

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

**HANOVER SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
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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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hanover School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover School District, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hanover School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Change in Accounting Principle***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hanover School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hanover School District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying 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.

July 31, 2024  
Concord, New Hampshire

*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, 2023**

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, 2023. 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, 2023, was (\$6,291,873). Net position changed by \$692,047, or 9.9%, between July 1, 2022 and June 30, 2023. The District's total net position consisted of (\$540,651) in capital assets net of debt, \$1,909,761 in restricted net position, and (\$7,660,983) in unrestricted net position. The District's long-term obligations of \$16,190,616 included \$3,800,000 in general obligation bonds, \$244,200 of unamortized bond premium, \$9,742,452 in postemployment benefits, and \$28,457 in compensated absences. The "Net Pension Liability", of \$2,326,547, 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 \$14,163,556 were \$692,047 less than the revenues of \$14,855,603. Expenditures include \$442,246 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, 2023, 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 (\$7,660,983). 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, 2022, and June 30, 2023 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 2023**

Comparative Statement of Changes in Net Position

	2023	2022	Increase (Decrease)
Current assets	\$ 5,736,117	\$ 3,996,797	\$ 1,739,320
Non-current assets	3,552,509	3,882,016	(329,507)
Total assets	<u>9,288,626</u>	<u>7,878,813</u>	<u>1,409,813</u>
Deferred outflows of resources	<u>2,375,000</u>	<u>2,475,204</u>	<u>(100,204)</u>
Current liabilities	1,221,094	413,154	807,940
Non-current liabilities	16,190,616	14,090,331	2,100,285
Total liabilities	<u>17,411,710</u>	<u>14,503,485</u>	<u>2,908,225</u>
Deferred inflows of resources	<u>543,789</u>	<u>2,834,452</u>	<u>(2,290,663)</u>
Net Investment in Capital Assets	(540,651)	(422,534)	(118,117)
Restricted Net Position	1,909,761	1,738,234	171,527
Unrestricted Net Position	<u>(7,660,983)</u>	<u>(8,299,620)</u>	<u>638,637</u>
Total Net Position	<u>\$ (6,291,873)</u>	<u>\$ (6,983,920)</u>	<u>\$ 692,047</u>

**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 \$14,163,556, total revenues were \$14,855,603, resulting in an decrease in net position of \$692,047. The District's expenditures were largely for instruction in the amount of \$9,763,736 or 68.9%. The balance of expenditures are made up of Support Services: Student & Instructional Staff support in the amount of \$720,003 [5.08%]; administration, operation & maintenance of plant and student transportation in the amount of \$2,923,658 [20.64%]; and the balance of unallocated depreciation, interest on debt and non-instructional services totaling another \$756,159 [5.34%]. The largest share of revenue, \$8,343,089 [56.2% of total revenues], was from district tax assessments.

	FY2023	FY2022	\$ Chg	% Chg
<b>Instruction</b>	\$ 9,763,736	\$ 11,177,871	\$ (1,414,135)	-12.65%
Support Services				
Student	398,724	344,569	54,155	15.72%
Instructional Staff	321,279	223,980	97,299	43.44%
General Administration	44,949	69,430	(24,481)	-35.26%
Executive Administration	514,223	496,785	17,438	3.51%
School Administration	589,906	549,372	40,534	7.38%
Operation & Maintenance of Plant	933,908	807,937	125,971	15.59%
Student Transportation	840,672	719,318	121,354	16.87%
Non-Instructional Services	184,893	168,685	16,208	9.61%
Interest on Long-Term Debt	129,020	140,939	(11,919)	-8.46%
Depreciation - Unallocated	442,246	445,638	(3,392)	-0.76%
Total Governmental Activities	<u>14,163,556</u>	<u>15,144,524</u>	<u>(980,968)</u>	<u>-6.48%</u>

**Hanover School District  
Management Discussion and Analysis for Fiscal Year 2023**

	<u>FY2023</u>	<u>FY2022</u>	<u>\$ Chg</u>	<u>% Chg</u>
<b>Program Revenues</b>				
Charges for Services	176,103	150,687	25,416	16.87%
Operating Grants & Contributions	990,738	834,090	156,648	18.78%
<b>General Revenue</b>				
School District Assessment	8,343,089	9,871,994	(1,528,905)	-15.49%
Grants and contributions not restricte	4,731,873	4,550,693	181,180	3.98%
Miscellaneous	142,766	234,025	(91,259)	-39.00%
Decline in fair market value of investi	471,034	(251,900)	722,934	-286.99%
<b>Total Revenues</b>	<u>14,855,603</u>	<u>15,389,589</u>	<u>(533,986)</u>	<u>-3.47%</u>
Change in Net Position	692,047	245,065	446,982	-182.39%
Net Positon, beginning	(6,983,920)	(7,228,985)	245,065	3.39%
Net Position, ending	<u>\$ (6,291,873)</u>	<u>\$ (6,983,920)</u>	<u>\$ 692,047</u>	<u>9.91%</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 FY2023. Schedule 1 shows that total budgeted revenues (including fund balance budgeted to offset expenses) totaled \$14,652,565. Budgeted new revenues were projected at \$13,859,389 and we received \$14,182,378, a favorable variance of \$322,989 due to increases in investment earnings [\$119,380], special education aid [\$110,458] and miscellaneous receipts [\$101,747]. At \$8,343,089, 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 \$14,652,565, the District expended \$13,601,948 and encumbered \$116,483, under budget by a total of \$1,038,754. Direct instruction of \$9,406,770 makes up 69.1 % of all general fund expenditures while support services totaling \$3,397,529 makes up 25.0%. The balance of \$797,649 [5.9%] is spent in debt servicing, facilities upgrades and other governmental transfers with another \$1,038,754 or 7.2% unspent. (This schedule does not include unallocated depreciation.)

Schedule 3 shows an unassigned general fund balance in the amount of \$1,255,373.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

On June 30, 2023, the District reported capital assets of \$3,552,509 (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.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>% Change</u>
<b>Not Being Depreciated:</b>			
Land	\$ 35,000	\$ 35,000	0.00%
Construction in Progress	-	60,021	-100.00%
<b>Total Capital Assets Not Being Depreciated</b>	<u>35,000</u>	<u>95,021</u>	<u>-100.00%</u>



**Hanover School District**  
**Management Discussion and Analysis for Fiscal Year 2023**

	June 30, 2023	June 30, 2022	%
			Change
<b>Being Depreciated:</b>			
Land Improvements	374,547	374,547	0.00%
Building and Building Improvements	10,796,733	10,796,733	0.00%
Machinery, Equipment, and Vehicles	487,266	313,010	55.67%
Infrastructure	13,261	13,261	0.00%
<b>Total Capital Assets Being Depreciated</b>	<u>11,671,807</u>	<u>11,497,551</u>	<u>1.52%</u>
<b>Total All Capital Assets</b>	<u>11,706,807</u>	<u>11,592,572</u>	<u>0.99%</u>
<b>Less Accumulated Depreciation:</b>			
Land Improvements	(282,226)	(265,604)	6.26%
Building and Building Improvements	(7,580,964)	(7,202,587)	5.25%
Machinery, Equipment, and Vehicles	(281,244)	(233,164)	20.62%
Infrastructure	(9,864)	(9,201)	7.21%
<b>Total accumulated depreciation</b>	<u>(8,154,298)</u>	<u>(7,710,556)</u>	<u>5.75%</u>
<b>Net Book Value, capital assets being depreciated</b>	<u>3,517,509</u>	<u>3,786,995</u>	<u>-7.12%</u>
<b>Net Book Value, all capital assets</b>	<u>\$ 3,552,509</u>	<u>\$ 3,882,016</u>	<u>-8.49%</u>

**Long-Term Debt**

As of June 30, 2023 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.

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>\$ Change</u>
General Obligation Bond	\$ 3,800,000	\$ 4,040,000	\$ (240,000)
Unamortized Bond Premium	244,200	264,550	(20,350)
Note Payable	48,960	-	48,960
Compensated Absences	28,457	24,607	3,850
Net Other Postemployment Benefits	9,742,452	2,248,325	7,494,127
Net Pension Liability	<u>2,326,547</u>	<u>7,512,849</u>	<u>(5,186,302)</u>
<b>Total Long-Term Debt Outstanding</b>	<u>\$ 16,190,616</u>	<u>\$ 14,090,331</u>	<u>\$ 2,100,285</u>

**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.

**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, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 104,466
Investments	2,208,744
Accounts receivables	36,207
Intergovernmental receivable	3,364,698
Prepaid items	22,002
Capital assets, not being depreciated	35,000
Capital assets, net of accumulated depreciation	3,517,509
Total assets	9,288,626
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	2,177,657
Amounts related to other postemployment benefits	197,343
Total deferred outflows of resources	2,375,000
<b>LIABILITIES</b>	
Accounts payable	370,438
Accrued salaries and benefits payable	7
Intergovernmental payable	797,807
Accrued interest payable	52,842
Noncurrent obligations:	
Due within one year	294,830
Due in more than one year	15,895,786
Total liabilities	17,411,710
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts related to pensions	290,389
Amounts related to other postemployment benefits	253,400
Total deferred inflows of resources	543,789
<b>NET POSITION</b>	
Net investment in capital assets	(540,651)
Restricted	1,909,761
Unrestricted	(7,660,983)
Total net position	\$ (6,291,873)

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, 2023**

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 9,763,736	\$ 16,775	\$ 908,530	\$ (8,838,431)
Support services:				
Student	398,724	-	-	(398,724)
Instructional staff	321,279	-	10,565	(310,714)
General administration	44,949	-	-	(44,949)
Executive administration	514,223	-	-	(514,223)
School administration	589,906	-	-	(589,906)
Operation and maintenance of plant	933,908	-	-	(933,908)
Student transportation	840,672	-	-	(840,672)
Noninstructional services	184,893	159,328	-	(25,565)
Interest on long-term debt	129,020	-	71,643	(57,377)
Depreciation - unallocated	442,246	-	-	(442,246)
Total governmental activities	<u>\$ 14,163,556</u>	<u>\$ 176,103</u>	<u>\$ 990,738</u>	<u>\$ (12,996,715)</u>
General revenues and contributions:				
School district assessment				8,343,089
Grants and contributions not restricted to specific programs				4,731,873
Interest				142,766
Miscellaneous				471,034
Total general revenues and contributions				<u>13,688,762</u>
Change in net position				692,047
Net position, beginning				(6,983,920)
Net position, ending				<u>\$ (6,291,873)</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, 2023**

	General	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,667	\$ -	\$ 89,799	\$ 104,466
Investments	2,208,744	-	-	2,208,744
Accounts receivable	36,207	-	-	36,207
Intergovernmental receivable	1,475,932	1,856,831	31,935	3,364,698
Interfund receivables	31,935	-	-	31,935
Prepaid items	22,002	-	-	22,002
Total assets	<u>\$ 3,789,487</u>	<u>\$ 1,856,831</u>	<u>\$ 121,734</u>	<u>\$ 5,768,052</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 341,589	\$ -	\$ 28,849	\$ 370,438
Accrued salaries and benefits payable	7	-	-	7
Intergovernmental payable	797,807	-	-	797,807
Interfund payable	-	-	31,935	31,935
Total liabilities	<u>1,139,403</u>	<u>-</u>	<u>60,784</u>	<u>1,200,187</u>
<b>FUND BALANCES</b>				
Nonspendable	22,002	-	-	22,002
Restricted	-	1,856,831	52,930	1,909,761
Committed	785,557	-	-	785,557
Assigned	587,152	-	8,020	595,172
Unassigned	1,255,373	-	-	1,255,373
Total fund balances	<u>2,650,084</u>	<u>1,856,831</u>	<u>60,950</u>	<u>4,567,865</u>
Total liabilities and fund balances	<u>\$ 3,789,487</u>	<u>\$ 1,856,831</u>	<u>\$ 121,734</u>	<u>\$ 5,768,052</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, 2023**

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,567,865
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	\$11,706,807	
Less accumulated depreciation	<u>(8,154,298)</u>	3,552,509
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 2,177,657	
Deferred inflows of resources related to pensions	(290,389)	
Deferred outflows of resources related to OPEB	197,343	
Deferred inflows of resources related to OPEB	<u>(253,400)</u>	1,831,211
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (31,935)	
Payables	<u>31,935</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(52,842)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds/note	\$ 3,848,960	
Unamortized bond premium	244,200	
Compensated absences	28,457	
Net pension liability	9,742,452	
Other postemployment benefits	<u>2,326,547</u>	(16,190,616)
Net position of governmental activities (Exhibit A)		<u>\$ (6,291,873)</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, 2023**

	General	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 8,343,089	\$ -	\$ -	\$ 8,343,089
Other local	428,435	185,365	176,103	789,903
State	5,413,974	-	-	5,413,974
Federal	20,868	-	287,769	308,637
Total revenues	<u>14,206,366</u>	<u>185,365</u>	<u>463,872</u>	<u>14,855,603</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	9,480,210	8,176	298,770	9,787,156
Support services:				
Student	396,358	-	-	396,358
Instructional staff	309,690	-	10,565	320,255
General administration	44,949	-	-	44,949
Executive administration	514,223	-	-	514,223
School administration	587,513	-	-	587,513
Operation and maintenance of plant	704,124	-	-	704,124
Student transportation	840,672	-	-	840,672
Noninstructional services	-	-	184,893	184,893
Debt service:				
Principal	240,000	-	-	240,000
Interest	153,934	-	-	153,934
Facilities acquisition and construction	228,150	-	-	228,150
Total expenditures	<u>13,499,823</u>	<u>8,176</u>	<u>494,228</u>	<u>14,002,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>706,543</u>	<u>177,189</u>	<u>(30,356)</u>	<u>853,376</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	41,844	41,844
Transfers out	(25,565)	(16,279)	-	(41,844)
Note issuance	73,440	-	-	73,440
Total other financing sources (uses)	<u>47,875</u>	<u>(16,279)</u>	<u>41,844</u>	<u>73,440</u>
Net change in fund balances	754,418	160,910	11,488	926,816
Fund balances, beginning	1,895,666	1,695,921	49,462	3,641,049
Fund balances, ending	<u>\$ 2,650,084</u>	<u>\$ 1,856,831</u>	<u>\$ 60,950</u>	<u>\$ 4,567,865</u>

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, 2023**

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 926,816
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	\$ 114,235	
Depreciation expense	<u>(443,742)</u>	(329,507)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (41,844)	
Transfers out	<u>41,844</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.		
Issuance of note	\$ (73,440)	
Principal repayment of bonds and notes	264,480	
Amortization of bond premium	<u>20,350</u>	211,390
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	\$ 4,564	
Increase in compensated absences payable	(3,850)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(87,372)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(29,994)</u>	(116,652)
Change in net position of governmental activities (Exhibit B)		<u>\$ 692,047</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, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 8,343,089	\$ 8,343,089	\$ -
Other local	189,320	404,447	215,127
State	5,303,516	5,413,974	110,458
Federal	23,464	20,868	(2,596)
Total revenues	<u>13,859,389</u>	<u>14,182,378</u>	<u>322,989</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	10,566,418	9,406,770	1,159,648
Support services:			
Student	374,190	396,358	(22,168)
Instructional staff	372,623	309,690	62,933
General administration	54,946	44,949	9,997
Executive administration	514,223	514,223	-
School administration	594,346	587,513	6,833
Operation and maintenance of plant	721,930	701,009	20,921
Student transportation	739,355	840,672	(101,317)
Debt service:			
Principal	240,000	240,000	-
Interest	153,934	153,934	-
Facilities acquisition and construction	161,600	243,128	(81,528)
Total expenditures	<u>14,493,565</u>	<u>13,438,246</u>	<u>1,055,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(634,176)</u>	<u>744,132</u>	<u>1,378,308</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(159,000)</u>	<u>(175,565)</u>	<u>(16,565)</u>
Net change in fund balance	<u>\$ (793,176)</u>	<u>568,567</u>	<u>\$ 1,361,743</u>
Increase in nonspendable fund balance		(9,666)	
Decrease in committed fund balance		23,295	
Increase in assigned (non-encumbrance) fund balance		(123,067)	
Unassigned fund balance, beginning		796,244	
Unassigned fund balance, ending		<u>\$ 1,255,373</u>	

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, 2023**

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**HANOVER SCHOOL DISTRICT**  
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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 GASB Statement No. 14 (as amended). The School District has no component units to include in its reporting entity.

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

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

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

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, 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 function: instruction, support services, noninstructional, debt services or facilities acquisition and construction. Current expenditures are subclassified by object and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds or notes. Capital outlay includes expenditures for equipment, 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 four 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 fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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

### **1-E 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.

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

**Level 1** – Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

**Level 2** – The categorization of an asset/liability as Level 1 requires that it be traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

**Level 3** – Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

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 primarily of accounts and intergovernmental receivables.

***1-G Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used. This amount is also equal to the nonspendable fund balance at year-end.

***1-H Capital Assets***

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

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.

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

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

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

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

***1-I Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2023.

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

***Deferred outflows of resources***, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until that time. The School has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

***Deferred inflows of resources***, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The School has two types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

***1-L Long-term Obligations***

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

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

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

**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.



**HANOVER SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***I-M 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.

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.

***I-N Defined Benefit Pension Plan***

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

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

***I-O Postemployment Benefits Other Than Pensions (OPEB)***

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

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

***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.

***I-P Net Position/Fund Balances***

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

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or notes 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.

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

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

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

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

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

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

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

In accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$470,669 which is less than 5.0% of the net district assessment, to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

### ***1-Q Use of Estimates***

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

The accompanying financial statements reflect a change in classification from the prior year. Specifically, the federal projects and food service funds, which did not qualify as major funds for the current fiscal year. As such they were 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 and the Bridgman trust fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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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 2023, \$793,176 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 14,182,378
Adjustments:	
Basis differences:	
Note issuance	73,440
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	23,988
Per Exhibit C-3 (GAAP Basis)	<u>\$ 14,279,806</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 13,613,811
Adjustments:	
Basis differences:	
Encumbrances, beginning	104,620
Encumbrances, ending	(116,483)
Note issuance	73,440
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	(150,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,525,388</u>

**2-C Accounting Change**

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

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School District’s deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the School District’s agent in the School District’s name. The FDIC currently insures the first \$250,000 of the School District’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District’s deposits was \$104,466 and the bank balances totaled \$745,701. 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 amortized cost measurements as of June 30, 2023:

Investments carried at amortized cost:	
NH Public Deposit Investment Pool	<u>\$ 2,208,744</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’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The School District has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. As of June 30, 2023, the School District’s investment pool had the following credit risk structure:

<u>Investment Type</u>	<u>Reported Balance</u>	<u>Exempt From Disclosure</u>
New Hampshire Public Deposit Investment Pool	<u>\$ 2,208,744</u>	<u>\$ 2,208,744</u>

**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.

**Concentration of Credit Risk** – The School District places no limit on the amount it may invest in any one issuer. No more than 5% of the School District’s total investments is held by one individual issuer.

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2023, 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.

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**NOTE 6 – CAPITAL ASSETS**

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

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	60,021	-	(60,021)	-
Total capital assets not being depreciated	<u>95,021</u>	<u>-</u>	<u>(60,021)</u>	<u>35,000</u>
Being depreciated:				
Land improvements	374,547	-	-	374,547
Buildings and building improvements	10,796,733	-	-	10,796,733
Machinery, equipment, and vehicles	313,010	174,256	-	487,266
Infrastructure	13,261	-	-	13,261
Total capital assets being depreciated	<u>11,497,551</u>	<u>174,256</u>	<u>-</u>	<u>11,671,807</u>
Total capital assets	<u>11,592,572</u>	<u>174,256</u>	<u>(60,021)</u>	<u>11,706,807</u>
Less accumulated depreciation:				
Land improvements	(265,604)	(16,622)	-	(282,226)
Buildings and building improvements	(7,202,587)	(378,377)	-	(7,580,964)
Machinery, equipment, and vehicles	(233,164)	(48,080)	-	(281,244)
Infrastructure	(9,201)	(663)	-	(9,864)
Total accumulated depreciation	<u>(7,710,556)</u>	<u>(443,742)</u>	<u>-</u>	<u>(8,154,298)</u>
Net book value, capital assets being depreciated	<u>3,786,995</u>	<u>(269,486)</u>	<u>-</u>	<u>3,517,509</u>
Net book value, all capital assets	<u>\$ 3,882,016</u>	<u>\$ (269,486)</u>	<u>\$ (60,021)</u>	<u>\$ 3,552,509</u>

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

Instruction	\$ 1,264
Support services:	
Operation and maintenance of plant	232
Unallocated	442,246
Total depreciation expense	<u>\$ 443,742</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 31,935</u>

Interfund transfers during the year ended June 30, 2023 are as follows:

	Transfers In:
	Nonmajor
	Fund
Transfers out:	
General fund	\$25,565
Bridgman trust	16,279
Total	<u>\$41,844</u>

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

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**NOTE 8 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at June 30, 2023, consist of the following:

Balance due to the Town of Hanover	\$ 406,430
Balance due to the New Hampshire Retirement System	304,750
Balance due to the Dresden School District	55,302
Balance due to the Hartford School District of Vermont	29,648
Other miscellaneous balances	1,677
Total intergovernmental payables due	<u>\$ 797,807</u>

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

	Governmental Activities
Amounts related to pensions, see Note 11	<u>\$ 2,177,657</u>
Amounts related to OPEB, see Note 13	197,343
Total deferred inflows of resources	<u>\$ 2,375,000</u>

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

	Governmental Activities
Amounts related to pensions, see Note 11	<u>\$ 290,389</u>
Amounts related to OPEB, see Note 13	253,400
Total deferred inflows of resources	<u>\$ 543,789</u>

**NOTE 10 – LONG-TERM LIABILITIES**

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due In More Than One Year
Direct placements - Bond payable	\$ 4,040,000	\$ -	\$ (240,000)	\$ 3,800,000	\$ 250,000	\$ 3,550,000
Direct borrowing - Note payable	-	73,440	(24,480)	48,960	24,480	24,480
Premium	264,550	-	(20,350)	244,200	20,350	223,850
Total bonds/note payable	4,304,550	73,440	(284,830)	4,093,160	294,830	3,798,330
Compensated absences	24,607	3,850	-	28,457	-	28,457
Pension related liability	7,512,849	2,229,603	-	9,742,452	-	9,742,452
Net other postemployment benefits	2,248,325	105,489	(27,267)	2,326,547	-	2,326,547
Total long-term liabilities	<u>\$14,090,331</u>	<u>\$ 2,412,382</u>	<u>\$ (312,097)</u>	<u>\$ 16,190,616</u>	<u>\$ 294,830</u>	<u>\$ 15,895,786</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2023
Direct placement - Bond payable School renovation/addition	\$ 5,391,000	2014	20235	3.04%	<u>\$ 3,800,000</u>
Direct borrowing - Note payable Apple MacBooks	\$ 73,440	2023	2025	0.00%	<u>\$ 48,960</u>

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

Fiscal Year Ending June 30,	Bond - Direct Placement			Note - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 250,000	\$ 141,694	\$ 391,694	\$ 24,480	\$ -	\$ 24,480
2025	265,000	128,944	393,944	24,480	-	24,480
2026	275,000	115,428	390,428	-	-	-
2027	290,000	101,404	391,404	-	-	-
2028	305,000	86,614	391,614	-	-	-
2029-2033	1,675,000	285,045	1,960,045	-	-	-
2034-2035	740,000	37,353	777,353	-	-	-
Totals	<u>\$3,800,000</u>	<u>\$896,482</u>	<u>\$4,696,482</u>	<u>\$48,960</u>	<u>\$ -</u>	<u>\$48,960</u>

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

**Bonds/Note Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2023, were as follows:

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

**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%

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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 2023, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2023 was \$975,559, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2023, the School District reported a liability of \$9,742,452 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the School District’s proportion was .17% which was the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$1,078,490. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 131,803	\$ 252,989
Net difference between projected and actual investment earnings on pension plan investments	369,226	37,400
Changes in assumptions	518,221	-
Differences between expected and actual experience	182,848	-
Contributions subsequent to the measurement date	975,559	-
Total	\$ 2,177,657	\$ 290,389

The \$975,559 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30,	
	2023	\$ 364,695
	2024	282,532
	2025	(246,915)
	2026	511,397
	2027	-
	Thereafter	-
	Totals	\$ 911,709

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

Inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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



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The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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

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

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 13,071,914	\$ 9,742,452	\$ 6,974,312

**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

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amend the benefit provisions and contribution requirements of the plan. The School District contributes 2-4% of each employee's salary and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023, were \$495,753 which consisted of \$101,224 from the School District and \$394,529 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 2022 Comprehensive Annual Financial Report, which can be found on the system's website at [www.nhrs.org](http://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 2022 were as follows:

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

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

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2022, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2023, the School District contributed 1.54% for teachers and 0.31% for other employees. The contribution requirement for the fiscal year 2023 was \$74,378, which was paid in full.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB** – At June 30, 2023, the School District reported a liability of \$662,912 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the School District's proportion was .18% which was an increase of .01% from its proportion measured as of June 30, 2021.

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For the year ended June 30, 2023, the School District recognized OPEB expense of \$35,774. At June 30, 2023, the School District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in proportion	\$ 1,812
Contributions subsequent to the measurement date	74,378
Total	\$ 76,190

The \$74,378 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
June 30,	
2023	\$ 301
2024	78
2025	(713)
2026	2,146
2027	-
Thereafter	-
Totals	\$ 1,812

**Actuarial Assumptions** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021, and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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

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Following is a table presenting target allocations and long-term rates of return for 2022:

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

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2022, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 719,704	\$ 662,912	\$ 613,450

**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.

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.

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

**Benefits Provided** – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees.

**Employees Covered by Benefit Terms** – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	327
Total participants covered by OPEB plan*	345

\*The SAU-wide total is represented above, as an allocation by district and for the School Administrative Unit was not explicitly disclosed by the actuaries.

**Total OPEB Liability** – The School District’s total OPEB liability of \$1,663,635 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022. The School District contracts with an outside actuary to complete the actuarial valuation and schedule of changes in the total OPEB liability. Detailed information can be found in the separately issued report through request of the School District business office.

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

Discount Rate:	4.13%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.50%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2029
Salary Increases:	2.75%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2023.

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,	
	2022	2023
Total OPEB liability beginning of year	\$ 1,737,761	\$ 1,558,146
Changes for the year:		
Service cost	99,518	75,765
Interest	38,053	67,012
Changes in benefit terms	-	(25,335)
Assumption changes and difference between actual and expected experience	(266,705)	36,613
Benefit payments	(50,481)	(48,566)
Total OPEB liability end of year	\$ 1,558,146	\$ 1,663,635

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**Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate** – The July 1, 2022, actuarial valuation was prepared using a discount rate of 4.13%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,556,075 or by 6.47%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,777,548 or by 6.85%.

	Discount Rate		
	1% Decrease	Baseline 4.13%	1% Increase
Total OPEB Liability	\$ 1,777,548	\$ 1,663,635	\$ 1,556,075

**Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The July 1, 2022, actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,809,737 or by 8.78%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,533,957 or by 7.79%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	\$ 1,533,957	\$ 1,663,635	\$ 1,809,737

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2023, the School District recognized OPEB expense of \$89,343. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 109,562	\$ 152,327
Differences between expected and actual experience	11,591	101,073
Total	\$ 121,153	\$ 253,400

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

Fiscal Year Ending June 30,	
2024	\$ (31,927)
2025	(31,928)
2026	(11,006)
2027	(15,909)
2028	(18,176)
Thereafter	(23,301)
Totals	\$ (132,247)

**NOTE 14 - ENCUMBRANCES**

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

Facilities acquisition and construction	\$ 116,483
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**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, 2023, include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 3,552,509
Less:	
General obligation bonds/note payable	(3,848,960)
Unamortized bond premiums	(244,200)
Total net investment in capital assets	(540,651)
Restricted net position:	
Bridgman trust	1,856,831
Special gifts	52,930
Total restricted net position	1,909,761
Unrestricted	(7,660,983)
Total net position	\$ (6,291,873)

**NOTE 16 – GOVERNMENTAL FUND BALANCES**

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

	General Fund	Bridgman Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Prepaid items	\$ 22,002	\$ -	\$ -	\$ 22,002
<b>Restricted:</b>				
Bridgman Trust	-	1,856,831	-	1,856,831
Special gifts	-	-	52,930	52,930
Total restricted fund balance	-	1,856,831	52,930	1,909,761
<b>Committed:</b>				
Expendable trust	785,557	-	-	785,557
<b>Assigned:</b>				
Encumbrances	116,483	-	-	116,483
Retained (RSA 198:4-bII)	470,669	-	-	470,669
Student activity funds	-	-	8,020	8,020
Total assigned fund balance	587,152	-	8,020	595,172
<b>Unassigned:</b>	1,255,373	-	-	1,255,373
Total governmental fund balances	\$ 2,650,084	\$ 1,856,831	\$ 60,950	\$ 4,567,865

**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 2023, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2022 to June 30, 2023 by Primex<sup>3</sup>, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the District's property schedule on file with Primex<sup>3</sup>. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions

**HANOVER SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022-23 the School District paid \$13,818 and \$31,406, respectively, to Primex for workers' compensation and property/liability. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

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

**NOTE 18 – 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 – CONTINGENT LIABILITIES**

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

**NOTE 20 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through July 31, 2024, the date the June 30, 2023, financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.



***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E**  
**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, 2023*  
*Unaudited*

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
School District's proportion of the net pension liability	0.14%	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%	0.18%	0.17%	0.17%
School District's 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	\$ 7,512,849	\$ 9,742,452
School District's covered payroll (as of the 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	\$ 5,004,843	\$ 5,068,629
School District's 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%	150.11%	192.21%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

**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, 2023*  
**Unaudited**

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 347,757	\$ 476,625	\$ 514,146	\$ 567,390	\$ 569,025	\$ 711,484	\$ 754,641	\$ 771,317	\$ 967,859	\$ 975,559
Contributions in relation to the contractually required contributions	(347,757)	(476,625)	(514,146)	(567,390)	(569,025)	(711,484)	(754,641)	(771,317)	(967,859)	(975,559)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of the fiscal year)	\$4,018,417	\$4,186,032	\$4,463,654	\$4,690,115	\$4,547,479	\$4,917,112	\$5,086,103	\$5,004,843	\$5,068,629	\$5,111,913
Contributions as a percentage of covered payroll	8.65%	11.39%	11.52%	12.10%	12.51%	14.47%	14.84%	15.41%	19.10%	19.08%

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

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

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

***Changes in Assumptions*** – Salary increases changed from 5.4% to 5.6% in the current period.

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**EXHIBIT G**  
**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, 2023*  
**Unaudited**

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
School District's proportion of the net OPEB liability	0.20%	0.20%	0.16%	0.16%	0.18%	0.17%	0.18%
School District's proportionate share of the net OPEB liability (asset)	\$ 981,697	\$ 917,051	\$ 714,069	\$ 697,985	\$ 784,369	\$ 690,179	\$ 662,912
School District's covered payroll (as of the measurement date)	\$ 4,463,654	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103	\$ 5,004,843	\$ 5,068,629
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%	13.79%	13.08%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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

**EXHIBIT H**  
**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, 2023*  
**Unaudited**

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 117,831	\$ 118,875	\$ 68,987	\$ 72,656	\$ 81,974	\$ 73,869	\$ 74,378
Contributions in relation to the contractually required contribution	(117,831)	(118,875)	(68,987)	(72,656)	(81,974)	(73,869)	(74,378)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of the fiscal year)	\$ 4,690,115	\$ 4,547,479	\$ 4,917,112	\$ 5,086,103	\$ 5,004,843	\$ 5,068,629	\$ 5,111,913
Contributions as a percentage of covered payroll	2.51%	2.61%	1.40%	1.43%	1.64%	1.46%	1.45%

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, 2023**  
**Unaudited**

	June 30,					
	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 2,065,449	\$ 1,964,957	\$ 1,855,456	\$ 1,593,151	\$ 1,737,761	\$ 1,558,146
Changes for the year:						
Service cost	116,480	104,474	85,730	97,611	99,518	75,765
Interest	76,812	76,805	54,936	44,312	38,053	67,012
Changes to benefit terms	-	(232,746)	(21,975)	-	-	(25,335)
Assumption changes and difference between actual and expected experience	(220,430)	(11,944)	(334,019)	31,420	(266,705)	36,613
Benefit payments	(73,354)	(46,090)	(46,977)	(28,733)	(50,481)	(48,566)
OPEB liability, end of year	<u>\$ 1,964,957</u>	<u>\$ 1,855,456</u>	<u>\$ 1,593,151</u>	<u>\$ 1,737,761</u>	<u>\$ 1,558,146</u>	<u>\$ 1,663,635</u>
Covered payroll	<u>\$ 6,611,477</u>	<u>\$ 6,611,081</u>	<u>\$ 5,185,655</u>	<u>\$ 5,564,200</u>	<u>\$ 5,199,503</u>	<u>\$ 5,440,386</u>
Total OPEB liability as a percentage of covered payroll	29.72%	28.07%	30.72%	31.23%	29.97%	30.58%

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, 2023**

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

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

***Changes in Assumptions*** – Salary increases changed from 5.4% to 5.6% in the current period.

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

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

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

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2023. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.



***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**HANOVER SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2023**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 8,343,089	\$ 8,343,089	\$ -
Other local sources:			
Tuition	6,000	-	(6,000)
Investment earnings	5,000	124,380	119,380
Miscellaneous	178,320	280,067	101,747
Total from other local sources	<u>189,320</u>	<u>404,447</u>	<u>215,127</u>
State sources:			
Adequacy aid (grant)	1,308,224	1,308,224	-
Adequacy aid (tax)	3,423,649	3,423,649	-
School building aid	71,643	71,643	-
Special education aid	500,000	610,458	110,458
Total from state sources	<u>5,303,516</u>	<u>5,413,974</u>	<u>110,458</u>
Federal sources:			
Medicaid	20,000	17,581	(2,419)
Federal forest reserve	3,464	3,287	(177)
Total from federal sources	<u>23,464</u>	<u>20,868</u>	<u>(2,596)</u>
Total revenues	13,859,389	<u>\$ 14,182,378</u>	<u>\$ 322,989</u>
Use of fund balance to reduce school district assessment	793,176		
Total revenues and use of fund balance	<u>\$ 14,652,565</u>		

See Independent Auditor's Report.

**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, 2023**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 6,377,614	\$ 5,624,319	\$ -	\$ 753,295
Special programs	-	4,188,804	3,782,451	-	406,353
Total instruction	<u>-</u>	<u>10,566,418</u>	<u>9,406,770</u>	<u>-</u>	<u>1,159,648</u>
Support services:					
Student	-	374,190	396,358	-	(22,168)
Instructional staff	-	372,623	309,690	-	62,933
General administration	-	54,946	44,949	-	9,997
Executive administration	-	514,223	514,223	-	-
School administration	-	594,346	587,513	-	6,833
Operation and maintenance of plant	3,115	721,930	704,124	-	20,921
Student transportation	-	739,355	840,672	-	(101,317)
Total support services	<u>3,115</u>	<u>3,371,613</u>	<u>3,397,529</u>	<u>-</u>	<u>(22,801)</u>
Debt service:					
Principal on long-term debt	-	240,000	240,000	-	-
Interest on long-term debt	-	153,934	153,934	-	-
Total debt service	<u>-</u>	<u>393,934</u>	<u>393,934</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>101,505</u>	<u>161,600</u>	<u>228,150</u>	<u>116,483</u>	<u>(81,528)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>159,000</u>	<u>175,565</u>	<u>-</u>	<u>(16,565)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 104,620</u>	<u>\$ 14,652,565</u>	<u>\$ 13,601,948</u>	<u>\$ 116,483</u>	<u>\$ 1,038,754</u>

See Independent Auditor's Report.

**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, 2023**

Unassigned fund balance, beginning		\$ 796,244
Changes:		
Unassigned fund balance used to reduce school district assessment		(793,176)
2022-2023 Budget summary:		
Revenue surplus (Schedule 1)	\$ 322,989	
Unexpended balance of appropriations (Schedule 2)	<u>1,038,754</u>	
2022-2023 Budget surplus		1,361,743
Increase in nonspendable fund balance		(9,666)
Decrease in committed fund balance		23,295
Increase in assigned (non-encumbrance) fund balance		<u>(123,067)</u>
Unassigned fund balance, ending		<u><u>\$ 1,255,373</u></u>

See Independent Auditor's Report.

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

	Special Revenue Funds				Total
	Federal Projects	Food Service	Special Gifts	Ray School Student Activity	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 28,849	\$ 52,930	\$ 8,020	\$ 89,799
Intergovernmental receivable	31,935	-	-	-	31,935
Total assets	<u>\$ 31,935</u>	<u>\$ 28,849</u>	<u>\$ 52,930</u>	<u>\$ 8,020</u>	<u>\$ 121,734</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 28,849	\$ -	\$ -	\$ 28,849
Interfund payable	31,935	-	-	-	31,935
Total liabilities	<u>31,935</u>	<u>28,849</u>	<u>-</u>	<u>-</u>	<u>60,784</u>
<b>FUND BALANCES</b>					
Restricted	-	-	52,930	-	52,930
Assigned	-	-	-	8,020	8,020
Total fund balances	<u>-</u>	<u>-</u>	<u>52,930</u>	<u>8,020</u>	<u>60,950</u>
Total liabilities and fund balances	<u>\$ 31,935</u>	<u>\$ 28,849</u>	<u>\$ 52,930</u>	<u>\$ 8,020</u>	<u>\$ 121,734</u>

See Independent Auditor's Report.

**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, 2023**

	Special Revenue Funds				Total
	Federal Projects	Food Service	Special Gifts	Ray School Student Activity	
<b>REVENUES</b>					
Other local	\$ -	\$ 159,328	\$ 15,698	\$ 1,077	\$ 176,103
Federal	<u>287,769</u>	-	-	-	<u>287,769</u>
Total revenues	<u>287,769</u>	<u>159,328</u>	<u>15,698</u>	<u>1,077</u>	<u>463,872</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	277,204	-	21,360	206	298,770
Support services:					
Instructional staff	10,565	-	-	-	10,565
Noninstructional services	-	184,893	-	-	184,893
Total expenditures	<u>287,769</u>	<u>184,893</u>	<u>21,360</u>	<u>206</u>	<u>494,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(25,565)</u>	<u>(5,662)</u>	<u>871</u>	<u>(30,356)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	25,565	16,279	-	41,844
Net change in fund balances	-	-	10,617	871	11,488
Fund balances, beginning	-	-	42,313	7,149	49,462
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,930</u>	<u>\$ 8,020</u>	<u>\$ 60,950</u>

See Independent Auditor's Report.