10,457,641</u>	<u>\$ 673,887</u>

The \$4,710,722 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, 2024. 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,	
2023	\$ 1,710,490
2024	1,654,264
2025	(781,988)
2026	2,490,266
Thereafter	-
Totals	<u>\$ 5,073,032</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2021, rolled forward to June 30, 2022, using the following assumptions:

Inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.4% 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, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

HUDSON SCHOOL DISTRICT
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Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

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, 2022	\$61,001,901	\$ 45,464,504	\$32,546,596

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 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2022 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 2022, 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 2023, the School District contributed 1.54% for teachers and 0.31% for other employees. The contribution requirement for the fiscal year 2023 was \$324,173, which was paid in full.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB – At June 30, 2023, the School District reported a liability of \$2,854,424 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the School District's proportion was 0.76% which was an increase of 0.02% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$173,067. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 7,801
Contributions subsequent to the measurement date	324,173
Total	<u>\$ 331,974</u>

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The \$324,173 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, 2024. 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,	
2024	\$ 1,297
2025	337
2026	(3,069)
2027	9,236
Thereafter	-
Totals	<u>\$ 7,801</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021, and a measurement date of June 30, 2022. 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:	5.4% 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, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	
Inflation	0.00%	2.25%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, 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.

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JUNE 30, 2023

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, 2022	\$ 3,098,963	\$ 2,854,424	\$ 2,641,449

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

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

10-B Retiree Health Benefit Program

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

Employees Covered by Benefit Terms – At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	355
Total participants covered by OPEB plan	367

Total OPEB Liability – The School District's total OPEB liability of \$3,767,664 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022. 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.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.65%
Healthcare Cost Trend Rates:	
Current Year Trend	3.25%
Second Year Trend	7.50%
Ultimate Trend	4.54%
Year Ultimate Trend is Reached	2090
Salary Increases	3.50%

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, 2022.

Mortality rates were based on the Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 Teachers Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Teachers Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.

Changes in the Total OPEB Liability

	June 30,	
	2022	2023
Total OPEB liability beginning of year	\$ 8,096,924	\$ 8,483,597
Changes for the year:		
Service cost	529,121	231,988
Interest	171,503	136,227
Assumption changes and difference between actual and expected experience	-	(4,882,524)
Benefit payments	(313,951)	(201,624)
Total OPEB liability end of year	\$ 8,483,597	\$ 3,767,664

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2022, actuarial valuation was prepared using a discount rate of 3.65%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$3,546,870 or by 6.05%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$3,995,704 or by 5.86%.

	Discount Rate		
	1% Decrease	Baseline 3.65%	1% Increase
Total OPEB Liability	\$ 3,995,704	\$ 3,767,664	\$ 3,546,870

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2022, actuarial valuation was prepared using an initial trend rate of 7.5%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$4,215,202 or by 11.88%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$3,381,661 or by 10.25%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 3,381,661	\$ 3,767,664	\$ 4,215,202

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the School District recognized OPEB benefit of \$379,834. At June 30, 2023, 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	\$ 1,222,374	\$ 3,327,520
Differences between expected and actual experience	-	1,178,455
Total	<u>\$ 1,222,374</u>	<u>\$ 4,505,975</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,	
2024	\$ (686,850)
2025	(530,739)
2026	(531,746)
2027	(831,987)
2028	(702,279)
Thereafter	-
Totals	<u>\$ (3,283,601)</u>

NOTE 11 - ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2023, are as follows:

Current:	
Instruction:	
Regular programs	\$ 35,491
Special programs	568,772
Other	31,787
Total instruction	<u>636,050</u>
Support services:	
Student	16,766
Instructional staff	934
General administration	2,975
Executive administration	1,508
School administration	2,837
Business	173
Operation and maintenance of plant	249,680
Student transportation	119,572
Other	21,162
Total support services	<u>415,607</u>
Facilities acquisition and construction	<u>80,000</u>
Total encumbrances	<u>\$ 1,131,657</u>

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 12 – CONSTRUCTION COMMITMENTS

The School District has an active construction project as of June 30, 2023. At year-end the School District commitments with contracts for specific projects are as follows:

Description:	Spent to Date	Remaining Commitment
CTE Renovations	\$ 193,298	\$ 719,616

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2023, include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 45,120,351
Less:	
General obligation bond payable	(6,148,000)
Unamortized bond premium	(461,360)
Note payable	(243,010)
Total net investment in capital assets	38,267,981
Restricted net position:	
Food service	655,749
Unrestricted	(38,177,505)
Total net position	\$ (746,225)

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2023, consist of the following:

	General Fund	Capital Project Fund Vocational Technical Center	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Food service	\$ -	\$ -	\$ 655,749	\$ 655,749
Committed:				
Expendable trust	1,287,588	-	-	1,287,588
Voted appropriations - March 2023	863,550	-	-	863,550
Alvirne Farm	-	-	41,712	41,712
Vocational center	-	-	210,258	210,258
Apprenticeship	-	-	59,263	59,263
Total committed fund balance	2,151,138	-	311,233	2,462,371
Assigned:				
Encumbrances	1,131,657	-	-	1,131,657
Student activities	61,422	-	314,023	375,445
Retained fund balance (RSA 198:4-bII)	1,100,000	-	-	1,100,000
Total assigned fund balance	2,293,079	-	314,023	2,607,102
Unassigned (deficit)	2,317,953	(197,722)	-	2,120,231
Total governmental fund balances (deficit)	\$ 6,762,170	\$ (197,722)	\$ 1,281,005	\$ 7,845,453

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 15 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2023, 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, 2022 to June 30, 2023 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 2022-23 the School District paid \$214,322 and \$139,492, 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 16 – 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 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 14, 2024, the date the June 30, 2023, 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, 2023

	<i>Unaudited</i>									
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	June 30, 2023
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	June 30, 2022
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%	0.79%
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	\$ 45,464,504
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	\$ 25,252,391
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%	180.04%
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%	65.12%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

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, 2023

	<i>Unaudited</i>									
	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	June 30, 2023
Fiscal year-end										
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	June 30, 2022
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	\$ 4,589,266
Contributions in relation to the contractually required contributions	(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)	(4,589,266)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of fiscal year end)	\$ 21,414,546	\$ 20,257,696	\$ 21,099,057	\$ 21,070,322	\$ 22,076,550	\$ 22,970,505	\$ 23,087,257	\$ 24,127,691	\$ 25,252,931	\$ 25,240,341
Contributions as a percentage of covered payroll	8.91%	12.18%	11.64%	12.67%	12.32%	14.68%	14.69%	15.51%	18.17%	18.18%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

HUDSON SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

***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 – Salary increases changed from 5.4% to 5.6% in 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, 2023. 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, 2023
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
School District's proportion of the net OPEB liability	0.90%	0.89%	0.71%	0.69%	0.75%	0.74%	0.76%
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	\$ 2,854,424
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	\$25,252,391
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%	11.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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

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, 2023
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 520,832	\$ 526,264	\$ 312,141	\$ 314,841	\$ 354,458	\$ 318,079	\$ 318,076
Contributions in relation to the contractually required contribution	(520,832)	(526,264)	(312,141)	(314,841)	(354,458)	(318,079)	(318,076)
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	\$25,240,341
Contributions as a percentage of covered payroll	2.47%	2.38%	1.36%	1.36%	1.54%	-1.26%	-1.26%

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

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, 2023
Unaudited

	2017	2018	2019	June 30, 2020	2021	2022	2023
OPEB liability, beginning of year	\$ 5,924,019	\$ 6,216,880	\$ 6,486,024	\$ 5,534,758	\$ 5,887,894	\$ 8,096,924	\$ 8,483,597
Changes for the year:							
Service cost	468,157	477,519	360,595	373,216	517,934	529,121	231,988
Interest	166,208	174,645	178,402	189,913	163,494	171,503	136,227
Assumption changes and difference between actual and expected experience	(157,209)	(205,046)	(1,287,371)	-	1,834,915	-	(4,882,524)
Benefit payments	(184,295)	(177,974)	(202,892)	(209,993)	(307,313)	(313,951)	(201,624)
OPEB liability, end of year	\$ 6,216,880	\$ 6,486,024	\$ 5,534,758	\$ 5,887,894	\$ 8,096,924	\$ 8,483,597	\$ 3,767,664
Covered payroll	\$ 18,852,561	\$ 19,229,612	\$ 19,750,099	\$ 20,145,101	\$ 20,135,104	\$ 20,537,806	\$ 21,409,184
Total OPEB liability as a percentage of covered payroll	32.98%	33.73%	28.02%	29.23%	40.21%	41.31%	17.60%

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

HUDSON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 – Salary increases changed from 5.4% to 5.6% in 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, 2023. 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 – Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 Teachers Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Teachers Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.

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, 2023. 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, 2023

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 39,493,094	\$ 39,493,094	\$ -
Other local sources:			
Tuition	210,000	395,835	185,835
Investment earnings	20,000	136,253	116,253
Student activities	39,001	37,569	(1,432)
Miscellaneous	180,000	132,383	(47,617)
Total from other local sources	449,001	702,040	253,039
State sources:			
Adequacy aid (grant)	8,742,792	8,742,930	138
Adequacy aid (tax)	4,653,493	4,653,493	-
Special education aid	384,452	500,976	116,524
Vocational aid	450,000	556,030	106,030
Other state aid	16,190	319,142	302,952
Total from state sources	14,246,927	14,772,571	525,644
Federal sources:			
Medicaid	40,000	20,469	(19,531)
Total revenues	54,229,022	\$ 54,988,174	\$ 759,152
Use of fund balance to reduce school district assessment	3,216,351		
Use of fund balance - appropriated	225,000		
Total revenues and use of fund balance	\$ 57,670,373		

See Independent Auditor's Report.

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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 3,925	\$ 21,577,643	\$ 20,605,659	\$ 35,491	\$ 940,418
Special programs	47,937	9,030,199	8,362,125	568,772	147,239
Vocational programs	1,000	2,005,460	1,949,726	-	56,734
Other programs	98	813,254	755,044	31,787	26,521
Total instruction	<u>52,960</u>	<u>33,426,556</u>	<u>31,672,554</u>	<u>636,050</u>	<u>1,170,912</u>
Support services:					
Student	14,663	5,409,941	5,048,140	16,766	359,698
Instructional staff	70,594	2,205,809	1,954,289	934	321,180
General administration	-	156,393	332,360	2,975	(178,942)
Executive administration	95,802	979,121	934,810	1,508	138,605
School administration	152	3,561,320	3,478,009	2,837	80,626
Business	-	1,113,048	986,525	173	126,350
Operation and maintenance of plant	63,833	6,019,644	5,957,682	249,680	(123,885)
Student transportation	8,685	2,734,880	2,552,124	119,572	71,869
Other	21,666	433,114	431,726	21,162	1,892
Total support services	<u>275,395</u>	<u>22,613,270</u>	<u>21,675,665</u>	<u>415,607</u>	<u>797,393</u>
Debt service:					
Principal on long-term debt	-	385,000	385,000	-	-
Interest on long-term debt	-	270,547	269,347	-	1,200
Total debt service	<u>-</u>	<u>655,547</u>	<u>654,347</u>	<u>-</u>	<u>1,200</u>
Facilities acquisition and construction	<u>-</u>	<u>625,000</u>	<u>425,700</u>	<u>80,000</u>	<u>119,300</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>350,000</u>	<u>150,000</u>	<u>-</u>	<u>200,000</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 328,355</u>	<u>\$ 57,670,373</u>	<u>\$ 54,578,266</u>	<u>\$ 1,131,657</u>	<u>\$ 2,288,805</u>

See Independent Auditor's Report.

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, 2023

Unassigned fund balance, beginning		\$ 3,215,224
Changes:		
Unassigned fund balance used to reduce school district assessment		(3,216,351)
Unassigned fund balance appropriated for use in 2022-2023		(225,000)
2022-2023 Budget summary:		
Revenue surplus (Schedule 1)	\$ 759,152	
Unexpended balance of appropriations (Schedule 2)	2,288,805	
2022-2023 Budget surplus		3,047,957
Decrease in nonspendable fund balance		134,673
Increase in committed fund balance		(638,550)
Unassigned fund balance, ending		<u>\$ 2,317,953</u>

SCHEDULE 4
HUDSON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds						Total
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	Apprenticeship	Student Activities	
ASSETS							
Cash and cash equivalents	\$ 661,923	\$ 42,623	\$ 210,258	\$ -	\$ 63,313	\$ 314,023	\$ 1,292,140
Intergovernmental receivable	87,844	-	-	-	-	-	87,844
Total assets	<u>\$ 749,767</u>	<u>\$ 42,623</u>	<u>\$ 210,258</u>	<u>\$ -</u>	<u>\$ 63,313</u>	<u>\$ 314,023</u>	<u>\$ 1,379,984</u>
LIABILITIES							
Accounts payable	\$ 30,994	\$ 911	\$ -	\$ -	\$ -	\$ -	\$ 31,905
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - donations	63,024	-	-	-	4,050	-	67,074
FUND BALANCES							
Restricted	655,749	-	-	-	-	-	655,749
Committed	-	41,712	210,258	-	59,263	-	311,233
Assigned	-	-	-	-	-	314,023	314,023
Total fund balances	<u>655,749</u>	<u>41,712</u>	<u>210,258</u>	<u>-</u>	<u>59,263</u>	<u>314,023</u>	<u>1,281,005</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 749,767</u>	<u>\$ 42,623</u>	<u>\$ 210,258</u>	<u>\$ -</u>	<u>\$ 63,313</u>	<u>\$ 314,023</u>	<u>\$ 1,379,984</u>

See Independent Auditor's Report.

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, 2023

	Special Revenue Funds						Total
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	Apprenticeship	Student Activities	
REVENUES							
Local	\$ 887,633	\$ 143,398	\$ 58,380	\$ 217,968	\$ 89,680	\$ 352,329	\$ 1,749,388
State	18,155	-	-	-	-	-	18,155
Federal	660,783	-	-	-	-	-	660,783
Total revenues	<u>1,566,571</u>	<u>143,398</u>	<u>58,380</u>	<u>217,968</u>	<u>89,680</u>	<u>352,329</u>	<u>2,428,326</u>
EXPENDITURES							
Current:							
Instruction	-	149,865	84,436	194,038	63,621	360,047	852,007
Support services:							
Operation and maintenance of plant	-	-	-	23,930	-	-	23,930
Noninstructional services	1,520,771	-	-	-	-	-	1,520,771
Total expenditures	<u>1,520,771</u>	<u>149,865</u>	<u>84,436</u>	<u>217,968</u>	<u>63,621</u>	<u>360,047</u>	<u>2,396,708</u>
Net change in fund balances	45,800	(6,467)	(26,056)	-	26,059	(7,718)	31,618
Fund balances, beginning	609,949	48,179	236,314	-	33,204	321,741	1,249,387
Fund balances, ending	<u>\$ 655,749</u>	<u>\$ 41,712</u>	<u>\$ 210,258</u>	<u>\$ -</u>	<u>\$ 59,263</u>	<u>\$ 314,023</u>	<u>\$ 1,281,005</u>

See Independent Auditor's Report.

SCHEDULE 6
HUDSON SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2023

	Student Activity Funds					Total
	Hills Garrison	Nottingham West	Hudson Memorial	Alvirne High	Smith School	
ASSETS						
Cash and cash equivalents	<u>\$ 25,218</u>	<u>\$ 31,744</u>	<u>\$ 73,916</u>	<u>\$ 181,807</u>	<u>\$ 1,338</u>	<u>\$ 314,023</u>
FUND BALANCES						
Assigned	<u>\$ 25,218</u>	<u>\$ 31,744</u>	<u>\$ 73,916</u>	<u>\$ 181,807</u>	<u>\$ 1,338</u>	<u>\$ 314,023</u>

See Independent Auditor's Report.

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, 2023

	Student Activity Funds					
	Hills Garrison	Nottingham West	Hudson Memorial	Alvirne High	Smith School	Total
REVENUES						
Other local	\$ 13,027	\$ 23,155	\$ 80,240	\$ 234,683	\$ 1,224	\$ 352,329
EXPENDITURES						
Current:						
Instruction	13,000	27,430	66,308	250,495	2,814	360,047
Net change in fund balances	27	(4,275)	13,932	(15,812)	(1,590)	(7,718)
Fund balances, beginning	25,191	36,019	59,984	197,619	2,928	321,741
Fund balances, ending	<u>\$ 25,218</u>	<u>\$ 31,744</u>	<u>\$ 73,916</u>	<u>\$ 181,807</u>	<u>\$ 1,338</u>	<u>\$ 314,023</u>

See Independent Auditor's Report.

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

Independent Auditor's Report

To the 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 (*Government Auditing Standards*), 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, 2023, 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 February 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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

***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.

February 14, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association



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

Independent Auditor's Report

To the 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 Hudson 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, 2023. 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, Hudson School District complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 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 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 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 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 GAAS, *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, misrepresentations, or the override of

Hudson School District

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

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 Hudson School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 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 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Hudson School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hudson School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Hudson School District

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

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.

February 14, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
HUDSON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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 opinions on governmental activities, each major fund and aggregate remaining fund information.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D/84.425U	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

SCHEDULE I (Continued)
HUDSON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-001 Excess Food Service Fund Balance (Material Weakness)

Federal Agency: U.S. Department of Agriculture
Pass-through Agency: New Hampshire Department of Education
Cluster/Program: Child Nutrition Cluster
Assistance Listing Numbers: 10.553 & 10.555
Passed-through Identification: N/A
Compliance Requirement: Special Tests and Provisions

Type of Finding:

Internal Control over Compliance – Material Weakness
Material Noncompliance

Criteria or Specific Requirement: Federal regulations 2 CFR 200.303 states, the School District, as a recipient of Federal funds, must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, under 7 CFR, 210.14(b), *Net Cash Resources*, “the school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service.”

Condition: During review of the food service unassigned fund balance, it was noted that the balance exceeded three months’ average expenditures. The fund balance in the food service fund amounted to \$655,749 whereas three months’ average expenditures is \$419,360. This generates excess fund balance of \$236,389.

Effect: The District is not in compliance with CFR Title 7, 210.14(b) by maintaining fund balance more than three months average expenditures.

Cause: Lack of administrative oversight.

Questioned Costs: \$236,389.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the School District take immediate steps to reduce its net cash resources by having an acceptable, approved plan for using surplus fund balance. Since program funds must be used only for program purposes, excess fund balance must be reduced by improving the quality of food served or purchasing needed supplies, services, or equipment unless otherwise directed by the State of New Hampshire Department of Education.

Views of Responsible Officials: Management’s views and corrective action plan is included at the end of this report.

SCHEDULE II
Hudson School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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	\$ -	\$ 77,872
National School Lunch Program	10.555	N/A	-	499,497
COVID-19 - National School Lunch Program	10.555	N/A	-	83,414
CLUSTER TOTAL			-	660,783
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	-	6,560
Title I Part A	84.010	20230124	-	462,698
PROGRAM TOTAL			-	469,258
SPECIAL EDUCATION CLUSTER				
Special Education Grants to States:				
IDEA	84.027	20220015	-	83,858
IDEA	84.027	20230140	-	841,227
COVID-19 - ARP - IDEA	84.027X	20220497	-	119,100
Special Education Preschool Grants:				
Preschool	84.173	20220015	-	321
Preschool	84.173	20230140	-	15,912
CLUSTER TOTAL			-	1,060,418
Career and Technical Education - Basic Grants to States:				
Perkins V Program Improvement	84.048	20220047	-	22,632
Perkins V Program Improvement	84.048	20230132	-	138,258
PROGRAM TOTAL			-	160,890
English Language Acquisition State Grants:				
Title III	84.365	20230711	-	1,022
PROGRAM TOTAL			-	1,022
Supporting Effective Instruction State Grants:				
Title II Part A	84.367	20200184	-	1,256
Title II Part A	84.367	20211257	-	7,458
Title II Part A	84.367	20220593	-	4,063
Title II Part A	84.367	20230354	-	57,568
PROGRAM TOTAL			-	70,345
Student Support and Academic Enrichment Program:				
Title IV A	84.424	20221044	-	38,590
Title IV A	84.424	20231265	-	13,446
PROGRAM TOTAL			-	52,036
COVID-19 - Education Stabilization Fund:				
ESSER II	84.425D	20211573	-	421,262
ESSER II - Beyond School Enrichment	84.425D	20231239	-	1,018
ESSER III	84.425U	20220411	-	1,483,079
PROGRAM TOTAL			-	1,905,359

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
Hudson School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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				
English Language Acquisition State Grants:				
Title III	84.365	20211146	-	3,413
PROGRAM TOTAL			-	3,413
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	20220413	-	31,813
Project Aware 2.0	93.243	20230471	-	199,279
PROGRAM TOTAL			-	231,092
Total Expenditures of Federal Awards			\$ -	\$ 4,614,616

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, 2023

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, 2023. 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, 2023, the value of food donations received was \$122,903.

APPENDIX

HUDSON SCHOOL DISTRICT

SAU # 81

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Business Administrator
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CORRECTIVE ACTION PLAN

June 30, 2023

Audit Finding Reference:

2023-0001

Management's View and Planned Corrective Action:

Due to the extension of the federal funding for free school meals in the prior year, the District is aware of the fund balance greater than three (3) months of its average expenditures.

We are looking to reserve the program fund balance to support the potential renovation that will take place over the summer of 2024 should Warrant Article 6 Renovate the Checkers Kitchen at Alvirne pass. This special warrant article is recommended by both the Hudson School Board and Budget Committee. This is allowable from the NH Department of Education's Office of Nutrition Programs and Services (ONPS).

Name of Contact Person and Completion Date:

Karen Atherton, Food Service Director

Melissa Van Sickle, Finance Director

Anticipated completion date: If supply issues are not a factor, December 31, 2024; otherwise, June 30, 2025.