

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

LITCHFIELD SCHOOL DISTRICT
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JUNE 30, 2023

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Litchfield School District
Litchfield, 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 Litchfield School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Litchfield 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 Litchfield 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Litchfield 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 Litchfield 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 Litchfield 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Litchfield 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 Litchfield 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 Litchfield School District's basic financial statements. The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

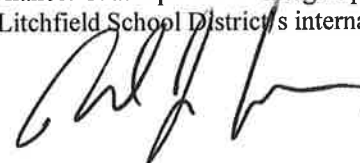
The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and

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

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024 on our consideration of the Litchfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Litchfield School District's internal control over financial reporting and compliance.



January 10, 2024
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

LITCHFIELD 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 New Hampshire School Administrative Unit #27, as management of the Litchfield School District ("District"), we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

1. Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$(6,497,466) (*net position*). Of this amount, \$(17,638,067) (*unrestricted net position*), had it been positive, may have been used to meet the government's ongoing obligations to citizens and creditors. The negative unrestricted net position is attributable to the reporting of the District's proportional share of the actuarially determined retirement system's unfunded pension liability as well as the District's proportional share of other postemployment benefits less the system's net position ("net pension liability"). Reporting the District's proportional share of the net pension liability does not impact the District's ability to meet its current obligations.
- The District's total net position changed by \$700,534.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,061,675, a change of \$(4,014,742) in comparison with the prior year.
 - Contributing factor to the significant decrease in governmental fund balance can be attributed to the extent of the phase two work that was completed at the middle school. The majority of this work was expensed to the municipal lease which therefore significantly lowered the balance of the available funds in the lease.
- Net change in the unassigned fund balance for the General Fund was \$204,448 with an end of year balance of \$442,773. This balance represents amounts that are not obligated or specifically designated and is available to offset the amount of local school assessment for the subsequent fiscal year.
- Consistent with the prior fiscal year, due to the implementation of GASB Statement Nos 68 and 71, the District is required to record its related share of net pension liability of the New Hampshire Retirement System. The net pension liability is the District's proportionate share of the retirement system's actuarially determined unfunded pension liability less the system's net position. This amount is reported only on the government-wide financial statements and has no impact on the fund financial statements of the District. At the end of the most recent year, our net pension liability was \$19,799,649, an increase of \$4,748,001 or 31.5 % above prior year.
- The District did not issue any bonds in fiscal year 2023.

2. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the items reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the time of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The governmental activities of the District include administration, instruction, support services, operations and maintenance, and transportation.

Fund Financial Statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five (5) individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are

considered to be major funds. Data from the remaining funds (grants, food service, and student activities), are considered nonmajor, are combined and reported in aggregate. A separate schedule is provided in the financial statements to show the balances and activities in nonmajor funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the District's own programs.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that is required to be disclosed by accounting principles generally accepted in the United States of America.

3. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$(6,497,466) at the close of the most recent fiscal year.

The largest portion of the District's net position, \$10,993,296, reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. Capital assets are reported net of accumulated depreciation. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of condensed statements of net position and statement of activities for government-wide financial data for the current and prior fiscal years.

Litchfield School District's Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 3,069,465	\$ 7,590,854
Capital assets	<u>15,695,347</u>	<u>11,351,191</u>
Total assets	<u>18,764,812</u>	<u>18,942,045</u>
 Deferred outflows of resources	 <u>5,080,073</u>	 <u>5,269,757</u>
 Long-term liabilities outstanding	 964,240	 22,882,169
Other liabilities	<u>27,254,947</u>	<u>1,494,206</u>
Total liabilities	<u>28,219,187</u>	<u>24,376,375</u>
 Deferred inflows of resources	 <u>2,123,164</u>	 <u>7,033,427</u>
 Net position:		
Net investment in capital assets	10,993,296	6,401,191
Restricted	147,305	4,931,485
Unrestricted	<u>(17,638,067)</u>	<u>(18,530,676)</u>
Total net position	<u>\$ (6,497,466)</u>	<u>\$ (7,198,000)</u>

Litchfield School District's Condensed Statement of Activities

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for service	\$ 971,220	\$ 387,827
Operating grants and contributions	1,023,653	1,177,834
Capital grants and contributions	219,809	800,282
General revenues	23,023,111	22,797,752
Total revenues	25,237,793	25,163,695
Expenses:		
Administration	2,636,515	2,199,641
Instruction	13,500,706	12,843,324
Support services	3,125,124	2,697,243
Operation and maintenance	2,439,844	2,544,952
Transportation	1,196,041	1,073,578
Other	943,179	1,138,478
Noninstructional services	695,850	627,145
Interest on long-term debt	-	20,495
Total expenses	24,537,259	23,144,856
Change in net position	700,534	2,018,839
Net position - Beginning of year	(7,198,000)	(9,169,816)
Restatement	-	(47,023)
Net position - End of year	\$ (6,497,466)	\$ (7,198,000)

Government activities. As noted above, governmental activities net position changed by \$700,534. Key elements of this change are as follows:

Governmental Activities	
General Fund	\$ 741,437
Capital Project Fund	(4,656,384)
Nonmajor Fund	(99,795)
Depreciation expense, net of capital asset transactions	4,344,156
Net change in net pension liability and OPEB obligations, net of deferred resources	41,554
Principal obligation on municipal lease	247,949
Accrued interest	1,342
Change in compensated absences	80,275
TOTAL	<u>\$ 700,534</u>

4. Financial Analysis of the Government's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,061,675, which is a change of \$(4,014,742) in comparison with the prior year. This decrease is mainly attributed to the spend down of the municipal lease as invoices were paid for work that occurred in FY23 at LMS. Key elements of this change are as follows:

Governmental Activities	
General Fund	\$ 741,437
Capital Project Fund	(4,656,384)
Nonmajor Fund	
Food Service Fund	(127,796)
Student Activity Funds	28001
TOTAL	<u>\$ (4,014,742)</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$442,773, while total fund balance was \$1,676,629. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.0 percent of total general fund expenditures, while total fund balance represents 7.5 percent of that same amount.

The total unassigned fund balance of the general fund changed by \$204,448 during the current fiscal year. Key elements of this change are as follows:

Surplus in Revenue over budget	\$ 374,598
Expenditures/Transfers Out less than budget	465,198
Use of fund balance as a funding source	(410,348)
Increase in committed fund balance	(225,000)
Total	<u>\$ 204,448</u>

5. Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$15,695,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, and equipment. The total change in the District's investment in total capital assets for the current year was \$4,344,156. The majority of the increases for this fiscal year are attributed to the phase two renovations at the middle school. For this past year this focussed on the replacement of HVAC equipment and the creation of two student spaces in what was locker room space.

Additional information on the District's capital assets can be found in the notes to the financial statements, see Note 6.

6. Request for Information

This financial report is designed to provide a general overview of the District's financing for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Administrator, C/O SAU #27, 1 Highlander Court, Litchfield, New Hampshire 03052.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
LITCHFIELD SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,357,750
Accounts receivables	15,084
Intergovernmental receivable	696,631
Capital assets, not being depreciated	8,435,129
Capital assets, net of accumulated depreciation	7,260,218
Total assets	18,764,812
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	4,622,578
Amounts related to other postemployment benefits	457,495
Total deferred outflows of resources	5,080,073
LIABILITIES	
Accounts payable	117,423
Accrued salaries and benefits payable	640,637
Intergovernmental payable	47,647
Retainage payable	139,380
Accrued interest payable	19,153
Noncurrent obligations:	
Due within one year	516,701
Due in more than one year	26,738,246
Total liabilities	28,219,187
DEFERRED INFLOWS OF RESOURCES	
Received in advance of eligible expenditures	62,703
Amounts related to pensions	383,889
Amounts related to other postemployment benefits	1,676,572
Total deferred inflows of resources	2,123,164
NET POSITION	
Net investment in capital assets	10,993,296
Restricted	147,305
Unrestricted	(17,638,067)
Total net position	\$ (6,497,466)

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

EXHIBIT B
LITCHFIELD 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	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 13,500,706	\$ 603,991	\$ 469,450	\$ -	\$ (12,427,265)
Support services:					
Student	2,175,049	-	185,415	-	(1,989,634)
Instructional staff	950,075	-	137,975	-	(812,100)
General administration	111,479	-	-	-	(111,479)
Executive administration	613,252	-	-	-	(613,252)
School administration	1,513,650	-	-	-	(1,513,650)
Business	398,134	-	-	-	(398,134)
Operation and maintenance of plant	2,439,844	2,670	39,665	219,809	(2,177,700)
Student transportation	1,196,041	-	6,123	-	(1,189,918)
Other	943,179	-	-	-	(943,179)
Noninstructional services	695,850	364,559	185,025	-	(146,266)
Total governmental activities	<u>\$ 24,537,259</u>	<u>\$ 971,220</u>	<u>\$ 1,023,653</u>	<u>\$ 219,809</u>	<u>\$ (22,322,577)</u>
General revenues and contributions:					
School district assessment					15,481,269
Grants and contributions not restricted to specific programs					7,502,870
Interest					18,790
Miscellaneous					20,182
Total general revenues and contributions					<u>23,023,111</u>
Change in net position					700,534
Net position, beginning, as restated (see Note 16)					(7,198,000)
Net position, ending					<u>\$ (6,497,466)</u>

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

EXHIBIT C-1
LITCHFIELD SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2023

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,740,245	\$ -	\$ 258,415	\$ 1,998,660
Accounts receivable	15,084	-	-	15,084
Intergovernmental receivable	566,491	-	130,140	696,631
Interfund receivables	72,739	-	-	72,739
Restricted assets:				
Cash and cash equivalents	-	359,090	-	359,090
Total assets	<u>\$ 2,394,559</u>	<u>\$ 359,090</u>	<u>\$ 388,555</u>	<u>\$ 3,142,204</u>
LIABILITIES				
Accounts payable	\$ 29,646	\$ 72,405	\$ 15,372	\$ 117,423
Accrued salaries and benefits payable	640,637	-	-	640,637
Intergovernmental payable	47,647	-	-	47,647
Retainage payable	-	139,380	-	139,380
Interfund payable	-	-	72,739	72,739
Total liabilities	<u>717,930</u>	<u>211,785</u>	<u>88,111</u>	<u>1,017,826</u>
DEFERRED INFLOWS OF RESOURCES				
Received in advance of eligible expenditures	-	-	62,703	62,703
FUND BALANCES				
Restricted	-	147,305	-	147,305
Committed	916,491	-	-	916,491
Assigned	317,365	-	237,741	555,106
Unassigned	442,773	-	-	442,773
Total fund balances	<u>1,676,629</u>	<u>147,305</u>	<u>237,741</u>	<u>2,061,675</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,394,559</u>	<u>\$ 359,090</u>	<u>\$ 388,555</u>	<u>\$ 3,142,204</u>

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

EXHIBIT C-2
LITCHFIELD 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)		\$ 2,061,675
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	\$29,798,254	
Less accumulated depreciation	<u>(14,102,907)</u>	15,695,347
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	\$ 4,622,578	
Deferred inflows of resources related to pensions	(383,889)	
Deferred outflows of resources related to OPEB	457,495	
Deferred inflows of resources related to OPEB	<u>(1,676,572)</u>	3,019,612
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (72,739)	
Payables	<u>72,739</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(19,153)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Note	\$ 4,702,051	
Compensated absences	1,138,340	
Net pension liability	19,799,649	
Other postemployment benefits	<u>1,614,907</u>	<u>(27,254,947)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (6,497,466)</u></u>

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

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$15,481,269	\$ -	\$ -	\$15,481,269
Other local	275,951	-	734,241	1,010,192
State	7,625,667	-	11,425	7,637,092
Federal	76	217,725	891,439	1,109,240
Total revenues	<u>23,382,963</u>	<u>217,725</u>	<u>1,637,105</u>	<u>25,237,793</u>
EXPENDITURES				
Current:				
Instruction	12,789,072	-	696,464	13,485,536
Support services:				
Student	1,911,097	-	185,415	2,096,512
Instructional staff	799,821	-	137,975	937,796
General administration	96,957	-	-	96,957
Executive administration	606,933	-	-	606,933
School administration	1,430,930	-	-	1,430,930
Business	383,536	-	-	383,536
Operation and maintenance of plant	1,947,841	-	39,665	1,987,506
Student transportation	1,196,041	-	-	1,196,041
Other	917,960	-	-	917,960
Noninstructional services	-	-	693,802	693,802
Facilities acquisition and construction	363,037	5,055,989	-	5,419,026
Total expenditures	<u>22,443,225</u>	<u>5,055,989</u>	<u>1,753,321</u>	<u>29,252,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>939,738</u>	<u>(4,838,264)</u>	<u>(116,216)</u>	<u>(4,014,742)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	181,880	16,421	198,301
Transfers out	(198,301)	-	-	(198,301)
Total other financing sources (uses)	<u>(198,301)</u>	<u>181,880</u>	<u>16,421</u>	<u>-</u>
Net change in fund balances	741,437	(4,656,384)	(99,795)	(4,014,742)
Fund balance, beginning, as restated (see Note 16)	935,192	4,803,689	337,536	6,076,417
Fund balances, ending	<u>\$ 1,676,629</u>	<u>\$ 147,305</u>	<u>\$ 237,741</u>	<u>\$ 2,061,675</u>

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

EXHIBIT C-4
LITCHFIELD 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)		\$(4,014,742)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 5,142,163	
Depreciation expense	<u>(609,576)</u>	
		4,532,587
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase/decrease net position.		(188,431)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (198,301)	
Transfers out	<u>198,301</u>	
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of note		247,949
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	\$ 1,342	
Decrease in compensated absences payable	80,275	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(284,328)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>325,882</u>	
		<u>123,171</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 700,534</u>

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

EXHIBIT D
LITCHFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
School district assessment	\$ 15,481,269	\$ 15,481,269	\$ 15,481,269	\$ -
Other local	30,500	30,500	216,854	186,354
State	7,437,499	7,437,499	7,625,667	188,168
Federal	-	-	76	76
Total revenues	<u>22,949,268</u>	<u>22,949,268</u>	<u>23,323,866</u>	<u>374,598</u>
EXPENDITURES				
Current:				
Instruction	13,576,817	13,155,567	12,818,812	336,755
Support services:				
Student	1,854,776	1,841,108	1,911,097	(69,989)
Instructional staff	827,178	834,849	883,611	(48,762)
General administration	139,741	140,806	96,957	43,849
Executive administration	601,993	601,231	606,933	(5,702)
School administration	1,374,556	1,396,724	1,440,930	(44,206)
Business	281,884	289,184	326,107	(36,923)
Operation and maintenance of plant	1,944,467	1,954,416	1,973,632	(19,216)
Student transportation	1,168,239	1,168,599	1,196,041	(27,442)
Other	1,269,965	1,657,132	953,960	703,172
Facilities acquisition and construction	195,000	195,000	363,037	(168,037)
Total expenditures	<u>23,234,616</u>	<u>23,234,616</u>	<u>22,571,117</u>	<u>663,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,348)</u>	<u>(285,348)</u>	752,749	1,038,097
OTHER FINANCING USES				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(323,301)</u>	<u>(198,301)</u>
Net change in fund balance	<u>\$ (410,348)</u>	<u>\$ (410,348)</u>	429,448	<u>\$ 839,796</u>
Increase in committed fund balance			(225,000)	
Unassigned fund balance, beginning, as restated (see Note 16)			238,325	
Unassigned fund balance, ending			<u>\$ 442,773</u>	

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

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

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

The financial statements of the Litchfield School District, in Litchfield, 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 Litchfield School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by GASB Statement No. 14 (as amended). The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. As in the Statement of Net Position the School District has not recorded depreciation expense nor other postemployment benefit expense in this statement. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

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

In the governmental fund financial statements, expenditures are reported by function: instruction, support services, noninstructional, debt services or facilities acquisition and construction. Current expenditures are subclassified by object and are for items such as salaries, grants, supplies, and services. 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

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

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

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

The School District reports the following major governmental funds:

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

Capital Projects Fund – the capital project fund accounts for the activity pertaining to the construction/renovation of the Litchfield School District buildings.

Nonmajor Funds – The School District also reports three 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 Restricted Assets

Restricted assets occur when statutory limitation is placed on the use of the assets as they are earmarked for a specific purpose and are unavailable for general use.

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 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 \$10,000 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.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Capital Asset Class:	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-30
Equipment	5-15

1-H 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” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-I Accounts Payable

Accounts payable represent the gross 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-J Deferred Outflows/Inflows of Resources

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

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

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

1-L Compensated Absences

General leave for the School District includes vacation, retirement stipend 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.

1-M Defined Benefit Pension Plan

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

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

1-N Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

1-O Net Position/Fund Balances

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

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

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Unrestricted Net Position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

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

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

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

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

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

1-P Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2023, \$285,348 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$125,000 was appropriated to fund the School District's capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues:	
Per Exhibit D (budgetary basis)	\$23,323,866
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	2,436
Other local revenue of the blended funds	56,661
	<u>\$23,382,963</u>
Per Exhibit C-3 (GAAP Basis)	
	<u>\$23,382,963</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$22,894,418
Adjustments:	
Basis differences:	
Encumbrances, beginning	60,229
Encumbrances, ending	(241,650)
GASB Statement No. 54:	
Expenditures of the blended expendable trust funds	53,529
To remove transfer from the general fund to the blended expendable trust fund	(125,000)
	<u>\$22,641,526</u>
Per Exhibit C-3 (GAAP basis)	
	<u>\$22,641,526</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 and certificates of deposit 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 \$2,357,750 and the bank balances totaled \$2,555,504.

NOTE 4 – RESTRICTED ASSETS

Restricted assets of the capital project fund of \$359,090 at June 30, 2023, represent funds being held in escrow on behalf of the School District.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2023, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Litchfield Trustees of Trust Funds for the School District. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 460,792	\$ -	\$ -	\$ 460,792
Construction in progress	2,918,348	5,055,989	-	7,974,337
Total capital assets not being depreciated	<u>3,379,140</u>	<u>5,055,989</u>	<u>-</u>	<u>8,435,129</u>
Being depreciated:				
Land improvements	45,000	-	-	45,000
Buildings and building improvements	21,094,129	-	(499,576)	20,594,553
Equipment	637,398	86,174	-	723,572
Total capital assets being depreciated	<u>21,776,527</u>	<u>86,174</u>	<u>(499,576)</u>	<u>21,363,125</u>
Total capital assets	<u>25,155,667</u>	<u>5,142,163</u>	<u>(499,576)</u>	<u>29,798,254</u>
Less accumulated depreciation:				
Land improvements	(15,375)	(2,250)	-	(17,625)
Buildings and building improvements	(13,393,383)	(562,573)	311,145	(13,644,811)
Equipment	(395,718)	(44,753)	-	(440,471)
Total accumulated depreciation	<u>(13,804,476)</u>	<u>(609,576)</u>	<u>311,145</u>	<u>(14,102,907)</u>
Net book value, capital assets being depreciated	<u>7,972,051</u>	<u>(523,402)</u>	<u>(188,431)</u>	<u>7,260,218</u>
Net book value, all capital assets	<u>\$ 11,351,191</u>	<u>\$ 4,532,587</u>	<u>\$ (188,431)</u>	<u>\$ 15,695,347</u>

LITCHFIELD SCHOOL DISTRICT
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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	\$ 457,226
Support services:	
Operation and maintenance of plant	132,683
Other	19,667
Total depreciation/amortization expense	\$ 609,576

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	\$ 72,739

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

	Transfers In:		
	Capital Projects Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ 181,880	\$ 16,421	\$ 198,301

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

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

	Governmental Activities
Amounts related to pensions, see Note 10	\$ 4,622,578
Amounts related to OPEB, see Note 11	457,495
Total deferred inflows of resources	\$ 5,080,073

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

	Governmental Activities	Nonmajor Governmental Funds
Amounts received in advance of eligible expenditures/expenses	\$ 62,703	\$ 62,703
Amounts related to pensions, see Note 10	383,889	-
Amounts related to OPEB, see Note 11	1,676,572	-
Total deferred inflows of resources	\$ 2,123,164	\$ 62,703

LITCHFIELD SCHOOL DISTRICT
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NOTE 9 – 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 borrowing - Note payable	\$ 4,950,000	\$ -	\$ (247,949)	\$ 4,702,051	\$ 255,189	\$ 4,446,862
Compensated absences	1,218,615	172,590	(252,865)	1,138,340	261,512	876,828
Pension related liability	15,051,648	4,748,001	-	19,799,649	-	19,799,649
Net other postemployment benefits	1,661,906	-	(46,999)	1,614,907	-	1,614,907
Total long-term liabilities	<u>\$ 22,882,169</u>	<u>\$ 4,920,591</u>	<u>\$ (547,813)</u>	<u>\$ 27,254,947</u>	<u>\$ 516,701</u>	<u>\$ 26,738,246</u>

The long-term note is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2023
Direct borrowing - Note payable:					
Energy Efficiency	\$ 4,950,000	2022	2039	2.33%	<u>\$ 4,702,051</u>

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

Fiscal Year Ending June 30,	Note - Direct Borrowing		
	Principal	Interest	Total
2024	\$ 255,189	\$ 107,848	\$ 363,037
2025	261,156	101,880	363,036
2026	267,263	95,773	363,036
2027	273,513	89,523	363,036
2028	279,910	83,127	363,037
2029-2033	1,500,848	314,333	1,815,181
2034-2038	1,684,739	130,444	1,815,183
2039	179,433	2,087	181,520
Totals	<u>\$ 4,702,051</u>	<u>\$ 925,015</u>	<u>\$ 5,627,066</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2023, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2023 was \$2,020,487, 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 \$19,799,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the School District’s proportion was 0.35% which was an increase of .01% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$2,301,798. 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	\$ 426,923	\$ 307,881
Net difference between projected and actual investment earnings on pension plan investments	750,381	-
Changes in assumptions	1,053,183	-
Differences between expected and actual experience	371,604	76,008
Contributions subsequent to the measurement date	2,020,487	-
Total	<u>\$ 4,622,578</u>	<u>\$ 383,889</u>

The \$2,020,487 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	\$ 831,077
2024	691,767
2025	(387,830)
2026	1,083,188
Totals	<u>\$2,218,202</u>

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

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

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

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

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 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%	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	\$26,566,138	\$ 19,799,649	\$14,173,941

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A New Hampshire Retirement System (NHRS)

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

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

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

Maximum medical subsidy rates paid during fiscal year 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 \$146,618, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2023, the School District reported a liability of \$1,300,759 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The School District’s proportion of the net OPEB liability was based on a projection of the School District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the School District’s proportion was 0.34% which was same as its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the School District recognized OPEB expense of \$77,004.

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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
Differences between expected and actual experience	\$ 3,555	\$ -
Contributions subsequent to the measurement date	146,618	-
Total	\$ 150,173	\$ -

The \$146,618 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	\$ 591
2024	154
2025	(1,398)
2026	4,208
Totals	\$ 3,555

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	\$ 1,412,195	\$ 1,300,759	\$ 1,203,706

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

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

11-B Retiree Health Benefit Program

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

The total OPEB liability is based on the School District offering retirees 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 July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>101</u>
Total participants covered by OPEB plan	<u>104</u>

Total OPEB Liability – The School District’s total OPEB liability of \$314,148 was measured as of June 30, 2023. 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:	3.54%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.50%
Ultimate Trend	4.24%
Year Ultimate Trend is Reached	2090
Salary Increases:	3.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2022.

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

Changes in the Total OPEB Liability

	June 30,	
	2022	2023
Total OPEB liability beginning of year	\$ 2,704,666	\$ 314,239
Changes for the year:		
Service cost	8,296	8,589
Interest	10,781	10,780
Assumption changes and difference between actual and expected experience	(2,390,709)	-
Benefit payments	<u>(18,795)</u>	<u>(19,460)</u>
Total OPEB liability end of year	<u>\$ 314,239</u>	<u>\$ 314,148</u>

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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 3.54%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$300,831 or by 1%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$327,726 or by 1%.

	Discount Rate		
	1% Decrease	Baseline 3.54%	1% Increase
Total OPEB Liability	\$ 327,726	\$ 314,148	\$ 300,831

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 17.77%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$342,854 or by 1%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$288,772 or by 1%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 17.77%	1% Increase
Total OPEB Liability	\$ 288,772	\$ 314,148	\$ 342,854

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the School District recognized OPEB benefit of \$237,042. 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
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 53,242	\$ 479,612
Changes in assumptions	254,080	1,196,960
Total	\$ 307,322	\$1,676,572

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	\$ (321,475)
2025	(389,462)
2026	(433,099)
2027	(225,214)
2028-2032	-
Thereafter	-
Totals	\$(1,369,250)

NOTE 12 - COMMITMENT

The School District entered into a construction contract during the 2022 fiscal year to improve energy efficiency. As of June 30, 2023 the School District had outstanding construction contracts totaling \$720,591.

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

NOTE 13 - ENCUMBRANCES

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

Current:	
Instruction:	
Regular programs	\$ 42,150
Support services:	
Instructional staff	86,500
School administration	10,000
Operation and maintenance of plant	67,000
Other	36,000
Total support services	<u>199,500</u>
Total encumbrances	<u>\$ 241,650</u>

NOTE 14 – GOVERNMENTAL ACTIVITIES AND NET POSITION

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

	<u>Governmental Activities</u>
Net investment in capital assets:	
Net book value of all capital assets	\$ 15,695,347
Less:	
General obligation note payable	<u>(4,702,051)</u>
Total net investment in capital assets	<u>10,993,296</u>
Restricted net position:	
Capital projects	<u>147,305</u>
Unrestricted	<u>(17,638,067)</u>
Total net position	<u>\$ (6,497,466)</u>

NOTE 15 – GOVERNMENTAL FUND BALANCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Capital projects	\$ -	\$ 147,305	\$ -	\$ 147,305
Committed:				
Expendable trust	566,491	-	-	566,491
Voted appropriations- March 2023	350,000	-	-	350,000
Total committed fund balance	<u>916,491</u>	<u>-</u>	<u>-</u>	<u>916,491</u>
Assigned:				
Encumbrances	241,650	-	-	241,650
Student activity funds	75,715	-	237,741	313,456
Total assigned fund balance	<u>317,365</u>	<u>-</u>	<u>237,741</u>	<u>555,106</u>
Unassigned	<u>442,773</u>	<u>-</u>	<u>-</u>	<u>442,773</u>
Total governmental fund balances	<u>\$ 1,676,629</u>	<u>\$ 147,305</u>	<u>\$ 237,741</u>	<u>\$ 2,061,675</u>

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

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2022 was restated for the following:

	Government-wide Statements	General Fund (GAAP)	General Funds (Budgetary)
To restate for accounts payable items recorded after completion of the prior audit report.	\$ (30,688)	\$ (30,688)	\$ (30,688)
To account for prior period missclassified account	(16,335)	(16,335)	(16,335)
Net position/fund balance, as previously reported	(7,150,977)	982,215	285,348
Net position/fund balance, as restated	<u>\$ (7,198,000)</u>	<u>\$ 935,192</u>	<u>\$ 238,325</u>

NOTE 17 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2023, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2022 to June 30, 2023 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the District's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022-23 the School District paid \$56,623 and \$55,782, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through January 10, 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
LITCHFIELD 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	0.32%	0.31%	0.31%	0.31%	0.30%	0.33%	0.34%	0.35%	0.34%	0.35%
School District's proportionate share of the net pension liability	\$13,904,142	\$11,782,044	\$12,123,829	\$16,433,964	\$14,984,934	\$16,121,674	\$16,434,861	\$22,357,948	\$ 15,051,648	\$19,799,649
School District's covered payroll (as of the measurement date)	\$ 8,971,205	\$ 8,661,687	\$ 8,971,205	\$ 8,880,015	\$ 9,452,075	\$ 9,449,817	\$ 9,934,425	\$ 9,934,425	\$ 10,264,537	\$10,754,678
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.99%	136.02%	135.14%	185.07%	158.54%	170.60%	165.43%	225.06%	146.64%	184.10%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.
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EXHIBIT F
LITCHFIELD 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	\$ 803,320	\$1,018,324	\$1,026,726	\$1,106,639	\$1,116,234	\$1,415,091	\$1,486,422	\$ 1,559,761	\$ 2,001,627	\$ 2,020,487
Contributions in relation to the contractually required contributions	803,320	1,018,324	1,026,726	1,106,639	1,116,234	1,415,091	1,486,422	1,559,761	2,001,627	2,020,487
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of the fiscal year)	\$8,971,205	\$8,661,687	\$8,971,205	\$8,880,015	\$9,452,075	\$9,449,817	\$9,934,425	\$10,264,537	\$10,754,678	\$10,862,247
Contributions as a percentage of covered payroll	8.95%	11.76%	11.44%	12.46%	11.81%	14.97%	14.96%	15.20%	18.61%	18.60%

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

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

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

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

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

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

EXHIBIT G
LITCHFIELD 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	0.39%	0.38%	0.31%	0.31%	0.35%	0.34%	0.34%
School District's proportionate share of the net OPEB liability (asset)	\$1,871,299	\$1,749,251	\$1,413,740	\$1,376,939	\$1,516,524	\$ 1,347,667	\$ 1,300,759
School District's covered payroll (as of the measurement date)	\$8,988,095	\$9,452,075	\$9,449,817	\$9,934,425	\$9,934,425	\$10,264,537	\$10,754,678
School District's proportionate share of the net OPEB liability (asset) as a percentag of its covered payroll	20.80%	18.51%	14.96%	13.86%	15.27%	13.13%	12.09%
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
LITCHFIELD 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	\$ 224,608	\$ 226,751	\$ 136,583	\$ 143,331	\$ 161,534	\$ 145,181	\$ 146,618
Contributions in relation to the contractually required contribution	<u>224,608</u>	<u>226,751</u>	<u>136,583</u>	<u>143,331</u>	<u>161,534</u>	<u>145,181</u>	<u>146,618</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll (as of the fiscal year)	<u>\$ 8,880,015</u>	<u>\$ 9,452,075</u>	<u>\$ 9,449,817</u>	<u>\$ 9,934,425</u>	<u>\$ 10,264,537</u>	<u>\$ 10,754,678</u>	<u>\$ 10,862,247</u>
Contributions as a percentage of covered payroll	2.53%	2.40%	1.45%	1.44%	1.57%	1.35%	1.35%

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

EXHIBIT I
LITCHFIELD 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,						
	2017	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 1,375,726	\$ 1,932,339	\$ 2,047,474	\$ 2,183,549	\$ 2,572,802	\$ 2,704,666	\$ 314,239
Changes for the year:							
Service cost	82,071	115,689	118,001	143,665	146,840	8,296	8,589
Interest	60,076	68,450	72,661	53,275	56,074	10,781	10,780
Changes to benefit terms	-	-	-	-	-	-	-
Assumption changes	248,666	-	-	703,702	-	(1,877,050)	-
Difference between actual and expected experience	678,376	(28,322)	(18,911)	(441,875)	-	(513,659)	-
Change in actuarial cost method	(431,172)	-	-	-	-	-	-
Benefit payments	(81,404)	(40,682)	(35,676)	(69,514)	(71,050)	(18,795)	(19,460)
OPEB liability, end of year	<u>\$ 1,932,339</u>	<u>\$ 2,047,474</u>	<u>\$ 2,183,549</u>	<u>\$ 2,572,802</u>	<u>\$ 2,704,666</u>	<u>\$ 314,239</u>	<u>\$ 314,148</u>
Covered payroll	<u>\$ 8,547,438</u>	<u>\$ 8,321,649</u>	<u>\$ 8,488,082</u>	<u>\$ 7,084,973</u>	<u>\$ 7,226,672</u>	<u>\$ 13,042,498</u>	<u>\$ 13,694,622</u>
Total OPEB liability as a percentage of covered payroll	22.61%	24.60%	25.72%	36.31%	37.43%	2.41%	2.29%

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

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

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

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

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

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

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

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

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

Changes in Assumptions – 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
LITCHFIELD 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	\$ 15,481,269	\$ 15,481,269	\$ -
Other local sources:			
Tuition	27,500	65,681	38,181
Investment earnings	500	16,344	15,844
Miscellaneous	2,500	134,829	132,329
Total from other local sources	<u>30,500</u>	<u>216,854</u>	<u>186,354</u>
State sources:			
Adequacy aid (grant)	5,952,227	5,952,227	-
Adequacy aid (tax)	1,418,072	1,418,072	-
Special Education aid	64,200	114,590	50,390
Vocational aid	3,000	6,123	3,123
Other state aid	-	134,655	134,655
Total from state sources	<u>7,437,499</u>	<u>7,625,667</u>	<u>188,168</u>
Federal sources:			
Medicaid	-	76	76
Total revenues	22,949,268	<u>\$ 23,323,866</u>	<u>\$ 374,598</u>
Use of fund balance to reduce school district assessment	285,348		
Use of fund balance - appropriated	125,000		
Total revenues and use of fund balance	<u>\$ 23,359,616</u>		

See Independent Auditor's Report.

SCHEDULE 2
LITCHFIELD 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	\$ 8,853	\$ 8,838,062	\$ 9,102,449	\$ 42,150	\$(297,684)
Special programs	3,557	3,657,278	3,004,242	-	656,593
Vocational programs	-	44,080	97,397	-	(53,317)
Other programs	-	616,147	584,984	-	31,163
Total instruction	<u>12,410</u>	<u>13,155,567</u>	<u>12,789,072</u>	<u>42,150</u>	<u>336,755</u>
Support services:					
Student	-	1,841,108	1,911,097	-	(69,989)
Instructional staff	2,710	834,849	799,821	86,500	(48,762)
General administration	-	140,806	96,957	-	43,849
Executive administration	-	601,231	606,933	-	(5,702)
School administration	-	1,396,724	1,430,930	10,000	(44,206)
Business	3,900	289,184	330,007	-	(36,923)
Operation and maintenance of plant	41,209	1,954,416	1,947,841	67,000	(19,216)
Student transportation	-	1,168,599	1,196,041	-	(27,442)
Other	-	1,657,132	917,960	36,000	703,172
Total support services	<u>47,819</u>	<u>9,884,049</u>	<u>9,237,587</u>	<u>199,500</u>	<u>494,781</u>
Facilities acquisition and construction	-	195,000	363,037	-	(168,037)
Other financing uses:					
Transfers out	-	125,000	323,301	-	(198,301)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 60,229</u>	<u>\$ 23,359,616</u>	<u>\$ 22,712,997</u>	<u>\$ 241,650</u>	<u>\$ 465,198</u>

See Independent Auditor's Report.

SCHEDULE 3
LITCHFIELD 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, as restated (see Note 16)		\$ 238,325
Changes:		
Unassigned fund balance used to reduce school district assessment		(285,348)
Unassigned fund balance appropriated for use in 2022-2023		(125,000)
2022-2023 Budget summary:		
Revenue surplus (Schedule 1)	\$374,598	
Unexpended balance of appropriations (Schedule 2)	465,198	
2022-2023 Budget surplus	839,796	
Increase in committed fund balance		(225,000)
Unassigned fund balance, ending (Non-GAAP budgetary basis)		\$ 442,773

See Independent Auditor's Report.

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

	Special Revenue Funds			Total
	Grants	Food Service	Student Activities	
ASSETS				
Cash and cash equivalents	\$ -	\$ 20,674	\$ 237,741	\$ 258,415
Intergovernmental receivable	122,280	7,860	-	130,140
Total assets	<u>\$ 122,280</u>	<u>\$ 28,534</u>	<u>\$ 237,741</u>	<u>\$ 388,555</u>
LIABILITIES				
Accounts payable	\$ -	\$ 15,372	\$ -	\$ 15,372
Interfund payable	72,739	-	-	72,739
Total liabilities	<u>72,739</u>	<u>15,372</u>	<u>-</u>	<u>88,111</u>
DEFERRED INFLOWS OF RESOURCES				
Received in advance of eligible expenditures	49,541	13,162	-	62,703
FUND BALANCES				
Assigned	-	-	237,741	237,741
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 122,280</u>	<u>\$ 28,534</u>	<u>\$ 237,741</u>	<u>\$ 388,555</u>

SCHEDULE 5
LITCHFIELD 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
	Grants	Food Service	Student Activities	
REVENUES				
Other local	\$ -	\$ 364,560	\$ 369,681	\$ 734,241
State	4,834	6,591	-	11,425
Federal	713,005	178,434	-	891,439
Total revenues	<u>717,839</u>	<u>549,585</u>	<u>369,681</u>	<u>1,637,105</u>
EXPENDITURES				
Current:				
Instruction	354,784	-	341,680	696,464
Support services:				
Student	185,415	-	-	185,415
Instructional staff	137,975	-	-	137,975
Operation and maintenance of plant	39,665	-	-	39,665
Noninstructional services	-	693,802	-	693,802
Total expenditures	<u>717,839</u>	<u>693,802</u>	<u>341,680</u>	<u>1,753,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(144,217)</u>	<u>28,001</u>	<u>(116,216)</u>
OTHER FINANCING SOURCES				
Transfers in	-	16,421	-	16,421
Net change in fund balances	-	(127,796)	28,001	(99,795)
Fund balances, beginning	-	127,796	209,740	337,536
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,741</u>	<u>\$ 237,741</u>

See Independent Auditor's Report.

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

	Student Activity Funds			Total
	Campbell High School	Litchfield Middle School	Griffin Memorial School	
ASSETS				
Cash and cash equivalents	\$ 177,804	\$ 36,236	\$ 23,701	\$ 237,741
FUND BALANCES				
Assigned	\$ 177,804	\$ 36,236	\$ 23,701	\$ 237,741

See Independent Auditor's Report.

SCHEDULE 7
LITCHFIELD SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	Student Activity Funds			Total
	Campbell High School	Litchfield Middle School	Griffin Memorial School	
REVENUES				
Other local	\$ 267,885	\$ 81,262	\$ 20,534	\$ 369,681
EXPENDITURES				
Current:				
Instruction	253,700	73,733	14,247	341,680
Net change in fund balances	14,185	7,529	6,287	28,001
Fund balances, beginning	163,619	28,707	17,414	209,740
Fund balances, ending	<u>\$ 177,804</u>	<u>\$ 36,236</u>	<u>\$ 23,701</u>	<u>\$ 237,741</u>

See Independent Auditor's Report.

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



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Litchfield School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Litchfield School District's basic financial statements, and have issued our report thereon dated January 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

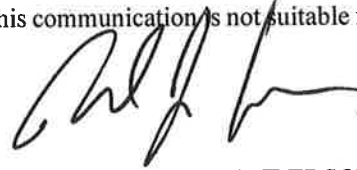
Report on Compliance and Other Matters

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

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

Purpose of This Report

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



PLODZIK & SANDERSON
Professional Association

January 10, 2024
Concord, New Hampshire



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Litchfield School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Litchfield School District's major federal programs for the year ended June 30, 2023. The Litchfield School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Litchfield School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Litchfield School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect

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

material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Litchfield School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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

Report on Internal Control Over Compliance

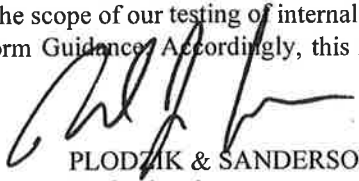
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

January 10, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified opinions on governmental activities, each major fund, and aggregate remaining fund information.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.027X/84.173/84.173X 84.425D/84.425U	Special Education Cluster Education Stabilization Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 16,298
National School Lunch Program	10.555	N/A	-	162,136
<i>CLUSTER TOTAL</i>			-	178,434
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I Part A	84.010	20220334	-	7,178
Title I Part A	84.010	20230347	-	85,409
<i>PROGRAM TOTAL</i>			-	92,587
SPECIAL EDUCATION CLUSTER				
Special Education Grants to States:				
IDEA	84.027	20211016	-	1,580
IDEA	84.027	20220243	-	78,603
IDEA	84.027	20230502	-	235,511
COVID-19 - ARP - IDEA	84.027X	20221209	-	57,195
Special Education Preschool Grants:				
Preschool	84.173	20220243	-	8,813
Preschool	84.173	20230502	-	7,957
COVID-19 - ARP - Preschool	84.173X	20221209	-	4,587
<i>CLUSTER TOTAL</i>			-	394,246
Supporting Effective Instruction State Grants:				
Title II Part A	84.367	20200161	-	12,804
Title II Part A	84.367	20211541	-	45,330
Title II Part A	84.367	20220543	-	25,572
Title II Part A	84.367	20230475	-	35,747
<i>PROGRAM TOTAL</i>			-	119,453
Student Support and Academic Enrichment Program:				
Title IV A	84.424	20200347	-	3,600
Title IV A	84.424	20211517	-	12,048
Title IV A	84.424	20221057	-	21,265
Title IV A	84.424	20230518	-	8,349
<i>PROGRAM TOTAL</i>			-	45,262
COVID-19 - Education Stabilization Fund:				
ESSER I	84.425D	20204933	-	2,413
ESSER III	84.425U	20220606	-	237,108
<i>PROGRAM TOTAL</i>			-	239,521
Total Expenditures of Federal Awards			\$ -	\$ 1,069,503

The accompanying notes are an integral part of this schedule.

SCHEDULE III
LITCHFIELD SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS

2022-001 Capital Project Fund Management (Material Weakness)

Status: Resolved.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Litchfield School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Litchfield School District, it is not intended to and does not present the financial position or changes in net position of the Litchfield School District.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2023, the value of food donations received was \$36,394.