

HANOVER SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

**HANOVER SCHOOL DISTRICT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Hanover School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

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

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions,
- Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability, Schedule of School District Contributions – Other Postemployment Benefits,

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

- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

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

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

March 28, 2022

*Plodzik & Sanderson
Professional Association*

HANOVER SCHOOL DISTRICT
Management's Discussion And Analysis (MD&A) of the
Annual Financial Report for The Year Ended June 30, 2021

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70, as management of the Hanover School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2021. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial report.

FINANCIAL HIGHLIGHTS

The District's total net position for the year ending June 30, 2021, was (\$7,228,985). Net position changed by (\$653,908), or 0.10%, between July 1, 2020 and June 30, 2021. The District's total net position consisted of (\$306,856) in capital assets net of debt, \$2,039,802 in restricted net position, and (\$8,961,931) in unrestricted net position. The District's long-term obligations of \$18,510,037 included \$4,270,000 in general obligation bonds, \$284,900 of unamortized bond premium, \$41,085 in capital leases payable, \$2,522,130 in postemployment benefits, and \$27,258 in compensated absences. The "Net Pension Liability", of \$11,364,664, represents the district's pro-rated share of the unfunded liability arising out of the New Hampshire Retirement System and is required by GASB 68 to be included on our financials. These liabilities are all reflected as a reduction in net position.

During the year, the District's governmental activities expenses of \$16,563,168 were \$653,908 more than the revenues of \$15,909,260. Expenditures include \$530,581 in unallocated depreciation. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, and contributions not restricted to purpose).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes and related financial and compliance information. The District's annual financial report consists of four elements: 1) government-wide financial statements; 2) fund financial statements; 3) notes to the financial statements; and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as Governmental Activities. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements

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

All of the funds of the District are governmental funds. There are two major governmental funds: the General Fund and Bridgman Trust; and, there are four special revenue funds consolidated as non-major. The non-major funds are the Grants Fund, Food Service Fund, Special Gifts Fund, and Student Activity Fund. General Fund expenditures are compared to budget in Exhibit D and Schedules 1 & 2.

Notes To The Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements—the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. At June 30, 2021, as a result of the recognition of the district's share of the unfunded liability of the New Hampshire Retirement System, unrestricted net position of the District totaled (\$8,961,931). The District uses its capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the net position is either net investment in capital assets or restricted as to the purposes they can be used for.

Comparative Statement of Changes in Net Position

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value. A statement of Comparative Net Position for the periods ending June 30, 2020, and June 30, 2021 is shown below.

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

Hanover School District
Management Discussion and Analysis for Fiscal Year 2021

Comparative Statement of Changes in Net Position

	2021	2020	Increase (Decrease)
Current assets	\$ 4,032,698	\$ 3,211,755	\$ 820,943
Non-current assets	4,289,129	4,776,163	(487,034)
Total assets	8,321,827	7,987,918	333,909
Deferred outflows of resources	3,695,295	1,938,197	1,757,098
Current liabilities	403,545	189,521	214,024
Non-current liabilities	18,510,037	15,540,243	2,969,794
Total liabilities	18,913,582	15,729,764	3,183,818
Deferred inflows of resources	332,525	771,428	(438,903)
Net Investment in Capital Assets	(306,856)	(96,257)	(210,599)
Restricted Net Position	2,039,802	1,678,989	360,813
Unrestricted Net Position	(8,961,931)	(8,157,809)	(804,122)
Total Net Position	\$ (7,228,985)	\$(6,575,077)	\$ (653,908)

Statement of Activities

The Statement of Activities provides an important record of overall expenses and revenues for the fiscal year. The District's total expenses were \$16,563,168, total revenues were \$15,909,260, resulting in a decrease in net position of \$653,908. The District's expenditures were largely for instruction in the amount of \$12,664,585 or 76.5%. The balance of expenditures are made up of Support Services: Student & Instructional Staff support in the amount of \$654,735 [3.9%]; administration, operation & maintenance of plant and student transportation in the amount of \$2,419,476 [14.6%]; and the balance of unallocated depreciation, interest on debt and non-instructional services totaling another \$824,372 [5.0%]. The largest share of revenue, \$11,942,120 [75.1% of total revenues], was from district tax assessments.

	FY2021	FY2020	\$ Chg	% Chg
Instruction	\$ 12,664,585	\$ 11,063,154	\$ 1,601,431	14.48%
Support Services				
Student	390,314	340,008	50,306	14.80%
Instructional Staff	264,421	283,152	(18,731)	-6.62%
General Administration	134,711	48,432	86,279	178.14%
Executive Administration	451,093	397,463	53,630	13.49%
School Administration	538,004	576,260	(38,256)	-6.64%
Operation & Maintenance of Plan	752,064	670,885	81,179	12.10%
Student Transportation	543,604	543,968	(364)	-0.07%
Non-Instructional Services	141,724	136,751	4,973	3.64%
Interest on Long-Term Debt	152,067	162,958	(10,891)	-6.68%
Depreciation - Unallocated	530,581	609,514	(78,933)	-12.95%
Total Governmental Activities	16,563,168	14,832,545	1,730,623	11.67%

Hanover School District
Management Discussion and Analysis for Fiscal Year 2021

Program Revenues				
Charges for Services	167,822	119,610	48,212	40.31%
Operating Grants & Contributions	833,510	787,958	45,552	5.78%
General Revenue				
School District Assessment	11,942,120	13,567,908	(1,625,788)	-11.98%
Grants and contributions not restricted	2,281,281	0	2,281,281	100.00%
Miscellaneous	684,527	350,748	333,779	95.16%
Total Revenues	15,909,260	14,826,224	1,083,036	7.30%
Change in Net Position	(653,908)	(6,321)	(647,587)	-10245.03%
Net Position, beginning	(6,575,077)	(6,568,756)	(6,321)	-0.10%
Net Position, ending	<u>\$ (7,228,985)</u>	<u>\$ (6,575,077)</u>	<u>\$ (653,908)</u>	<u>-9.95%</u>

FUND FINANCIAL STATEMENTS

General Fund

The General Fund is what most people think of as “the budget” since it is the focal point of the annual District Meeting and largely supported by locally raised taxes. Schedules 1, 2, and 3 detail General Fund activity for FY2021. Schedule 1 shows that total budgeted revenues (including fund balance budgeted to offset expenses) totaled \$15,840,170. Budgeted new revenues were projected at \$15,501,146 and we received \$15,109,684, an unfavorable variance of (\$391,462) due to decreases in tuition, investment earnings, Medicaid reimbursements and a decision to not withdraw money from the expendable trust funds (\$310,000). Revenue from the State of NH special education cost recovery funds were unexpected in the amount of \$27,890. At \$11,942,120, the district tax assessment is the largest single source of funds for the operation of the district.

Schedule 2 shows that against budgeted expenditures of \$15,840,170, the District expended \$14,889,195 and encumbered \$57,904, under budget by a total of \$913,146. Direct instruction of \$11,397,310 makes up 76.5% of all general fund expenditures while support services totaling \$2,881,960 makes up 19.4%. The balance of \$609,925 [4.1%] is spent in debt servicing, facilities upgrades and other governmental transfers. (This schedule does not include unallocated depreciation.)

Schedule 3 shows an unassigned general fund balance in the amount of \$523,461.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2021, the District reported capital assets of \$4,289,129 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, vehicles, and equipment. The District annually invests in new furnishings, computers and peripherals, printed media, music, and athletic equipment.

	June 30, 2021	June 30, 2020	Change
Not Being Depreciated:			
Land	\$ 35,000	\$ 35,000	0.00%
Construction in Progress	20,073	0	100.00%
Total Capital Assets Not Being Depreciated	<u>55,073</u>	<u>35,000</u>	<u>100.00%</u>

Hanover School District
Management Discussion and Analysis for Fiscal Year 2021

Being Depreciated:			
Land Improvements	374,547	374,547	0.00%
Building and Building Improvements	10,796,733	10,796,733	0.00%
Machinery, Equipment, and Other	313,010	307,505	1.79%
Infrastructure	13,261	13,261	0.00%
Total Capital Assets Being Depreciated	11,497,551	11,492,046	0.05%
Total All Capital Assets	11,552,624	11,527,046	0.22%
Less Accumulated Depreciation:			
Land Improvements	(253,683)	(241,758)	4.93%
Building and Building Improvements	(6,832,732)	(6,360,405)	7.43%
Machinery, Equipment, and Other	(168,542)	(140,845)	19.66%
Infrastructure	(8,538)	(7,875)	8.42%
Total accumulated depreciation	(7,263,495)	(6,750,883)	7.59%
Net Book Value, capital assets being depreciated	4,234,056	4,741,163	-10.70%
Net Book Value, all capital assets	\$ 4,289,129	\$ 4,776,163	-10.20%

Long-Term Debt

As of June 30, 2021 the district had one general obligation bond issue outstanding. This twenty-year bond was issued for a school construction and renovation project undertaken in 2015. The last payment on this bond will come due in February of 2035.

Long Term Liabilities

	6/30/2021	6/30/2020	\$ Change
General Obligation Bond	\$ 4,270,000	\$ 4,485,000	\$ (215,000)
Unamortized Bond Premium	284,900	305,250	(20,350)
Capital Lease Payable	41,085	82,170	(41,085)
Compensated Absences	27,258	32,879	(5,621)
Net Other Postemployment Benefits	2,522,130	2,291,136	230,994
Net Pension Liability	11,364,664	8,343,808	3,020,856
Total Long-Term Debt Outstanding	\$ 18,510,037	\$ 15,540,243	\$ 2,969,794

FUTURE BUDGETARY IMPLICATIONS

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

**Hanover School District
Management Discussion and Analysis for Fiscal Year 2021**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. It is important that we recognize and disclose the following event: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact of the School District though such an impact is unknown at this time. The School District does have a good amount of reserves available to deal with unscheduled emergency issues that might arise with building needs and/or special education pressures.

Contacting School District's Financial Management

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
HANOVER SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 54,993
Investments	1,212,555
Other receivables	4,411
Intergovernmental receivable	2,760,739
Capital assets, not being depreciated	55,073
Capital assets, net of accumulated depreciation	4,234,056
Total assets	<u>8,321,827</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	3,425,347
Amounts related to other postemployment benefits	269,948
Total deferred outflows of resources	<u>3,695,295</u>
LIABILITIES	
Accounts payable	235,481
Accrued salaries and benefits	20,759
Intergovernmental payable	85,524
Accrued interest payable	61,781
Noncurrent obligations:	
Due within one year	291,435
Due in more than one year	18,218,602
Total liabilities	<u>18,913,582</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - appropriations collected in advance	2,040
Amounts related to pensions	149,161
Amounts related to other postemployment benefits	181,324
Total deferred inflows of resources	<u>332,525</u>
NET POSITION	
Net investment in capital assets	(306,856)
Restricted	2,039,802
Unrestricted	<u>(8,961,931)</u>
Total net position	<u>\$ (7,228,985)</u>

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

EXHIBIT B
HANOVER SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2021

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 12,664,585	\$ 66,240	\$ 757,703	\$ (11,840,642)
Support services:				
Student	390,314	-	-	(390,314)
Instructional staff	264,421	-	-	(264,421)
General administration	134,711	-	-	(134,711)
Executive administration	451,093	-	-	(451,093)
School administration	538,004	-	-	(538,004)
Operation and maintenance of plant	752,064	-	-	(752,064)
Student transportation	543,604	-	-	(543,604)
Noninstructional services	141,724	101,582	-	(40,142)
Interest on long-term debt	152,067	-	75,807	(76,260)
Depreciation - unallocated	530,581	-	-	(530,581)
Total governmental activities	<u>\$ 16,563,168</u>	<u>\$ 167,822</u>	<u>\$ 833,510</u>	<u>(15,561,836)</u>
General revenues:				
School district assessment				11,942,120
Grants and contributions not restricted to specific programs				2,281,281
Miscellaneous				<u>684,527</u>
Total general revenues				14,907,928
Change in net position				(653,908)
Net position, beginning				<u>(6,575,077)</u>
Net position, ending				<u>\$ (7,228,985)</u>

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

EXHIBIT C-1
HANOVER SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2021

	General	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 54,993	\$ -	\$ -	\$ 54,993
Investments	1,212,555	-	-	1,212,555
Accounts receivable	-	-	4,411	4,411
Intergovernmental receivable	773,045	1,959,713	27,981	2,760,739
Interfund receivables	-	-	115,388	115,388
Total assets	<u>\$ 2,040,593</u>	<u>\$1,959,713</u>	<u>\$ 147,780</u>	<u>\$ 4,148,086</u>
LIABILITIES				
Accounts payable	\$ 210,495	\$ -	\$ 24,986	\$ 235,481
Accrued salaries and benefits	20,759	-	-	20,759
Intergovernmental payable	85,524	-	-	85,524
Interfund payable	80,045	-	35,343	115,388
Total liabilities	<u>396,823</u>	<u>-</u>	<u>60,329</u>	<u>457,152</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - appropriations collected in advance	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>2,040</u>
FUND BALANCES				
Restricted	-	1,959,713	80,089	2,039,802
Committed	760,365	-	-	760,365
Assigned	357,904	-	7,362	365,266
Unassigned	523,461	-	-	523,461
Total fund balances	<u>1,641,730</u>	<u>1,959,713</u>	<u>87,451</u>	<u>3,688,894</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,040,593</u>	<u>\$1,959,713</u>	<u>\$ 147,780</u>	<u>\$ 4,148,086</u>

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

EXHIBIT C-2
HANOVER SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,688,894
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	\$ 11,552,624	
Less accumulated depreciation	<u>(7,263,495)</u>	
		4,289,129
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	\$ 3,425,347	
Deferred inflows of resources related to pensions	(149,161)	
Deferred outflows of resources related to OPEB	269,948	
Deferred inflows of resources related to OPEB	<u>(181,324)</u>	
		3,364,810
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (115,388)	
Payables	<u>115,388</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(61,781)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 4,270,000	
Unamortized bond premium	284,900	
Capital lease	41,085	
Compensated absences	27,258	
Net pension liability	11,364,664	
Other postemployment benefits	<u>2,522,130</u>	
		(18,510,037)
Net position of governmental activities (Exhibit A)		<u><u>\$ (7,228,985)</u></u>

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

EXHIBIT C-3
HANOVER SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	General	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 11,942,120	\$ -	\$ -	\$11,942,120
Other local	190,146	375,474	167,822	733,442
State	2,926,528	-	-	2,926,528
Federal	51,356	-	255,814	307,170
Total revenues	15,110,150	375,474	423,636	15,909,260
EXPENDITURES				
Current:				
Instruction	11,397,310	7,854	329,962	11,735,126
Support services:				
Student	336,284	-	-	336,284
Instructional staff	237,302	-	-	237,302
General administration	134,711	-	-	134,711
Executive administration	451,093	-	-	451,093
School administration	491,700	-	-	491,700
Operation and maintenance of plant	687,266	-	-	687,266
Student transportation	543,604	-	-	543,604
Noninstructional services	-	-	141,724	141,724
Debt service:				
Principal	215,000	-	-	215,000
Interest	176,629	-	-	176,629
Facilities acquisition and construction	78,154	-	-	78,154
Total expenditures	14,749,053	7,854	471,686	15,228,593
Excess (deficiency) of revenues over (under) expenditures	361,097	367,620	(48,050)	680,667
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	51,003	51,003
Transfers out	(40,142)	(10,861)	-	(51,003)
Total other financing sources (uses)	(40,142)	(10,861)	51,003	-
Net change in fund balances	320,955	356,759	2,953	680,667
Fund balances, beginning	1,320,775	1,602,954	84,498	3,008,227
Fund balances, ending	\$ 1,641,730	\$ 1,959,713	\$ 87,451	\$ 3,688,894

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

EXHIBIT C-4
HANOVER 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, 2021

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 680,667
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	\$ 62,305	
Depreciation expense	<u>(549,339)</u>	
		(487,034)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (51,003)	
Transfers out	<u>51,003</u>	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of bond	\$ 215,000	
Amortization of bond premium	20,350	
Principal repayment of capital lease	<u>41,085</u>	
		276,435
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 4,212	
Decrease in compensated absences payable	5,621	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(1,160,418)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>26,609</u>	
		(1,123,976)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (653,908)</u></u>

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

EXHIBIT D
HANOVER 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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 11,942,120	\$ 11,942,120	\$ -
Other local	247,188	189,680	(57,508)
State	2,898,638	2,926,528	27,890
Federal	103,200	51,356	(51,844)
Total revenues	15,191,146	15,109,684	(81,462)
EXPENDITURES			
Current:			
Instruction	12,143,626	11,398,429	745,197
Support services:			
Student	339,653	343,520	(3,867)
Instructional staff	299,380	237,302	62,078
General administration	50,216	134,711	(84,495)
Executive administration	451,093	451,093	-
School administration	585,874	491,896	93,978
Operation and maintenance of plant	714,875	695,377	19,498
Student transportation	632,074	546,392	85,682
Debt service:			
Principal	215,000	215,000	-
Interest	176,629	176,629	-
Facilities acquisition and construction	81,750	96,533	(14,783)
Total expenditures	15,690,170	14,786,882	903,288
Excess (deficiency) of revenues over (under) expenditures	(499,024)	322,802	821,826
OTHER FINANCING SOURCES (USES)			
Transfers in	310,000	-	(310,000)
Transfers out	(150,000)	(140,142)	9,858
Total other financing sources (uses)	160,000	(140,142)	(300,142)
Net change in fund balance	\$ (339,024)	182,660	\$ 521,684
Decrease in nonspendable fund balance		1,777	
Decrease in committed fund balance		100,000	
Increase in assigned fund balance (non-encumbrance)		(300,000)	
Unassigned fund balance, beginning		539,024	
Unassigned fund balance, ending		\$ 523,461	

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

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A Reporting Entity

The Hanover School District is a municipal corporation governed by an elected 7-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. District assessments,

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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 expendable trust funds are consolidated in the general fund.

Bridgman Trust Fund – accounts for the activity related to the Bridgman endowment.

Nonmajor Funds – The School District also reports five 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. A cash pool is maintained that is available for use by all funds. Each funds 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 Investments

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

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

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

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

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

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

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

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

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

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

1-F Receivables

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

1-G Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015, are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

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

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

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

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Capital assets of the School District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Class:	Years
Land improvements	20 - 30
Buildings and building improvements	5 - 50
Machinery, equipment, and vehicles	5 - 40
Infrastructure	20

1-H Interfund Activities

Interfund activities are reported as follows:

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

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

1-I Accounts Payable

Accounts payable represent the gross number 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, 2021.

1-J Deferred Outflows/Inflows of Resources

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

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

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bond using the straight-line method. Bonds payables 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 Placements – financial transactions for the sale of bonds where the School District engages with a single buyer or limited number of buyers without a public offering.

1-L Compensated Absences

General leave for the School District includes vacation and sick 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.

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

1-M Defined Benefit Pension Plan

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

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

1-N Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

1-O Net Position/Fund Balances

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

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

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

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

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

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.

HANOVER SCHOOL DISTRICT
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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 \$300,000 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-P Use of Estimates

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

1-Q Material Change in Classification

The accompanying financial statements reflect a change in classification from the prior year. Specifically, the food service and grants funds which account for the food service program and federal grants, respectively did not qualify as major funds for the current fiscal year. As such it was reclassified to the nonmajor governmental funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2021, \$239,024 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$100,000 was appropriated to fund the School District's capital reserve funds.

HANOVER SCHOOL DISTRICT
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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. As no budget is established for the major Bridgman Trust fund, there is no difference between the budgetary basis and GAAP basis of accounting. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D (budgetary basis)	\$ 15,109,684
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings of the blended expendable trust funds	466
Per Exhibit C-3 (GAAP Basis)	<u>\$ 15,110,150</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 14,927,024
Adjustments:	
Basis difference:	
Encumbrances, beginning	20,075
Encumbrances, ending	(57,904)
GASB Statement No. 54:	
To remove transfer between the general fund to the blended expendable trust fund	(100,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,789,195</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2021, the reported amount of the School District's deposits was \$54,993 and the bank balance was \$289,396. Of the bank balance \$250,000 was covered by federal depository insurance or by collateral held by the School District's agent in the School District's name, and \$39,396 was uninsured and uncollateralized. Petty cash totaled \$100.

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the School District funds. The School District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School District's mission, the School District determines that the disclosures related to these investments only need to be disaggregated by major type. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as of June 30, 2021:

Investments carried at amortized cost:	
NH Public Deposit Investment Pool	
Total investments	<u>\$ 1,212,555</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk - The School District has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E.

Investment Type	Total	Exempt From Disclosure
New Hampshire Public Deposit Investment Pool	\$ 1,212,555	\$ 1,212,555

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have custodial credit risk policies for investments.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2021, consisted of accounts and intergovernmental amounts arising from grants and expendable trust funds held by the Town of Hanover 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 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	-	20,073	-	20,073
Total capital assets not being depreciated	35,000	20,073	-	55,073
Being depreciated:				
Land improvements	374,547	-	-	374,547
Buildings and building improvements	10,796,733	-	-	10,796,733
Machinery, equipment, and vehicles	307,505	42,232	(36,727)	313,010
Infrastructure	13,261	-	-	13,261
Total capital assets being depreciated	11,492,046	42,232	(36,727)	11,497,551
Total capital assets	11,527,046	62,305	(36,727)	11,552,624
Less accumulated depreciation:				
Land improvements	(241,758)	(11,925)	-	(253,683)
Buildings and building improvements	(6,360,405)	(472,327)	-	(6,832,732)
Machinery, equipment, and vehicles	(140,845)	(64,424)	36,727	(168,542)
Infrastructure	(7,875)	(663)	-	(8,538)
Total accumulated depreciation	(6,750,883)	(549,339)	36,727	(7,263,495)
Net book value, capital assets being depreciated	4,741,163	(507,107)	-	4,234,056
Net book value, all capital assets	\$ 4,776,163	\$ (487,034)	\$ -	\$ 4,289,129

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	\$ 18,758
Unallocated	530,581
Total depreciation expense	<u>\$ 549,339</u>

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NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2021, are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor funds	General	\$ 80,045
	Nonmajor funds	35,343
		<u>\$ 115,388</u>

Interfund transfers during the year ended June 30, 2021 are as follows:

	Transfers In: Nonmajor Funds
Transfers out:	
General fund	\$ 40,142
Bridgman Trust fund	10,861
Total	<u>\$ 51,003</u>

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

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2021, consist of amounts related to pensions totaling \$3,425,347 and amounts related to OPEB totaling \$269,948. For further discussion on these amounts, see Notes 11 and 13, respectively.

Deferred inflows of resources at June 30, 2021, consist of the following:

	Governmental Activities	General Fund
Fiscal year 2022 School District assessment received in advance	\$ 2,040	\$2,040
Amounts related to pensions, see Note 11	149,161	-
Amounts related to OPEB, see Note 13	181,324	-
Total deferred inflows of resources	<u>\$ 332,525</u>	<u>\$2,040</u>

NOTE 9 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2021
Capital lease obligations:		
Computer equipment	0.00%	<u>\$ 41,085</u>

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

	Governmental Activities
Equipment:	
Computer equipment	\$ 123,255
Less: accumulated depreciation	(41,087)
Total capital lease equipment	<u>\$ 82,168</u>

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The annual requirements to amortize the capital lease payable as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2022	
Less: interest	\$ 41,085
Present value of remaining payments	-
	\$ 41,085

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

NOTE 10 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year	Due In More Than One Year
Bond payable:						
Direct borrowing:						
General obligation bond	\$ 4,485,000	\$ -	\$(215,000)	\$ 4,270,000	\$ 230,000	\$ 4,040,000
Premium	305,250	-	(20,350)	284,900	20,350	264,550
Total bond payable	4,790,250	-	(235,350)	4,554,900	250,350	4,304,550
Capital lease	82,170	-	(41,085)	41,085	41,085	-
Compensated absences	32,879	-	(5,621)	27,258	-	27,258
Pension related liability	8,343,808	3,020,856	-	11,364,664	-	11,364,664
Net other postemployment benefits	2,291,136	230,994	-	2,522,130	-	2,522,130
Total long-term liabilities	\$15,540,243	\$3,251,850	\$(282,056)	\$18,510,037	\$ 291,435	\$ 18,218,602

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2021
Direct placement bond payable:					
School renovation/addition	\$ 5,391,000	2014	2035	3.04%	\$ 4,270,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Direct Borrowing		
	Principal	Interest	Total
2022	\$ 230,000	\$ 165,664	\$ 395,664
2023	240,000	153,934	393,934
2024	250,000	141,694	391,694
2025	265,000	128,944	393,944
2026	275,000	115,428	390,428
2027-2031	1,570,000	389,890	1,959,890
2032-2036	1,440,000	120,526	1,560,526
Totals	\$ 4,270,000	\$ 1,216,080	\$ 5,486,080

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.

HANOVER SCHOOL DISTRICT
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Bond Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2021, were as follows:

Per District Meeting Vote of	Purpose	Unissued Amount
February 25, 2021	BRES Technology infrastructure upgrades	<u>\$ 245,334</u>

NOTE 11 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2021, the School District contributed 15.99% for teachers and 10.88% for other employees. The contribution requirement for the fiscal year 2021 was \$771,317, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the School District reported a liability of \$11,364,664 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the School District's proportion was 0.18% which was an increase of 0.01% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2021, the School District recognized pension expense of \$1,941,244. At June 30, 2021, 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	\$ 520,021	\$ 27,137
Net difference between projected and actual investment earnings on pension plan investments	702,917	-
Changes in assumptions	1,124,191	-
Differences between expected and actual experience	306,901	122,024
Contributions subsequent to the measurement date	771,317	-
Total	<u>\$ 3,425,347</u>	<u>\$ 149,161</u>

The \$771,317 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, 2022. 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,	
2021	\$ 577,976
2022	712,874
2023	649,026
2024	564,993
Thereafter	-
Totals	<u>\$ 2,504,869</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2019, rolled forward to June 30, 2020, using the following assumptions:

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

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

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

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

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Following is a table presenting target allocations and long-term rates of return for 2020:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$14,712,615	\$ 11,364,664	\$8,628,945

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 12 – SUPPLEMENTAL RETIREMENT PLAN

All employees employed by the School District participate in a defined contribution pension plan administered by OMNI Group, Inc. Participation begins upon enrollment following employment. No probationary period is used for access to plan enrollment. The School District has no requirement or obligation under State Statutes to contribute to this plan, however the School District has adopted the Supplemental Retirement Plan 403(b). for its employees. The School Board has the authority to establish and amend the benefit provisions and contribution requirements of the plan. The School District contributes 2-4% of each employee's

HANOVER SCHOOL DISTRICT
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salary depending on applicable step/grade rates and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$512,398 which consisted of \$114,668 from the School District and \$397,730 from employees.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

13-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2020, 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 2021, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2021 was \$81,974, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2021, the School District reported a liability of \$784,369 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the School District's proportion was 0.18% which was an increase of 0.02% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2021, the School District recognized OPEB expense of \$152,529. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 10,909	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	2,935	-
Changes in assumptions	5,043	-
Differences between expected and actual experience	-	2,273
Contributions subsequent to the measurement date	81,974	-
Total	<u>\$ 100,861</u>	<u>\$ 2,273</u>

The \$81,974 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, 2022. 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,	
2021	\$ 13,902
2022	869
2023	1,036
2024	807
Thereafter	-
Totals	<u>\$ 16,614</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2019, and a measurement date of June 30, 2020. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

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

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

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Following is a table presenting target allocations and long-term rates of return for 2020:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the School District's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 851,742	\$ 784,369	\$ 725,875

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.

13-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.

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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. The benefits are provided through the New Hampshire HealthTrust.

Employees Covered by Benefit Terms – At July 1, 2020, the following employees were covered by the benefit terms across all entities part of School Administrative Unit No. 70:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	278
Total participants covered by OPEB plan	<u>283</u>

Total OPEB Liability – The School District’s total OPEB liability of \$1,737,761 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. The School District contract with an outside actuary to complete the actuarial valuation and schedule of changes in the total OPEB liability. Detailed information can be found in the separately issued report through request of the School District business office.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,737,761 in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.19%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Second Year Trend	7.00%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2028
Salary Increases:	2.75%

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

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

Changes in the Total OPEB Liability

	June 30,	
	2020	2021
Total OPEB liability beginning of year	\$1,855,456	\$1,593,151
Changes for the year:		
Service cost	85,730	97,611
Interest	54,936	44,312
Assumption changes and difference between actual and expected experience	(334,019)	31,420
Benefit payments	(46,977)	(28,733)
Total OPEB liability end of year	<u>\$1,593,151</u>	<u>\$1,737,761</u>

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2020, actuarial valuation was prepared using a discount rate of 2.19%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,623,262 or by 6.59%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,857,451 or by 6.89%.

	Discount Rate		
	1% Decrease	Baseline 2.19%	1% Increase
Total OPEB Liability	\$ 1,857,451	\$ 1,737,761	\$ 1,623,262

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2020, actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,904,162 or by 9.58%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,591,484 or by 8.42%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 1,591,484	\$ 1,737,761	\$ 1,904,162

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the School District recognized OPEB expense of \$114,874. At June 30, 2021, 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	\$ 167,587	\$ 6,297
Differences between expected and actual experience	1,500	172,754
Total	\$ 169,087	\$ 179,051

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

Fiscal Year Ending	
June 30,	
2022	\$ (8,854)
2023	(8,854)
2024	(8,854)
2025	(8,854)
2026	12,613
Thereafter	12,839
Totals	\$ (9,964)

NOTE 14 - ENCUMBRANCES

Encumbrances outstanding at June 30, 2021, are as follows:

Current:	
Instruction:	
Regular programs	\$ 1,119
Support services:	
Student	7,236
School administration	196
Operation and maintenance of plant	8,111
Student transportation	2,788
Total support services	18,331
Facilities acquisition and construction	38,454
Total encumbrances	\$ 57,904

HANOVER SCHOOL DISTRICT
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NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2021, include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 4,289,129
Less:	
Direct placement bond payable	(4,270,000)
Unamortized bond premium	(284,900)
Capital lease payable	(41,085)
Total net investment in capital assets	<u>(306,856)</u>
Restricted net position:	
Bridgman Trust	1,959,713
Special gifts	80,089
Total restricted net position	<u>2,039,802</u>
Unrestricted	<u>(8,961,931)</u>
Total net position	<u><u>\$ (7,228,985)</u></u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2021, consist of the following:

	General Fund	Bridgman Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Bridgman Trust	\$ -	\$ 1,959,713	\$ -	\$ 1,959,713
Special gifts	-	-	80,089	80,089
Total restricted fund balance	<u>-</u>	<u>1,959,713</u>	<u>80,089</u>	<u>2,039,802</u>
Committed:				
Expendable trust	760,365	-	-	760,365
Assigned:				
Encumbrances	57,904	-	-	57,904
Student activity funds	-	-	7,362	7,362
Assigned - retained (RSA 198:4-bII)	300,000	-	-	300,000
Total assigned fund balance	<u>357,904</u>	<u>-</u>	<u>7,362</u>	<u>365,266</u>
Unassigned:	<u>523,461</u>	<u>-</u>	<u>-</u>	<u>523,461</u>
Total governmental fund balances	<u><u>\$ 1,641,730</u></u>	<u><u>\$ 1,959,713</u></u>	<u><u>\$ 87,451</u></u>	<u><u>\$ 3,688,894</u></u>

NOTE 17 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2021, 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 is a are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2020, to June 30, 2021 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual

HANOVER SCHOOL DISTRICT
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JUNE 30, 2021

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 2020-21 the School District paid \$16,010 and \$25,802, 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 18 – CAFETERIA BENEFIT PLAN

Effective July 2011, the School District implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the School District, into any combination of the following benefit categories:

1. Medical Insurance Premium Account;
2. Out of Pocket Medical Spending Account; or
3. Dependent Care Spending Account.

In addition to directing the School District's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account, and \$2,750 into the Medical Spending Account. This cap applies to both School District contributions and employee pre-tax contributions.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the School District begins on July 1 and ends on June 30. To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 and 3 above), employees must submit claims within ninety days of the end of the plan year or separation of service from the School District, whichever occurs first. Funds unclaimed after ninety days of the close of the plan year are then remitted to the School District.

NOTE 19 – DONATION

The School District received a \$48,000 donation during 2021 from Jack and Dorothy Byrne Foundation, Inc. in support of technology upgrades. As this donation has not been received consistently, the donation is not included in the general fund budget since its receipt cannot be assured, and has been reported as revenue in the Special Grants fund.

NOTE 20 – CONTINGENT LIABILITIES

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

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

NOTE 21 – COVID-19

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

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

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The CRF requires that the payment from these funds be used to cover expenses that: are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that begins March 1, 2020, and ends on December 31, 2020. The School District was awarded a portion of this Federal funding totaling \$113,600 in the fall of 2020, through the Supplemental Public School Response Fund (SPSRF).

The ESR provided funds to the School District through the Elementary and Secondary School Emergency Relief Fund (ESSER). The objective of ESSER is to provide local education agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation. This funding was awarded to the School District under the ESSER I and II grants, with the School District expending \$3,410 of this funding in the fiscal year 2021 and must be used for activities to prevent, prepare, and respond to the coronavirus.

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

NOTE 22 – 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 March 28, 2022, the date the June 30, 2021, financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
HANOVER 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, 2021
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
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
School District's:								
Proportion of the net pension liability	0.14%	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%	0.18%
Proportionate share of the net pension liability	\$ 6,019,103	\$ 5,514,569	\$ 6,071,158	\$ 8,425,933	\$ 7,638,902	\$ 8,105,707	\$ 8,343,808	\$ 11,364,664
Covered payroll (as of measurement date)	\$ 3,857,666	\$ 4,018,417	\$ 4,186,032	\$ 4,463,654	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103
Proportionate share of the net pension liability as a percentage of its covered payroll	156.03%	137.23%	145.03%	188.77%	162.87%	178.25%	169.69%	223.45%
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%

EXHIBIT F
HANOVER 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, 2021
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
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
Contractually required contribution	\$ 347,757	\$ 476,625	\$ 514,146	\$ 567,390	\$ 569,025	\$ 711,484	\$ 754,641	\$ 771,317
Contributions in relation to the contractually required contributions	(347,757)	(476,625)	(514,146)	(567,390)	(569,025)	(711,484)	(754,641)	(771,317)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of fiscal year-end)	\$ 4,018,417	\$ 4,186,032	\$ 4,463,654	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103	\$ 5,004,843
Contributions as a percentage of covered payroll	8.65%	11.39%	11.52%	12.10%	12.51%	14.47%	14.84%	15.41%

HANOVER SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2021. 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.

The following assumptions were changed in the current year:

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

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.0% per year
Wage Inflation	2.755% per year (2.25% for Teachers) in the 2007 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	6.75% per year, net of investment expenses including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	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.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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EXHIBIT G
HANOVER 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, 2021
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
School District's proportion of the net OPEB liability	0.20%	0.20%	0.16%	0.16%	0.18%
School District's proportionate share of the net OPEB liability (asset)	\$ 981,697	\$ 917,051	\$ 714,069	\$ 697,985	\$ 784,369
School District's covered payroll (as of measurement date)	\$ 4,463,654	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.99%	19.55%	15.70%	14.20%	15.42%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

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

EXHIBIT H
HANOVER 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, 2021
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Contractually required contribution	\$ 117,831	\$ 118,875	\$ 68,987	\$ 72,656	\$ 81,974
Contributions in relation to the contractually required contribution	(117,831)	(118,875)	(68,987)	(72,656)	(81,974)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of fiscal year-end)	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103	\$ 5,004,843
Contributions as a percentage of covered payroll	2.51%	2.61%	1.40%	1.43%	1.64%

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

EXHIBIT I
HANOVER 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, 2021
Unaudited

	June 30,			
	2018	2019	2020	2021
OPEB liability, beginning of year	\$ 2,065,449	\$ 1,964,957	\$ 1,855,456	\$ 1,593,151
Changes for the year:				
Service cost	116,480	104,474	85,730	97,611
Interest	76,812	76,805	54,936	44,312
Changes to benefit terms	-	(232,746)	(21,975)	-
Assumption changes and difference between actual and expected experience	(220,430)	(11,944)	(334,019)	31,420
Benefit payments	(73,354)	(46,090)	(46,977)	(28,733)
OPEB liability, end of year	\$ 1,964,957	\$ 1,855,456	\$ 1,593,151	\$ 1,737,761
Covered payroll	\$ 6,611,477	\$ 6,611,081	\$ 5,185,655	\$ 5,564,200
Total OPEB liability as a percentage of covered payroll	29.72%	28.07%	30.72%	31.23%

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

HANOVER SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2021. 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.

The following assumptions were changed in the current year:

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

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.0% per year
Wage Inflation	2.75% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	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.
Health Care Trend Rates	Not applicable, given that benefits are fixed stipends.
Aging Factors	Not applicable, given that the benefits are fixed stipends.

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

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2021. 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
HANOVER SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2021

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 11,942,120	\$ 11,942,120	\$ -
Other local sources:			
Tuition	6,000	-	(6,000)
Investment earnings	50,000	734	(49,266)
Miscellaneous	191,188	188,946	(2,242)
Total from other local sources	247,188	189,680	(57,508)
State sources:			
Adequacy aid (tax)	2,281,281	2,281,281	-
School building aid	75,807	75,807	-
Catastrophic aid	422,643	422,643	-
Special education cost recovery	-	27,890	27,890
Other state aid	118,907	118,907	-
Total from state sources	2,898,638	2,926,528	27,890
Federal sources:			
Medicaid	100,000	48,308	(51,692)
Federal forest reserve	3,200	3,048	(152)
Total from federal sources	103,200	51,356	(51,844)
Other financing sources:			
Transfers in	310,000	-	(310,000)
Total revenues and other financing sources	15,501,146	\$ 15,109,684	\$ (391,462)
Use of fund balance to reduce school district assessment	239,024		
Use of fund balance - appropriated	100,000		
Total revenues, other financing sources, and use of fund balance	\$ 15,840,170		

SCHEDULE 2
HANOVER SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 8,114,786	\$ 7,575,487	\$ 1,119	\$ 538,180
Special programs	-	4,028,840	3,821,823	-	207,017
Total instruction	-	12,143,626	11,397,310	1,119	745,197
Support services:					
Student	-	339,653	336,284	7,236	(3,867)
Instructional staff	-	299,380	237,302	-	62,078
General administration	-	50,216	134,711	-	(84,495)
Executive administration	-	451,093	451,093	-	-
School administration	-	585,874	491,700	196	93,978
Operation and maintenance of plant	-	714,875	687,266	8,111	19,498
Student transportation	-	632,074	543,604	2,788	85,682
Total support services	-	3,073,165	2,881,960	18,331	172,874
Debt service:					
Principal of long-term debt	-	215,000	215,000	-	-
Interest on long-term debt	-	176,629	176,629	-	-
Total debt service	-	391,629	391,629	-	-
Facilities acquisition and construction	20,075	81,750	78,154	38,454	(14,783)
Other financing uses:					
Transfers out	-	150,000	140,142	-	9,858
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 20,075	\$ 15,840,170	\$ 14,889,195	\$ 57,904	\$ 913,146

SCHEDULE 3
HANOVER SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2021

Unassigned fund balance, beginning		\$ 539,024
Changes:		
Unassigned fund balance used to reduce school district assessment		(239,024)
Unassigned fund balance appropriated for use in 2020-2021		(100,000)
2020-2021 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (391,462)	
Unexpended balance of appropriations (Schedule 2)	913,146	
2020-2021 Budget surplus		521,684
Decrease in nonspendable fund balance		1,777
Decrease in committed fund balance		100,000
Increase in assigned fund balance (non-encumbrance)		(300,000)
Unassigned fund balance, ending		<u>\$ 523,461</u>

SCHEDULE 4
HANOVER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds				Total
	Grants	Food Service	Special Gifts	Ray School Student Activity	
ASSETS					
Accounts receivable	\$ -	\$ -	\$ 4,411	\$ -	\$ 4,411
Intergovernmental receivable	27,981	-	-	-	27,981
Interfund receivable	-	24,986	83,040	7,362	115,388
Total assets	<u>\$ 27,981</u>	<u>\$ 24,986</u>	<u>\$ 87,451</u>	<u>\$ 7,362</u>	<u>\$ 147,780</u>
LIABILITIES					
Accounts payable	\$ -	\$ 24,986	\$ -	\$ -	\$ 24,986
Interfund payable	27,981	-	7,362	-	35,343
Total liabilities	<u>27,981</u>	<u>24,986</u>	<u>7,362</u>	<u>-</u>	<u>60,329</u>
FUND BALANCES					
Restricted	\$ -	\$ -	\$ 80,089	\$ -	\$ 80,089
Assigned	-	-	-	7,362	7,362
Total fund balances	<u>-</u>	<u>-</u>	<u>80,089</u>	<u>7,362</u>	<u>87,451</u>
Total liabilities and fund balances	<u>\$ 27,981</u>	<u>\$ 24,986</u>	<u>\$ 87,451</u>	<u>\$ 7,362</u>	<u>\$ 147,780</u>

SCHEDULE 5
HANOVER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	Special Revenue Funds				Total
	Grants	Food Service	Special Grants	Ray School Student Activity	
REVENUES					
Other local	\$ -	\$ 101,582	\$ 65,593	\$ 647	\$ 167,822
Federal	255,814	-	-	-	255,814
Total revenues	255,814	101,582	65,593	647	423,636
EXPENDITURES					
Current:					
Instruction	255,814	-	72,400	1,748	329,962
Noninstructional services	-	141,724	-	-	141,724
Total expenditures	255,814	141,724	72,400	1,748	471,686
Deficiency of revenues under expenditures	-	(40,142)	(6,807)	(1,101)	(48,050)
OTHER FINANCING SOURCES					
Transfers in	-	40,142	10,861	-	51,003
Net change in fund balances	-	-	4,054	(1,101)	2,953
Fund balances, beginning	-	-	76,035	8,463	84,498
Fund balances, ending	\$ -	\$ -	\$ 80,089	\$ 7,362	\$ 87,451