

MANCHESTER SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of School Committee
Manchester School District
Manchester, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Manchester School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Manchester 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, discretely presented component unit, each major fund, and aggregate remaining fund information of Manchester School District, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison for the major general, food service, and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Manchester School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Manchester School District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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.

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

In performing an audit in accordance with GAAS and GAS, 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 Manchester 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 Manchester 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.

Emphasis of Matter – Changes in Accounting Principles

As discussed in Note 2-E to the financial statements, in the year ending June 30, 2025, the School District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Also as discussed in Note 2-E to the financial statements, in the year ending June 30, 2025, the School District adopted new accounting guidance, GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

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

Such information 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 Manchester School District's basic financial statements. The combining and individual fund schedules and 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 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 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

***Manchester School District
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States of America. In our opinion, the combining and individual fund schedules and 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 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 March 19, 2026 on our consideration of the Manchester 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 Manchester School District's internal control over financial reporting and compliance.

March 19, 2026
Concord, New Hampshire

***PLODZIK & SANDERSON
Professional Association***

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manchester School District (School District or District) we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2025. The School District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the School District's primary government and one legally separate component unit, VOPAR, a non-profit organization.

The Manchester School District is comprised of a developmental preschool program, twelve elementary schools, four middle schools, four high schools, including a Career and Technical Education Center, and a program for adult education.

The Manchester High School Career and Technical Education Center (MST-CTE) is one of 30 Career & Technical Education (CTE) centers supported by the state of New Hampshire and the US Department of Education. Manchester, Bedford, Goffstown, Londonderry students, Homeschoolers, and students from other school districts nearby may enroll in our CTE programs. MST-CTE is a unique opportunity for students to experience the real world while in high school and use industry-standard equipment and materials. MST-CTE offers 20 programs that lead to many college and career pathways. These pathways are designed for students interested in a career field. Many of our programs offer students the opportunity to earn college credits and Industry-Recognized Credentials (IRCs).

VOPAR, the Vocational Partnership Foundation Region 15 Vocational Education, is a non-profit organization focused on giving students of the Manchester School of Technology the opportunity to build one single family residence each year on land that was initially donated by the City of Manchester, New Hampshire. This is an integral part of the students' curriculum. The houses are sold at fair value with the proceeds used to build the next house.

The Manchester School District's middle and high schools offer extensive music and art programs, competitive athletics, clubs, a Naval Junior Reserve Officers Training Corps (ROTC) program, and community service organizations. All schools offer diverse opportunities for parent engagement, both in-person and remotely, through parent associations and volunteer groups. In partnership with Manchester Proud, the Manchester School District fosters strong school-community connections, building bridges between our schools and the broader community. Our valued partnerships with local businesses play a crucial role in supporting student success and enriching educational experiences.

During the 2024-2025 academic year, the District served approximately 11,865 students, and employed approximately 2,573 full-time and part-time faculty and staff.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the School District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the basic financial statements, and (4) required supplementary information. The School District also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The School District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the School District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first statement is the *Statement of Net Position*. This is the School District-wide statement of position presenting information that includes all of the School District's assets, deferred outflows of resources and liabilities, deferred inflows of resources, with the difference 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 School District as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the School District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the School District's distinct activities or functions on revenues provided by the City of Manchester.

All of the School District's activities are considered governmental activities, rather than business-type activities. Governmental activities include the instructional programs and the various supporting services to those programs such as student services, operation and maintenance and student transportation.

The government-wide financial statements are presented on pages 15 and 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School District's most significant funds rather than the School District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining fund schedules in a later section of this report.

The School District has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the School District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Included with both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciliations to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17 through 20 of this report.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 24 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School District's other postemployment benefit plan and costs and obligations associated with pensions. The Schedule of the School District's Proportionate Share of Net Pension Liability, Schedule of School District Contributions – Pensions, Schedule of School District's Proportionate Share of Net Other Postemployment Benefits Liability, Schedule of School District Contributions – Other Postemployment Benefits, and Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios are included as "required supplementary information" for the government-wide financial statements. Required supplementary information can be found on pages 53 through 58 of this report, along with the related notes on page 59.

As discussed, the School District reports major funds in the basic financial statements. Combining and individual statements and Schedule of Expenditures of Federal Awards are presented in a subsequent section of this report beginning on page 60.

Financial Analysis of the School District as a Whole

The following table provides a summary of the School District's net position:

	Summary of Net Position		Variance Positive (Negative)
	Governmental Activities		
	2025	2024	
Assets:			
Current Assets	\$ 66,620,584	\$ 120,277,639	\$ (53,657,055)
Noncurrent Assets	75,805,880	56,439,481	19,366,399
Total Assets	142,426,464	176,717,120	(34,290,656)
Deferred Outflows of Resources	35,506,986	44,655,688	(9,148,702)
Liabilities:			
Current Liabilities	32,749,063	49,375,438	(16,626,375)
Noncurrent Liabilities	218,969,750	234,846,426	(15,876,676)
Total Liabilities	251,718,813	284,221,864	(32,503,051)
Deferred Inflows of Resources	34,051,526	51,984,747	(17,933,221)
Net Position:			
Net Investment in Capital Assets	75,805,880	56,439,481	19,366,399
Restricted	1,126,754	1,287,238	(160,484)
Unrestricted Net Position	(184,769,523)	(172,560,522)	(12,209,001)
Total Net Position	\$ (107,836,889)	\$ (114,833,803)	\$ 6,996,914

The School District reports a total net position deficit of \$107,836,889 at June 30, 2025 at the government-wide level on the accrual basis as compared to a positive net position of \$29,570,787 at the budgetary level.

(This section intentionally left blank.)

The following is a reconciliation that summarizes the items that are included on the government-wide statements which result in a net position deficit of \$107,836,889:

	Net Investments in Capital Assets			Total Net Position
	Assets	Restricted	Unrestricted	
Nonspendable Fund Balance	\$ -	\$ 163,117	\$ 18,838	\$ 181,955
Assigned for Encumbrances	-	-	1,714,043	1,714,043
Committed for Contingency	-	-	1,377,097	1,377,097
School Food & Nutrition Surplus	-	963,637	-	963,637
Tuition Based Programs and Other Special Revenue Funds Surplus	-	-	404,321	404,321
Expendable Trust Fund Balance	-	-	22,968,366	22,968,366
Student activities	-	-	1,383,528	1,383,528
Unassigned fund balance	-	-	577,840	577,840
Total Net Position - Budgetary Basis	-	1,126,754	28,444,033	29,570,787
Adjustments to Government-wide Net Position:				
July and August salaries and benefits owed to teachers	-	-	(16,734,719)	(16,734,719)
Compensated absences earned but not paid	-	-	(12,252,624)	(12,252,624)
Liability for self-insured claims	-	-	(1,525,764)	(1,525,764)
Postemployment benefits	-	-	(19,087,111)	(19,087,111)
Net deferred flow of resources related to pensions and postemployment benefits	-	-	24,471,311	24,471,311
Net Pension Liability	-	-	(187,630,015)	(187,630,015)
Accrued interest owed on debt service	-	-	(454,634)	(454,634)
Capital assets, net of depreciation	75,805,880	-	-	75,805,880
Total Adjustments to Government-wide Net Position	75,805,880	-	(213,213,556)	(137,407,676)
Total Net Position of Governmental Activities	\$ 75,805,880	\$ 1,126,754	\$ (184,769,523)	\$ (107,836,889)

(This section intentionally left blank.)

The following table provides a summary of the School District's changes in net position:

Summary of Changes in Net Position
Governmental Activities

	June 30, 2025	% of Total	June 30, 2024	% of Total
Revenues:				
Program Revenue:				
Charges for Services	\$ 4,209,119	2%	\$ 3,873,546	1%
Operating Grants and Contributions	39,921,051	15%	63,388,770	22%
Capital Grants and Contributions	5,014,806	2%	2,986,145	1%
General Revenue:				
School District Assessment	100,848,052	37%	98,356,311	34%
Grants and Contributions not restricted to specific programs	118,422,974	44%	119,684,313	41%
Unrestricted Investment Income	2,085,660	1%	2,603,267	1%
Other	648,115	0%	825,297	0%
Total Revenues	<u>271,149,777</u>	<u>100%</u>	<u>291,717,649</u>	<u>100%</u>
Expenses:				
Instruction	160,225,109	61%	158,386,387	62%
Support Services:				
Student	23,062,391	9%	19,306,639	8%
Instructional Staff	4,820,916	2%	5,669,720	2%
General Administration	2,873,261	1%	2,185,439	1%
Executive Administration	3,297,535	1%	2,966,379	1%
School Administration	12,925,297	5%	12,123,266	5%
Business	2,177,744	1%	1,908,297	1%
Operation and Maintenance of Plant	13,953,135	5%	14,904,765	6%
Student Transportation	20,611,634	8%	18,148,865	7%
Other	2,851,189	1%	3,049,629	1%
Noninstructional Services	6,639,666	3%	6,558,785	3%
Intergovernmental Payment	10,714,986	4%	11,909,714	5%
Total Expenses	<u>264,152,863</u>	<u>100%</u>	<u>257,117,885</u>	<u>100%</u>
Change in Net Position	6,996,914		34,599,764	
Net Position, beginning	<u>(114,833,803)</u>		<u>(149,433,567)</u>	
Net Position, ending	<u>\$ (107,836,889)</u>		<u>\$ (114,833,803)</u>	

The School District's net position at June 30, 2025 is \$(107,836,889). This negative net position is mostly due to the fact that the School District reported GASB Statement No's. 68 and 75, Accounting and Financial Reporting for Pensions which require the School District to report their proportionate share of the New Hampshire Retirement System's and the City of Manchester Employee's Contributory Retirement System net pension liability and OPEB liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039. The total change in net position from fiscal year 2024 to 2025 is primarily attributable to net investments in Capital Assets.

GOVERNMENTAL REVENUES

The School District is heavily reliant on two primary revenue sources, as program revenues cover only 19% of governmental operating revenues. General state aid provided 44% of the District’s total revenues. The taxpayers of the City of Manchester paid 37% of the costs of operating the School District in fiscal year 2025, via the School District assessment.

GOVERNMENTAL FUNCTIONAL EXPENSES

Instructional costs total 61% of the total functional expenses. Non-instructional costs, primarily the school food service program, were 3% of the total functional expenses, and the School District’s payment to the City for debt principal and interest was 4% of the functional expenses. In addition, the operation and maintenance of the school buildings, including utilities costs, equaled 5% of the total functional costs.

This table presents the cost of each of the School District’s programs, including the net costs (i.e., total cost less revenues generated by the activities).

<u>Function</u>	<u>Total Cost of Services</u>	<u>%</u>	<u>Net Cost of Services</u>	<u>%</u>
Instruction	\$ 160,225,109	61%	\$ 137,241,664	64%
Support Services:				
Student	23,062,391	9%	20,334,526	9%
Instructional Staff	4,820,916	2%	3,241,192	2%
General Administration	2,873,261	1%	2,873,261	1%
Executive Administration	3,297,535	1%	2,801,907	1%
School Administration	12,925,297	5%	12,684,501	6%
Business	2,177,744	1%	2,177,744	1%
Operation and Maintenance of Plant	13,953,135	5%	5,203,864	2%
Student Transportation	20,611,634	8%	19,169,206	9%
Other	2,851,189	1%	2,689,775	1%
Noninstructional Services	6,639,666	3%	791,983	0%
Intergovernmental Payment	10,714,986	4%	5,798,264	3%
Total Expenses	<u>\$ 264,152,863</u>	<u>100%</u>	<u>\$ 215,007,887</u>	<u>100%</u>

Notice that the net cost of instruction financed by general revenues is lower due to various state and federal operating grants, and tuition charged to other districts and individuals to attend the School District’s schools. In addition, non-instructional net costs are lower because of operating grants for the school food service program.

(This section intentionally left blank.)

Financial Analysis of the School District's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an ending fund balance of \$11,310,304. The unassigned deficit is \$17,682,643. This amount is larger than the total deficit since the School District's fund balance is categorized in the following way:

Nonspendable (Prepaid expenses and inventory)	\$	181,955
Restricted (Food service fund balance)		963,637
Committed (Balance in the expendable trust funds \$22,968,366, fund balances of Other Special Revenue Funds \$404,321, and claims reserves \$1,377,097)		24,749,784
Assigned (Outstanding Purchase Orders \$1,714,043 and student activities \$1,383,528)		3,097,571
Unassigned (deficit)		<u>(17,682,643)</u>
Total Fund Balance	\$	<u>11,310,304</u>

(This section intentionally left blank.)

Major Governmental Fund

The General Fund is the School District’s primary operating fund. Total General Fund expenditures increased 10.0% over the prior year. Operating revenues increased by 2% over the prior year.

General Fund Budgetary Highlight

Major Governmental Fund

The General Fund is the School District’s primary operating fund.

During fiscal year 2025, the total general fund expenditures increased by 10% over the prior year. Operating revenues increased by 2% over the prior year.

General Fund Budgetary Highlight

Salaries and benefits accounted for 85% of the expenditure increase. The salary line increased by 13.9% due primarily to two factors; collective bargaining agreements and the hiring of bus drivers.

During fiscal year 2024, the District renegotiated five of its collective bargaining agreements. One of the core goals of negotiations was to increase the starting wage for teachers, paraprofessionals, and other staff to be more competitive with surrounding communities and to attract and retain employees. The salary increases negotiated were implemented during fiscal year 2025.

In addition, the District took over the home to school transportation operations from the Manchester Transit Authority (MTA). The funds for this transportation were budgeted under professional and contracted services; however, the costs were recorded in salaries and benefits since the bus drivers were hired by the district and no longer contracted through the MTA. Although salaries and benefits increased due to this change, there was a reduction in expenditures under the home to school transportation line.

On the revenue side the increase of 2% in operating revenues was due to an increase in local property taxes. In addition, the District utilized \$7.8 million from fund balance to support spending.

Understanding the School District’s Fund Equity

We have presented this section to explain the School District’s general fund equity since the presentation in the financial statements can become quite complex. The School District reports three different equity amounts for the general fund as follows:

The budgetary basis reported in other supplementary information, unassigned fund balance of \$577,840.

The modified accrual basis reported in the fund financial statements, a deficit unassigned fund balance of \$17,682,643.

The accrual basis reported in the government-wide financial statements, net deficit of \$107,836,889.
(The general fund deficit is combined with all of the other governmental funds.)

Budgetary Basis The first equity (i.e., fund balance) is based upon the School District’s budget information. The budgetary basis generally recognizes salaries as expenditures on a cash basis, and charges encumbrances (e.g., purchase orders) outstanding at year-end to the budget year just ended.

Modified Accrual Basis - Under the modified accrual basis, there is a general fund unassigned fund balance deficit of \$17,682,643. Compared to the unassigned fund balance of \$577,840 on the budgetary basis, this represents a variance in unassigned fund balance of \$18,260,483. This variance occurs because of the recording of salaries and benefits due teachers at June 30, 2025 of \$16,734,719 and health insurance claims payable of \$1,525,764 reported on the modified accrual basis, but not on the budgetary basis.

Accrual Basis - Under the accrual basis, there is a variance from the unassigned deficit of \$17,682,643 to the total net deficit of \$107,836,889. This represents a change of \$90,154,246 reflected as follows:

	Variance
	Positive
	(Negative)
Adding book value of capital assets	\$ 75,805,880
Removal of fund balance reservations	29,028,947
Recording of accrued interest, compensated absences payable, other other postemployment benefits, and the net pension liability	(194,989,073)
Net change from general fund balance to government-wide net position	<u>\$ (90,154,246)</u>

Capital Assets and Debt Administration

Capital Assets

The School District’s investment in capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2025 was \$75,805,880 compared with \$56,439,481 at June 30, 2024. See Note 7 for additional information about changes in capital assets during the fiscal year and balances at the end of the year.

**Capital Assets at Year End
Governmental Activities**

	June 30, 2025	June 30, 2024
Not Being Depreciated:		
Land	<u>\$ 169,400</u>	<u>\$ 169,400</u>
Depreciable Assets:		
Portable Classrooms	36,853,249	21,700,528
Improvements	34,170,332	29,464,734
Instruments	213,777	202,274
Other Machinery & Equipment	<u>17,912,693</u>	<u>15,475,180</u>
Total Depreciable Assets	<u>89,150,051</u>	<u>66,842,716</u>
Total All Capital Assets	<u>89,319,451</u>	<u>67,012,116</u>
Less: Accumulated Depreciation		
Portable Classrooms	(1,634,376)	(781,065)
Improvements	(2,210,541)	(1,198,155)
Instruments	(132,169)	(104,506)
Other Machinery & Equipment	<u>(9,536,485)</u>	<u>(8,488,909)</u>
Total Accumulated Depreciation	<u>(13,513,571)</u>	<u>(10,572,635)</u>
Book Value at June 30th Depreciable Assets	<u>75,636,480</u>	<u>56,270,081</u>
Book Value at June 30th All Capital Assets	<u>\$ 75,805,880</u>	<u>\$ 56,439,481</u>
Percentage Depreciated	<u>15%</u>	<u>16%</u>

Long-term debt

The School District does not have the legal authority to issue debt. The City of Manchester has issued debt on behalf of the School District, but the School District is not obligated in any manner to repay this debt. However, annually, the City appropriates resources to the School District that include an amount equal to the current year’s principal and interest due. Then the School District repays the City this same amount. The outstanding amount of bonds that the City of Manchester has issued on behalf of the School District is 72.3 million.

The School District also reports a portion of its' compensated absences liability, pension liability and net other post-employment benefits as long-term debt on the statement of net position. See Note 12 for additional information about the School District's long-term debt.

Expendable Trust Funds

The following represents the activity in the School District's expendable trust funds for the fiscal year:

Summary of Expendable Trust Funds

	Health Care	Special Education	Repairs and Maintenance	Capital Projects	Athletics	Teaching and Learning	Total
Balance at June 30, 2024	\$ 6,766,696	\$ 5,169,891	\$ 486,081	\$ 5,176	\$ 176,051	\$ 16,081,214	\$ 28,685,109
Income (loss)	<u>320,454</u>	<u>227,524</u>	<u>20,505</u>	<u>40</u>	<u>7,350</u>	<u>714,823</u>	<u>1,290,696</u>
Balance at June 30, 2025	7,087,150	5,397,415	506,586	5,216	183,401	16,796,037	29,975,805
Fiscal Year 2025 Contribution	-	-	-	-	-	-	-
Fiscal year 2025 Distribution	<u>(2,737,320)</u>	<u>(3,172,740)</u>	<u>(71,478)</u>	<u>-</u>	<u>(4,394)</u>	<u>(1,021,507)</u>	<u>(7,007,439)</u>
Balance at June 30, 2025	<u>\$ 4,349,830</u>	<u>\$ 2,224,675</u>	<u>\$ 435,108</u>	<u>\$ 5,216</u>	<u>\$ 179,007</u>	<u>\$ 15,774,530</u>	<u>\$ 22,968,366</u>

Contributions in future years will be made to the extent surpluses are generated in the respective budgetary line items.

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Labor Contracts

The District has seven (7) collective bargaining agreements. The contracts entered into are identified below:

- Manchester Education Association, the teachers union. This contract expires on June 30, 2027.
- Manchester Educational Support Personnel Association. This contract expires on June 30, 2027.
- Directors & Coordinators, Affiliated with Teamsters Local 633 of NH. This contract expires on June 30, 2027.
- AFSCME, Local 3912, the paraprofessionals union. This contract expires on June 30, 2027.
- Association of Manchester Principals, Affiliated with Teamsters Local 633 of NH. This contract expires on June 30, 2027.
- AFSCME, Local 298, the school nurses' union. This contract expires on June 30, 2026.
- Amalgamated Transit Union (ATU) Local 717, the bus drivers. On July 1, 2024, the District became the successor employer to the Manchester Transit Authority (MTA), for all school bus drivers. The contract expires on June 30, 2026.

Fiscal Year 2026 Budget

Expenditures

The authorized general fund budget for fiscal year 2026 is \$238,999,925 an increase of \$3,500,000 or 1.5% over the fiscal year 2025 budget. The increase is primarily attributable to increases in salary and benefits based on the collective bargaining agreements.

Revenues

The increase in general fund revenues of \$3.5 million is due to an increase in the Adequate Education Aid from the State of \$11.1 million, offset by a reduction in the use of one-time revenues of \$3.9 million, a reduction in other operating revenues of \$800 thousand, and a reduction in taxes to be collected of \$2.9 million.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the School District's finances, comply with finance-related laws and regulations, and demonstrate the School District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the School District's Finance Department at 20 Hecker St, Manchester, New Hampshire, 03102, or call (603) 624-6300.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
MANCHESTER SCHOOL DISTRICT
Statement of Net Position
June 30, 2025

	Governmental Activities	Component Unit Vocational Partnership Foundation
ASSETS		
Cash and cash equivalents	\$ 15,932,430	\$ 41,653
Accounts receivable	911,958	-
Intergovernmental receivable	49,594,241	-
Inventory	163,117	650,960
Prepaid items	18,838	5,258
Restricted assets:		
Cash and cash equivalents	-	61,511
Capital assets, not being depreciated	169,400	56,012
Capital assets, net of accumulated depreciation	75,636,480	-
Total assets	<u>142,426,464</u>	<u>815,394</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,506,986</u>	<u>-</u>
LIABILITIES		
Accounts payable	4,517,223	-
Accrued salaries and benefits payable	21,668,476	-
Intergovernmental payable	4,482,966	-
Accrued interest payable	454,634	-
Retainage payable	100,000	-
Claims payable	1,525,764	-
Noncurrent obligations:		
Due within one year	771,915	-
Due in more than one year	218,197,835	-
Total liabilities	<u>251,718,813</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>34,051,526</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	75,805,880	56,012
Restricted	1,126,754	-
Unrestricted	<u>(184,769,523)</u>	<u>759,382</u>
Total net position	<u>\$ (107,836,889)</u>	<u>\$ 815,394</u>

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

EXHIBIT B
MANCHESTER SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2025

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	Component Unit Vocational Partnership Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction	\$ 160,225,109	\$ 2,642,586	\$ 20,340,859	\$ -	\$ (137,241,664)	\$ -
Support services:						
Student	23,062,391	-	2,727,865	-	(20,334,526)	-
Instructional staff	4,820,916	-	1,579,724	-	(3,241,192)	-
General administration	2,873,261	-	-	-	(2,873,261)	-
Executive administration	3,297,535	-	495,628	-	(2,801,907)	-
School administration	12,925,297	-	240,796	-	(12,684,501)	-
Business	2,177,744	-	-	-	(2,177,744)	-
Operation and maintenance of plant	13,953,135	23,512	8,627,675	98,084	(5,203,864)	-
Student transportation	20,611,634	74,207	1,368,221	-	(19,169,206)	-
Other	2,851,189	-	161,414	-	(2,689,775)	-
Noninstructional services	6,639,666	1,468,814	4,378,869	-	(791,983)	-
Intergovernmental payment (City debt)	10,714,986	-	-	4,916,722	(5,798,264)	-
Total governmental activities	<u>\$ 264,152,863</u>	<u>\$ 4,209,119</u>	<u>\$ 39,921,051</u>	<u>\$ 5,014,806</u>	<u>(215,007,887)</u>	<u>-</u>
Discretely presented component unit:						
Vocational Partnership Foundation	<u>\$ 19,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(19,541)</u>
General revenues:						
School district assessment					100,848,052	-
Grants and contributions not restricted to specific programs					118,422,974	-
Interest					2,085,660	2,938
Miscellaneous					648,115	-
Total general revenues					<u>222,004,801</u>	<u>2,938</u>
Change in net position					6,996,914	(16,603)
Net position, beginning					(114,833,803)	831,997
Net position, ending					<u>\$ (107,836,889)</u>	<u>\$ 815,394</u>

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

EXHIBIT C-1
MANCHESTER SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2025

	General	Food Service	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,411,897	\$ 961,873	\$ 700	\$ 1,557,960	\$ 15,932,430
Accounts receivable	610,874	3,603	-	297,481	911,958
Intergovernmental receivable	42,513,486	249,561	4,864,575	1,966,619	49,594,241
Interfund receivables	6,278,027	-	-	-	6,278,027
Inventory	-	163,117	-	-	163,117
Prepaid items	18,838	-	-	-	18,838
Total assets	\$ 62,833,122	\$ 1,378,154	\$ 4,865,275	\$ 3,822,060	\$ 72,898,611
LIABILITIES					
Accounts payable	\$ 4,271,733	\$ 95,687	\$ 121,804	\$ 27,999	\$ 4,517,223
Accrued salaries and benefits payable	21,041,107	7,947	609,785	9,637	21,668,476
Intergovernmental payable	4,482,966	-	-	-	4,482,966
Interfund payable	-	147,766	4,133,686	1,996,575	6,278,027
Retainage payable	100,000	-	-	-	100,000
Claims payable	1,525,764	-	-	-	1,525,764
Total liabilities	31,421,570	251,400	4,865,275	2,034,211	38,572,456
DEFERRED INFLOWS OF RESOURCES	23,015,851	-	-	-	23,015,851
FUND BALANCES (DEFICIT)					
Nonspendable	18,838	163,117	-	-	181,955
Restricted	-	963,637	-	-	963,637
Committed	24,345,463	-	-	404,321	24,749,784
Assigned	1,714,043	-	-	1,383,528	3,097,571
Unassigned (deficit)	(17,682,643)	-	-	-	(17,682,643)
Total fund balances	8,395,701	1,126,754	-	1,787,849	11,310,304
Total liabilities, deferred inflows of resources, and fund balances	\$ 62,833,122	\$ 1,378,154	\$ 4,865,275	\$ 3,822,060	\$ 72,898,611

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

EXHIBIT C-2
MANCHESTER SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)	\$ 11,310,304
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.	
Cost	\$ 89,319,451
Less accumulated depreciation	<u>(13,513,571)</u>
	75,805,880
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 pension:	
NHRS	\$ 24,060,381
MECRS	9,146,240
Deferred inflows of resources related to pension:	
NHRS	(7,987,894)
Deferred outflows of resources related to OPEB:	
NHRS	1,016,318
MECRS	971,337
Single Employer	312,710
Deferred inflows of resources related to OPEB:	
NHRS	(2,174)
MECRS	(1,100,080)
Single Employer	<u>(1,945,527)</u>
	24,471,311
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.	
Receivables	\$ (6,278,027)
Payables	<u>6,278,027</u>
	-
Interest on long-term debt is not accrued in governmental funds.	
Accrued interest payable	(454,634)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.	
Compensated absences	\$ 12,252,624
Net pension liability:	
NHRS	149,618,581
MECRS	38,011,434
Other postemployment benefits:	
NHRS	9,179,489
MECRS	2,628,990
Single Employer	<u>7,278,632</u>
	<u>(218,969,750)</u>
Net position of governmental activities (Exhibit A)	<u>\$ (107,836,889)</u>

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

EXHIBIT C-3
MANCHESTER SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2025

	General	Food Service	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 100,848,052	\$ -	\$ -	\$ -	\$ 100,848,052
Other local	3,960,302	1,477,444	-	3,718,190	9,155,936
State	121,622,401	77,460	132,888	235,976	122,068,725
Federal	914,880	4,226,188	33,810,775	125,221	39,077,064
Total revenues	<u>227,345,635</u>	<u>5,781,092</u>	<u>33,943,663</u>	<u>4,079,387</u>	<u>271,149,777</u>
EXPENDITURES					
Current:					
Instruction	137,497,758	-	18,866,382	2,658,835	159,022,975
Support services:					
Student	19,961,710	-	2,727,865	124,357	22,813,932
Instructional staff	2,740,129	-	1,579,724	137,085	4,456,938
General administration	507,129	-	-	-	507,129
Executive administration	2,619,933	-	495,628	183,621	3,299,182
School administration	12,537,564	-	240,796	-	12,778,360
Business	2,161,978	-	-	-	2,161,978
Operation and maintenance of plant	13,046,403	-	8,627,675	244,402	21,918,480
Student transportation	19,223,031	-	1,368,221	710,771	21,302,023
Other	3,294,441	-	37,372	2,022	3,333,835
Noninstructional services	-	6,541,576	-	75,221	6,616,797
Debt service:					
Principal	9,099,148	-	-	-	9,099,148
Interest	2,308,100	-	-	-	2,308,100
Facilities acquisition and construction	14,529,758	-	-	-	14,529,758
Total expenditures	<u>239,527,082</u>	<u>6,541,576</u>	<u>33,943,663</u>	<u>4,136,314</u>	<u>284,148,635</u>
Deficiency of revenues under expenditures	<u>(12,181,447)</u>	<u>(760,484)</u>	<u>-</u>	<u>(56,927)</u>	<u>(12,998,858)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	600,000	-	-	600,000
Transfers out	(600,000)	-	-	-	(600,000)
Total other financing sources (uses)	<u>(600,000)</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,781,447)	(160,484)	-	(56,927)	(12,998,858)
Fund balances, beginning	21,177,148	1,287,238	-	1,844,776	24,309,162
Fund balances, ending	<u>\$ 8,395,701</u>	<u>\$ 1,126,754</u>	<u>\$ -</u>	<u>\$ 1,787,849</u>	<u>\$ 11,310,304</u>

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

EXHIBIT C-4
MANCHESTER 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, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (12,998,858)
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:		
Capital outlay expenditures	\$ 24,515,783	
Depreciation expense	<u>(5,138,901)</u>	19,376,882
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(10,483)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (600,000)	
Transfers out	<u>600,000</u>	-
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 prepaid debt	\$ 1,040,733	
Increase in accrued interest expense	(348,471)	
Increase in compensated absences payable	(1,027,984)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(496,679)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>1,461,774</u>	
		<u>629,373</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 6,996,914</u>

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

EXHIBIT D-1
MANCHESTER 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, 2025

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
School district assessment	\$ 100,848,052	\$ 100,848,052	\$ 100,848,052	\$ -
Other local	1,410,000	1,410,000	2,669,606	1,259,606
State	121,934,659	121,934,659	121,622,401	(312,258)
Federal	857,214	857,214	914,880	57,666
Total revenues	<u>225,049,925</u>	<u>225,049,925</u>	<u>226,054,939</u>	<u>1,005,014</u>
EXPENDITURES				
Current:				
Instruction	136,154,994	141,440,955	135,619,428	5,821,527
Support services:				
Student	18,688,696	18,688,696	19,652,440	(963,744)
Instructional staff	2,812,513	2,812,513	2,679,671	132,842
General administration	247,469	247,469	506,831	(259,362)
Executive administration	2,634,694	2,634,694	2,638,659	(3,965)
School administration	12,698,384	12,698,384	12,523,691	174,693
Business	2,088,057	2,088,057	2,161,070	(73,013)
Operation and maintenance of plant	14,742,097	14,813,575	13,045,677	1,767,898
Student transportation	12,116,953	12,116,953	19,154,472	(7,037,519)
Other	3,215,916	3,215,916	2,618,928	596,988
Debt service:				
Principal	9,249,244	9,249,244	9,099,148	150,096
Interest	2,150,908	2,150,908	2,308,100	(157,192)
Facilities acquisition and construction	17,700,000	17,700,000	16,997,658	702,342
Total expenditures	<u>234,499,925</u>	<u>239,857,364</u>	<u>239,005,773</u>	<u>851,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,450,000)</u>	<u>(14,807,439)</u>	<u>(12,950,834)</u>	<u>1,856,605</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,650,000	7,007,439	7,007,439	-
Transfers out	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>1,650,000</u>	<u>7,007,439</u>	<u>6,407,439</u>	<u>(600,000)</u>
Net change in fund balance	<u>\$ (7,800,000)</u>	<u>\$ (7,800,000)</u>	<u>(6,543,395)</u>	<u>\$ 1,256,605</u>
Decrease in nonspendable fund balance			1,041,587	
Increase in committed fund balance			(679,619)	
Unassigned fund balance, beginning			6,759,267	
Unassigned fund balance, ending			<u>\$ 577,840</u>	

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

EXHIBIT D-2
MANCHESTER SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Other local	\$ 1,391,992	\$ 1,391,992	\$ 1,477,444	\$ 85,452
State	92,825	92,825	77,460	(15,365)
Federal	4,335,154	4,335,154	4,226,188	(108,966)
Total revenues	<u>5,819,971</u>	<u>5,819,971</u>	<u>5,781,092</u>	<u>(38,879)</u>
EXPENDITURES				
Current:				
Noninstructional services	<u>5,819,971</u>	<u>6,419,971</u>	<u>6,541,576</u>	<u>(121,605)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(600,000)</u>	<u>(760,484)</u>	<u>(160,484)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(160,484)</u>	<u>\$ (160,484)</u>
Fund balance, beginning			<u>1,287,238</u>	
Fund balance, ending			<u>\$ 1,126,754</u>	

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

EXHIBIT D-3
MANCHESTER SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
State	\$ -	\$ 132,888	\$ 132,888	\$ -
Federal	-	33,810,775	33,810,775	-
Total revenues	-	33,943,663	33,943,663	-
EXPENDITURES				
Current:				
Instruction	-	18,866,382	18,866,382	-
Support services:				
Student	-	2,727,865	2,727,865	-
Instructional staff	-	1,579,724	1,579,724	-
Executive administration	-	495,628	495,628	-
School administration	-	240,796	240,796	-
Operation and maintenance of plant	-	8,627,675	8,627,675	-
Student transportation	-	1,368,221	1,368,221	-
Other	-	37,372	37,372	-
Total expenditures	-	33,943,663	33,943,663	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

MANCHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

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MANCHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Manchester School District, in Manchester, New Hampshire (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units, hereafter referred to as generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Manchester School District's significant accounting policies are described below.

1-A Reporting Entity

The Manchester School District is a municipal corporation governed by an elected 14-member Board of School Committee with the Mayor of the City of Manchester, New Hampshire (the City) serving as Chairman of the 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. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*.

Discretely Presented Component Unit – The Vocational Partnership Foundation Region 15 Vocational Education (the Organization) is a non-profit organization focused on giving students of the Manchester School of Technology the opportunity to build one single family residence each year on land that was initially donated by the City of Manchester, New Hampshire. This is an integral part of the students' curriculum. The houses are sold at fair value with the proceeds used to build the next house.

Complete financial statements of the Vocational Partnership Foundation Region 15 Vocational Education component unit may be obtained directly from its administrative office at 100 Gerald Connors Circle, Manchester NH 03103.

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

1-B Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

Government-wide Financial Statements – 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.

MANCHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, 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 long-term liabilities including compensated absences and claims and judgments, are recorded only when payment is mature and due.

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

The School District reports the following major governmental funds:

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

Food Service Fund – accounts for the operation of the School District’s food service program.

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

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

1-D Cash and Cash Equivalents

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

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

1-E 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.

MANCHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 Inventory

Inventories are valued at cost using first-in, first-out, which approximates market. The School District's food service fund inventories include various items consisting of material and supplies. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method in the food service fund. Inventorial items are recorded as expenditures when consumed at the schools (the consumption method).

Inventory of the component unit is valued at the lower of cost or market value. Inventory includes capitalized construction costs, and the value of the land and land development costs allocated to the lot for all completed lots and lots in progress.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

1-I Capital Assets

Capital assets are reported in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. A capital asset with a value of less than \$5,000 but greater than \$500 may be recorded at the Finance Department's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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>
Portable classrooms	30
Improvements	20-30
Other machinery and equipment	15-70
Instruments	5-50

1-J Interfund Activities

Interfund activities are reported as follows:

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

MANCHESTER SCHOOL DISTRICT
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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-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until that time. The School has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows relate 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 the City assessment is collected in advance of when the related expenditures will be made in the subsequent period.

1-L Long-term Obligations

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

1-M Compensated Absences

The School District employees are granted vacation, sick leave, and other forms of paid time off (PTO) in varying amounts based on length of service and employee classification. It is the School District's policy to recognize a liability for compensated absences that have been earned but not yet used, provided the following criteria are met:

- The leave is attributable to services already rendered by the employee.
- The leave accumulates and can be carried forward to a future reporting period.
- The leave is more likely than not, this threshold means the likelihood is greater than 50%, to be used for time off, paid in cash upon separation, or settled through other noncash means.

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of the Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-O 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.

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The schedules prepared by New Hampshire Retirement System and City of Manchester Employees' Contributory 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-P 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 – City of Manchester Employees' Contributory Retirement System – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information has been determined based on the City of Manchester Employees' Contributory Retirement System's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

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 expenses, 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-Q Net Position/Fund Balances

In the Government-wide Financial Statements, net position is reported in the following categories:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation.

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

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

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

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

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

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

MANCHESTER SCHOOL DISTRICT
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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 Board of School Committee or through the Board delegating this responsibility to the Superintendent or Executive Director of Finance 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 practice 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-R Use of Estimates

The preparation of the accompanying basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

1-S Certain Risk Disclosures

GASB Statement No. 102, *Certain Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability or revenue debt vulnerable to the risk of a substantial impact. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. See Note 22 for further disclosure.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

The Superintendent presents a budget proposal to the Board of School Committee. The Board of School Committee prepares and submits its budget proposal to the Board of Mayor and Aldermen. The budget shall be submitted in accordance with the budget schedule established by the Mayor.

On or before the last day of March, the Mayor shall submit to the Board of Aldermen a budget for the ensuing fiscal year which includes recommendations for school appropriations and revenues. School District appropriations are made on a bottom-line basis (i.e., the total appropriations for the two budgeted funds).

The Finance Committee of the Board of Mayor and Aldermen review the proposed budget recommendations presented by the Mayor. After holding a public hearing, the Board of Mayor and Aldermen may adopt the budget with or without amendment. The budget shall be adopted on or before the second Tuesday in June of the fiscal year currently ending. The Mayor has the power to veto the entire budget or line items thereof. Action by the Board of Aldermen on any veto shall be completed by June 30. The final adoption of the budget shall require, subject to the veto powers of the Mayor, the vote of eight members of the Board of Aldermen.

If the Board of Aldermen shall fail to adopt appropriations resolutions for the ensuing fiscal year as provided herein, the budget as originally submitted by the Mayor shall become the budget. Budget control is established by object code categories within the school budgets. School District budget transfers from one object category to another must be approved by the Board of School Committee. The School District Executive Director of Finance is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

The general fund budget is adopted on a non-GAAP basis and the school food service fund budget is adopted on a GAAP basis. For its budgetary basis, the general fund uses the modified accrual basis except for:

- Encumbrances outstanding at year-end, which are charged as expenditures in the year encumbered.
- Teacher’s salaries which generally are reported on the cash basis (i.e., the salaries paid in July and August representing the balance due for the fiscal year ended are budgeted in the subsequent fiscal year).

MANCHESTER SCHOOL DISTRICT
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- Health insurance daily invoices paid in July and August that relate to claims prior to June 30th.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2025, \$7,800,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 233,062,378
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
To record the revenues of the blended expendable trust funds	1,290,696
To remove transfer to general fund from the blended expendable trust funds	<u>(7,007,439)</u>
Per Exhibit C-3 (GAAP Basis)	<u>\$ 227,345,635</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 239,605,773
Adjustments:	
Basis differences:	
Encumbrances, beginning	1,620,133
Encumbrances, ending	(1,714,043)
GASB Statement No. 54:	
Amounts recognized as expenditures on the GAAP basis of accounting but not on the budgetary basis:	
July and August teachers salaries (beginning)	(15,040,228)
July and August teachers salaries (ending)	16,734,719
Claims liability (beginning)	(1,418,120)
Claims liability (ending)	1,525,764
Expenditures of retainage on construction projects	<u>(1,186,916)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 240,127,082</u>

2-C Excess of Expenditures Over Appropriations

The food service fund had an excess of expenditures over appropriations for the year ended June 30, 2025 in the amount of \$121,605. Overexpenditures were due to unanticipated expenditures incurred to operate the food service program.

2-D Deficit Fund Balance

The general fund had an unassigned fund balance deficit of \$17,682,643 at the fund reporting level at June 30, 2025 (Exhibit C-1). This deficit is a result of recording teacher's salaries payable of \$16,734,719 and the claims liability of \$1,525,764 at June 30, 2025, which are not budgeted for until subsequent fiscal year. The School District has consistently followed this budgetary practice.

MANCHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2-E Changes in Accounting Principles

During the fiscal year, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement establishes standards of accounting and financial reporting for compensated absences and associated salary-related payments.

Also, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*. This Statement will provide the users of the financial statements with information about risks related to the School District's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement aims to provide the users with essential timely information to better understand and anticipate these specific vulnerabilities. See Note 22 for further disclosure on this accounting change.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2025, the reported amount of the School District's deposits was \$15,932,430 and the bank balance was \$17,327,146. Of the bank balance \$17,018,879 was covered by federal depository insurance or by collateral held by the School District's agent in the School District's name, and \$308,267 was uninsured and uncollateralized. Petty cash totaled \$1,749.

Discretely Presented Component Unit – The Organization's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC). The FDIC currently insures the first \$250,000 of the Organization's deposits at each financial institution, per case custodian. As of year-end, the carrying amount of the Organization's deposits was \$41,653 and the bank balances totaled \$41,653.

NOTE 4 – RESTRICTED ASSETS

Restricted assets of the discretely presented component unit of \$61,511 at June 30, 2025, represents funds being held in escrow until subsequent periods.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2025, consisted of accounts and intergovernmental amounts arising from grants, tax assessments from the City of Manchester, tuition, school lunch program, and expendable trust funds held by the City of Manchester 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.

Intergovernmental receivables as of June 30, 2025, consisted of the following:

Governmental activities and governmental funds:	
General fund:	
Balance due from the City of Manchester for FY 25-26 School District assessment	\$ 13,015,851
Expendable trust funds held by the City of Manchester Trustees of Trust Funds	28,775,805
Transportation and tuition reimbursements due from various School Districts	702,911
ECF and ROTC grant funds	16,918
Miscellaneous	2,001
Total general fund	<u>42,513,486</u>
Food service fund:	
Meal reimbursements due from the State of New Hampshire	<u>249,561</u>
Grants fund:	
Project reimbursements due from the Federal government (passed through State of NH)	<u>4,864,575</u>
Nonmajor funds:	
FFVP, Preschool and Refugee grant funds from the State and Federal governments	<u>1,966,619</u>
Total governmental activities and governmental fund intergovernmental receivables	<u>\$ 49,594,241</u>

MANCHESTER SCHOOL DISTRICT
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NOTE 6 – INVENTORY

Inventory of the major governmental food service fund of \$163,117 at June 30, 2025, represents food items and supplies. Inventory of the discretely presented component unit of \$650,960 at June 30, 2025, represents allocated costs of land development.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 169,400	\$ -	\$ -	\$ 169,400
Being depreciated:				
Portable classrooms	21,700,528	15,231,345	(78,624)	36,853,249
Improvements	29,464,734	4,705,598	-	34,170,332
Instruments	202,274	19,263	(7,760)	213,777
Other machinery and equipment	15,475,180	4,559,577	(2,122,064)	17,912,693
Total capital assets being depreciated	66,842,716	24,515,783	(2,208,448)	89,150,051
Total capital assets	67,012,116	24,515,783	(2,208,448)	89,319,451
Less accumulated depreciation:				
Portable classrooms	(781,065)	(921,452)	68,141	(1,634,376)
Improvements	(1,198,155)	(1,012,386)	-	(2,210,541)
Instruments	(104,506)	(35,423)	7,760	(132,169)
Other machinery and equipment	(8,488,909)	(3,169,640)	2,122,064	(9,536,485)
Total accumulated depreciation	(10,572,635)	(5,138,901)	2,197,965	(13,513,571)
Net book value, capital assets being depreciated	56,270,081	19,376,882	(10,483)	75,636,480
Net book value, all capital assets	\$ 56,439,481	\$ 19,376,882	\$ (10,483)	\$ 75,805,880

Discretely presented component unit:

At cost:				
Not being depreciated:				
Land and land development	\$ 56,012	\$ -	\$ -	\$ 56,012

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	\$ 2,729,907
Support services:	
General administration	2,365,666
Noninstructional services	43,328
Total depreciation expense	<u>\$ 5,138,901</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2025 are as follows:

	<u>Receivable:</u>
	General
	Fund
Payable:	
Food service	\$ 147,766
Grants	4,133,686
Nonmajor funds	1,996,575
Total	<u>\$ 6,278,027</u>

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Interfund transfers during the year ended June 30, 2025 are as follows:

	<u>Transfers In:</u>
	Food Service
	<u>Fund</u>
Transfers out:	
General fund	<u>\$ 600,000</u>

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

NOTE 9 – ACCRUED SALARIES AND BENEFITS

Amounts reported as accrued salaries and benefits totaling \$21,668,476 consist of the following:

	General Fund	Food Service Fund	Grants Fund	Other Governmental Funds	Total
Wages and benefits earned in June 2025, but not paid until July 2025	\$ 4,306,388	\$ 7,947	\$ 609,785	\$ 9,637	\$ 4,933,757
Contractually obligated payments made during the summer to Teachers	16,734,719	-	-	-	16,734,719
Total	<u>\$ 21,041,107</u>	<u>\$ 7,947</u>	<u>\$ 609,785</u>	<u>\$ 9,637</u>	<u>\$ 21,668,476</u>

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,482,966 at June 30, 2025 consist of the following:

General fund:	
Balance due to the New Hampshire Retirement System	\$ 2,040,404
Miscellaneous fees and reimbursement due to the City of Manchester	2,166,187
Miscellaneous fees due to other governmental entities	<u>276,375</u>
Total intergovernmental payables due	<u>\$ 4,482,966</u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2025 consist of the following:

	<u>Governmental Activities</u>
Amounts related to pensions:	
NHRS, see Note 13-A	\$ 24,060,381
MECRS, see Note 13-B	9,146,240
Amounts related to OPEB:	
NHRS, see Note 14-A	1,016,318
MECRS, see Note 14-B	971,337
Single Employer, see Note 14-C	312,710
Total deferred outflows of resources	<u>\$ 35,506,986</u>

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Deferred inflows of resources at June 30, 2025 consist of the following:

	Governmental Activities	General Fund
Fiscal year 2026 School District assessment received in advance	\$ 23,015,851	\$ 23,015,851
Amounts related to pension:		
NHRS, see Note 13-A	7,987,894	-
Amounts related to OPEB:		
NHRS, see Note 14-A	2,174	-
MECRS, see Note 14-B	1,100,080	-
Single Employer, see Note 14-C	1,945,527	-
Total deferred inflows of resources	<u>\$ 34,051,526</u>	<u>\$ 23,015,851</u>

NOTE 12 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 11,224,640	\$ 1,027,984	\$ -	\$ 12,252,624	\$ 771,915	\$ 11,480,709
Pension related liability:						
NHRS	166,539,583	-	(16,921,002)	149,618,581	-	149,618,581
MECRS	35,792,002	2,219,432	-	38,011,434	-	38,011,434
Net other postemployment benefits:						
NHRS	10,904,103	-	(1,724,614)	9,179,489	-	9,179,489
MECRS	2,593,531	35,459	-	2,628,990	-	2,628,990
Single Employer	7,792,567	-	(513,935)	7,278,632	-	7,278,632
Total long-term liabilities	<u>\$ 234,846,426</u>	<u>\$ 3,282,875</u>	<u>\$ (19,159,551)</u>	<u>\$ 218,969,750</u>	<u>\$ 771,915</u>	<u>\$ 218,197,835</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN

13-A New Hampshire Retirement System (NHRS)

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). For additional NHRS information, please refer to the Annual Comprehensive Financial Report, which can be found on the NHRS website at www.nhrs.org.

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

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2025, the School District contributed 18.51% for teachers and 13.27% for other employees. The contribution requirement for the fiscal year 2025 was \$18,191,391, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the School District reported a liability of \$149,618,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. 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. The School District’s proportion measured at June 30, 2024 was 2.89% which was a decrease of .08% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense of \$16,240,542. At June 30, 2025, 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	\$ 2,538,251	\$ 4,118,133
Net difference between projected and actual investment earnings on pension plan investments	-	2,088,603
Changes in assumptions	-	1,751,074
Differences between expected and actual experience	3,330,739	30,084
Contributions subsequent to the measurement date	18,191,391	-
Total	\$ 24,060,381	\$ 7,987,894

The \$18,191,391 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, 2026. 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,	
2025	\$ (4,930,657)
2026	7,008,040
2027	(2,018,553)
2028	(2,177,734)
Thereafter	-
Totals	\$ (2,118,904)

Actuarial Assumptions – The collective total pension liability was based on the following actuarial assumptions:

Inflation:	2.25% per year
Wage inflation:	3.00% per year (2.50% for Teachers)
Salary increases:	6.00% 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-2021.

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The actuarial assumptions used in the June 30, 2023 valuation, used to calculate the total pension liability as of June 30, 2024 were based on the results of the most recent actuarial experience study, which was for the period July 1, 2019 – June 30, 2023.

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 weighing 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 geometric real rates of return for each asset class:

Asset Class	Target Allocation	30 Year Geometric Return*
Broad US Equity	24.00%	5.40%
Global Ex-US Equity	16.00%	5.65%
Total public equity	40.00%	
Real Estate Equity	10.00%	4.00%
Private Equity	10.00%	6.65%
Total private market equity	20.00%	
Private Debt	10.00%	5.05%
Core U.S. Fixed Income	25.00%	2.15%
Infrastructure	5.00%	4.35%
Total	100.00%	

* Real rates of return are presented net of 2.50% inflation.

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, 2024	\$ 209,183,743	\$ 149,618,581	\$ 99,998,969

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.

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13-B City of Manchester Employees' Contributory Retirement System (MECRS)

Plan Description – The following brief description of the Retirement System is provided for general information purposes. Participants should refer to the Plan Document (Chapter 218 Laws of 1973, as amended) for more information. Effective January 1, 1974, the City of Manchester, New Hampshire (the City) established the City of Manchester Employees' Contributory Retirement System (the Retirement System), a single-employer, public employee retirement system, to provide pension benefits for certain City employees. The Retirement System is a discretely presented component unit of the City's general purpose financial statements.

At December 31, 2024, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,112
Terminated vested members	134
Active employees	<u>1,183</u>
Total participants covered by pension plan	<u>2,429</u>

Benefits Provided – Except as described in the following sentence, the Retirement System applies to all full-time and permanent part-time employees of the School District, including elected and appointed officials. The Retirement System does not cover certain categories of employees, such as temporary employees, members of boards and commissions who are not full-time or permanent part-time employees of the School District, and other persons who are eligible to participate in the New Hampshire Retirement System. All covered employees hired after January 1, 1974, are required to participate in the Retirement System as a condition of employment. Employees are 100% vested after five years of service. The normal retirement age is 60 and the benefit is calculated at 1.5% of final average total compensation during the highest three years of service in the last ten years of service (hereafter final average earnings) multiplied by the years of service. The benefit was increased to 2% for service completed after January 1, 1999. Permanent employees of the School District prior to January 1, 1974, who were in service as of January 1, 1974, are eligible for early retirement if credited with no less than twenty (20) years of service.

Such early retirement benefit shall be equal to the greater of: (i) fifty percent (50%) of the member's final average earnings, or (ii) the sum of the member's years of service multiplied by one and one-half percent (1.5%) of the member's final average earnings (2% for service completed after January 1, 1999). Members enrolled subsequent to January 1, 1974, are eligible for early retirement benefits if their age plus years of service are equal to or greater than 80, or if they have attained age 55 with 20 years or more of service. As of 2006, all eligible employees are required to contribute 5% of their salaries to the Retirement System. If an employee leaves covered employment or dies before five years of service, the Retirement System refunds accumulated employee contributions and their earnings, calculated at the rates determined annually by the Board of Trustees (5% for 2015). The School District is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and employee contribution changes require amendment of Chapter 218 of the City of Manchester Charter, first by enabling a legislation by the New Hampshire legislature and then subject to approval of the voters of the City through referendum.

Cost of living adjustments (COLA) are granted pursuant to Administrative Rule 7 by the Board of Trustees. During 2012, Administrative Rule 7 was revised to make its provisions more specific. Based upon the Consumer Price Index for 2023 at the time of measurement, the Board of Trustees opted to grant a COLA in 2024 of 1.00% which went into effect in July of 2024 for members retired prior to July 1, 2023.

Contributions – The Retirement System's legislative authority requires contributions in amounts sufficient to fund the benefits set forth in the Retirement System. The contributions are determined by the Retirement System's Board of Trustees on the basis of an independent actuary's valuation and are expressed as a percentage of gross payroll. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension fund obligation. The employer contribution rates as a percentage of payrolls in 2024 and 2023 were based on actuarial valuations performed as of December 31, 2023, and December 31, 2022, respectively. The School District's contributions for 2025 consisted of normal cost of \$4,764,813, which included amortization of the net pension liability and unfunded actuarial accrued liability (credits) related to actuarial gains and assumption changes. The employer customary contributions represented 34.71% and 36.10% of covered payroll for the year ended December 31, 2024, and 2023, respectively.

Net Pension Liability – The School District's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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Actuarial Assumptions – The assumptions show below have been adopted by the Retirement System’s Board of Trustees in connection with the December 31, 2024 actuarial valuation:

Wage inflation:	2.50%
Salary increases:	3.25% to 6.93% including inflation
Investment rate of return:	6.75% (net of investment expenses)

Actual experience of the Retirement System will not coincide exactly with assumed experience, regardless of the accuracy of the assumptions, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate. From time to time, it becomes appropriate to modify one or more of the assumptions to reflect experience trends (but not random year-to-year fluctuations). The Board has established a policy of performing an Experience Study every 3 – 5 years to evaluate/modify valuation assumptions. Assumptions used in the report are based on the January 1, 2017 – December 31, 2019, experience study of the Retirement System and were adopted by the Board. These assumptions were used for the first time in the December 31, 2020, actuarial valuation. The actuary has indicated it believes the assumptions are reasonable individually and in the aggregate.

Long-term Expected Rate of Return – The assumed rate of investment return was adopted by the Retirement System’s trustees after considering input from the Retirement System’s investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of December 31, 2024.

The long term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate – A single discount rate of 6.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. The projection of cash flows used to determine this single 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. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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%
December 31, 2024	<u>\$ 49,951,457</u>	<u>\$ 38,011,434</u>	<u>\$ 27,946,987</u>

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the School District reported a liability of \$38,011,434 for its proportionate share of the net pension liability. At December 31, 2024, the School District’s proportion was 21.53% was an increase of 2.31% from its proportion measured as of December 31, 2023.

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For the year ended June 30, 2025, the School District recognized pension expense of \$7,033,443. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 897,755	\$ -
Difference between expected and actual experience	1,558,857	-
Changes of assumptions	178,364	-
Changes in proportions and differences between employer contributions and share of contributions	3,589,138	-
Contributions subsequent to the measurement date	<u>2,922,126</u>	<u>-</u>
Total	<u>\$ 9,146,240</u>	<u>\$ -</u>

The \$2,922,126 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending December 31,</u>	
2025	\$ 3,609,042
2026	4,849,698
2027	(1,521,999)
2028	(712,627)
Thereafter	-
Totals	<u>\$ 6,224,114</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued City of Manchester Employee’s Contributory Retirement System financial report.

Reconciliation of Total Net Pension Liability, Deferred Outflows, and Deferred Inflows of Resources Related to Pensions

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Pension Liability</u>
New Hampshire Retirement System	\$ 24,060,381	\$ 7,987,894	\$ 149,618,581
City of Manchester Employee’s Contributory Retirement System	<u>9,146,240</u>	<u>-</u>	<u>38,011,434</u>
Total	<u>\$ 33,206,621</u>	<u>\$ 7,987,894</u>	<u>\$ 187,630,015</u>

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

14-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 Annual Comprehensive 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

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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 2024 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. 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 2025, the School District contributed 1.13% for teachers and 0.26% for other employees. The contribution requirement for the fiscal year 2025 was \$1,016,318, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2025, the School District reported a liability of \$9,179,489 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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. The School District's proportion measured at June 30, 2024 was 2.95% which was a decrease of .24% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized OPEB benefit of \$661,579. At June 30, 2025, 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	\$ -	\$ 2,174
Contributions subsequent to the measurement date	1,016,318	-
Total	\$ 1,016,318	\$ 2,174

The \$1,016,318 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, 2026. 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,	
2025	\$ (19,399)
2026	28,705
2027	(7,402)
2028	(4,078)
2029	-
Thereafter	-
Totals	\$ (2,174)

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Actuarial Assumptions – The total OPEB liability was based on the following actuarial assumptions:

Price inflation:	2.25% per year
Wage inflation:	3.00% per year (2.50% for Teachers)
Salary increases:	6.00% average, including inflation
Investment rate of return:	6.75% net of OPEB 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-2021.

The actuarial assumptions used in the June 30, 2023 valuation, used to calculate the total pension liability as of June 30, 2024, were based on the results of the most recent actuarial experience study, which was for the period July 1, 2019 – June 30, 2023.

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 weighing 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 geometric real rates of return for each asset class:

Asset Class	Target Allocation	30 Year Geometric Return*
Broad US Equity	24.00%	5.40%
Global Ex-US Equity	16.00%	5.65%
Total public equity	<u>40.00%</u>	
Real Estate Equity	10.00%	4.00%
Private Equity	10.00%	6.65%
Total private market equity	<u>20.00%</u>	
Private Debt	10.00%	5.05%
Core U.S. Fixed Income	25.00%	2.15%
Infrastructure	5.00%	4.35%
Total	<u>100.00%</u>	

* Real rates of return are presented net of 2.50% inflation.

Discount Rate – The discount rate used to measure the total OPEB liability 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, 2024	<u>\$ 10,042,215</u>	<u>\$ 9,179,489</u>	<u>\$ 8,583,432</u>

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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.

14-B City of Manchester Employee's Contributory Retirement System (MECRS)

Plan Description – The following brief description of the Retirement System is provided for general information purposes. Participants should refer to the Plan Document (Chapter 218 Laws of 1973, as amended) for more information.

Effective January 1, 1974, the City of Manchester, New Hampshire (the City) established the City of Manchester Employees' Contributory Retirement System (the Retirement System), a single-employer, public employee retirement system, to provide pension benefits for certain City employees. The Retirement System is a discretely presented component unit of the City's general purpose financial statements.

At December 31, 2024, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits	483
Terminated vested members	134
Active employees	<u>1,183</u>
Total participants covered by OPEB plan	<u>1,800</u>

Benefits Provided – Except as described in the following sentence, the Retirement System applies to all full-time and permanent part-time employees of the School District, including elected and appointed officials. The Retirement System does not cover certain categories of employees, such as temporary employees, members of boards and commissions who are not full-time or permanent part-time employees of the School District, and other persons who are eligible to participate in the New Hampshire Retirement System.

All covered employees hired after January 1, 1974, are required to participate in the Retirement System as a condition of employment. Employees are 100% vested after five years of service. The normal retirement age is 60 and the benefit is calculated at 1.5% of final average total compensation during the highest three years of service in the last ten years of service (hereafter final average earnings) multiplied by the years of service. The benefit was increased to 2% for service completed after January 1, 1999. Permanent employees of the School District prior to January 1, 1974, who were in service as of January 1, 1974, are eligible for early retirement if credited with no less than twenty (20) years of service.

Such early retirement benefit shall be equal to the greater of: (i) fifty percent (50%) of the member's final average earnings, or (ii) the sum of the member's years of service multiplied by one and one-half percent (1.5%) of the member's final average earnings (2% for service completed after January 1, 1999). Members enrolled subsequent to January 1, 1974, are eligible for early retirement benefits if their age plus years of service are equal to or greater than 80, or if they have attained age 55 with 20 years or more of service. As of 2006, all eligible employees are required to contribute 5% of their salaries to the Retirement System. If an employee leaves covered employment or dies before five years of service, the Retirement System refunds accumulated employee contributions and their earnings, calculated at the rates determined annually by the Board of Trustees (5% for 2015). The School District is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and employee contribution changes require amendment of Chapter 218 of the City of Manchester Charter, first by enabling a legislation by the New Hampshire legislature and then subject to approval of the voters of the City through referendum.

Current and future retired members who are in receipt of an annuity benefit may elect to participate in a monthly health insurance subsidy. Spouses, dependents, and/or beneficiaries are not eligible for any subsidy. The amount of the monthly health insurance subsidy was \$200 as of January 1, 2006, and increases annually beginning January 1, 2007. The \$200 subsidy is prorated based on the member's service at retirement, as shown in the schedule below. Members who were retired as of March 2006 are entitled to 50% of the subsidy available to members retired after March 2006. Active members must contribute 1.25% of eligible compensation.

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Member contributions for the health subsidy are non-refundable. Proration of subsidy, based on length of employment are as follows:

Service at Retirement	% of Full Subsidy	
	Active on or after March 1, 2006	Terminated vested or retired on March 1, 2006
Less than 10 years	25.0%	12.5%
10 years or more, but less than 15 years	50.0%	25.0%
15 years or more, but less than 20 years	75.0%	37.5%
20 years or more	100.0%	50.0%

Contributions – The Retirement System’s legislative authority requires contributions in amounts sufficient to fund the benefits set forth in the Retirement System. The contributions are determined by the Retirement System’s Board of Trustees on the basis of an independent actuary’s valuation and are expressed as a percentage of gross payroll. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the OPEB fund obligation. The employer contribution rates as a percentage of payrolls in 2024 and 2023 were based on actuarial valuations performed as of December 31, 2023, and December 31, 2022, respectively. The employer customary OPEB contributions represented 2.26% and 2.85% of covered payroll for the years ended December 31, 2024, and 2023, respectively.

OPEB Liability – The School District’s net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The assumptions shown below have been adopted by the Retirement System’s Board of Trustees in connection with the December 31, 2024 actuarial valuation:

Wage inflation:	2.50%
Salary increases:	3.25% to 6.93% including inflation
Investment rate of return:	6.75% (net of investment expenses)

Actual experience of the Retirement System will not coincide exactly with assumed experience, regardless of the accuracy of the assumptions, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate.

From time to time, it becomes appropriate to modify one or more of the assumptions to reflect experience trends (but not random year-to-year fluctuations). The Board has established a policy of performing an Experience Study every 3 – 5 years to evaluate/modify valuation assumptions. Assumptions used in the report are based on the January 1, 2017 – December 31, 2019, experience study of the Retirement System and were adopted by the Board. These assumptions were used for the first time in the December 31, 2020, actuarial valuation. The actuary has indicated it believes the assumptions are reasonable individually and in the aggregate.

Long-term Expected Rate of Return – The assumed rate of investment return was adopted by the Retirement System’s trustees after considering input from the Retirement System’s investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of December 31, 2024. The long term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate – A single discount rate of 6.75% was used to measure total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.75%. The projection of cash flows used to determine this single 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. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit

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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 total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75% as well as what the School District’s proportionate share of the net 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%
December 31, 2024	<u>\$ 3,247,127</u>	<u>\$ 2,628,990</u>	<u>\$ 1,597,641</u>

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 liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2025, the School District reported a liability of \$2,628,990 for its proportionate share of the OPEB liability. At December 31, 2024, the School District’s proportion was 21.53% was an increase of 2.31% from its proportion measured as of December 31, 2023. For the year ended June 30, 2025, the School District recognized OPEB expense of \$191,181. At June 30, 2025, 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
Net difference between projected and actual investment earnings on pension plan investments	\$ 46,447	\$ -
Difference between expected and actual experience	77,265	952,784
Changes of assumptions	198,862	-
Changes in proportions and differences between employer contributions and share of contributions	446,660	147,296
Contributions subsequent to the measurement date	202,103	-
Total	<u>\$ 971,337</u>	<u>\$ 1,100,080</u>

The \$202,103 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, 2026.

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 December 31,	
2025	\$ (9,373)
2026	(7,234)
2027	(147,028)
2028	(127,621)
2029	(39,307)
Thereafter	<u>(283)</u>
Totals	<u>\$ (330,846)</u>

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued City of Manchester Employee’s Contributory Retirement System financial report.

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14-C Retiree Health Benefit Program

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

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

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

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

Employees Covered by Benefit Terms – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	202
Active employees	<u>2,840</u>
Total participants covered by OPEB plan	<u>3,042</u>

Total OPEB Liability – The School District’s total OPEB liability of \$7,278,632 was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2025. 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:	5.20%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.10%
Year Ultimate Trend is Reached	2075
Salary Increases:	2.50%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2025.

Mortality rates were based on the PubS-010 head-count weighted mortality tables, projected with fully generational mortality improvements using scape MP-2021

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Changes in the Total OPEB Liability

	June 30,	
	2024	2025
Total OPEB liability beginning of year	\$ 7,689,867	\$ 7,792,567
Changes for the year:		
Service cost	343,372	375,503
Interest	286,480	312,847
Assumption changes and difference between actual and expected experience	(158,219)	(787,124)
Benefit payments	(368,933)	(415,161)
Total OPEB liability end of year	\$ 7,792,567	\$ 7,278,632

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2025 actuarial valuation was prepared using a discount rate of 5.20%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$6,711,792 or by 7.79%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$7,905,195 or by 8.61%.

	Discount Rate		
	1% Decrease	Baseline 5.20%	1% Increase
Total OPEB Liability	\$ 7,905,195	\$ 7,278,632	\$ 6,711,792

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2025 actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$8,111,306 or by 11.44%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$6,568,955 or by 9.75%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$ 6,568,955	\$ 7,278,632	\$ 8,111,306

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the School District recognized OPEB expense of \$697,663. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 312,710	\$ 1,109,968
Differences between expected and actual experience	-	835,559
Total	\$ 312,710	\$ 1,945,527

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,	
2026	\$ (353,719)
2027	(451,670)
2028	(279,873)
2029	(161,009)
2030	(168,227)
Thereafter	(218,319)
Totals	\$ (1,632,817)

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NOTE 15 - ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2025 are as follows:

Current:	
Instruction:	
Regular programs	\$ 33,270
Special programs	134,683
Other programs	<u>205,390</u>
Total instruction	<u>373,343</u>
Support services:	
Student	3,510
Instructional staff	143
Executive administration	20,355
Student transportation	15
Other	<u>35,693</u>
Total support services	<u>59,716</u>
Facilities acquisition and construction	<u>1,280,984</u>
Total encumbrances	<u>\$ 1,714,043</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2025 include the following:

	Governmental Activities	Component Unit
Net investment in capital assets:		
Net book value of all capital assets	\$ 75,805,880	\$ -
Restricted net position:		
Food service	1,126,754	-
Unrestricted net position	<u>(184,769,523)</u>	<u>815,394</u>
Total net position	<u>\$ (107,836,889)</u>	<u>\$ 815,394</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2025 consist of the following:

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 163,117	\$ -	\$ 163,117
Prepaid items	<u>18,838</u>	<u>-</u>	<u>-</u>	<u>18,838</u>
Total nonspendable fund balance	<u>18,838</u>	<u>163,117</u>	<u>-</u>	<u>181,955</u>
Restricted:				
Food service	<u>-</u>	<u>963,637</u>	<u>-</u>	<u>963,637</u>
Committed:				
Expendable trust	22,968,366	-	-	22,968,366
Contingency	1,377,097	-	-	1,377,097
Vocational education program	-	-	47,723	47,723
Tuition based program	-	-	107,003	107,003
Other	<u>-</u>	<u>-</u>	<u>249,595</u>	<u>249,595</u>
Total committed fund balance	<u>24,345,463</u>	<u>-</u>	<u>404,321</u>	<u>24,749,784</u>

(continued)

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Governmental fund balances continued:

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assigned:				
Encumbrances	1,714,043	-	-	1,714,043
Student activities	-	-	1,383,528	1,383,528
Total assigned fund balance	1,714,043	-	1,383,528	3,097,571
Unassigned (deficit):				
General fund (deficit)	(17,682,643)	-	-	(17,682,643)
Total governmental fund balances	<u>\$ 8,395,701</u>	<u>\$ 1,126,754</u>	<u>\$ 1,787,849</u>	<u>\$ 11,310,304</u>

NOTE 18 – ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During fiscal year 2025, changes to or within the School District’s financial statements resulted in an error correction which caused adjustments to and restatements of beginning net position, as follows:

	Private Purpose Trusts
To restate to remove private purpose trust funds held by the City Trustees of Trust Funds and reported in the City’s financial statements	\$ (5,143,522) *
Net position, as previously reported	5,143,522
Net position, as restated	<u>\$ -</u>

*In accordance with GASB Statement No. 84 clarification, private purpose trust funds (scholarship funds) are to be reported in the City of Manchester’s financial statements as private purpose trust funds since the trustees of trust funds have administrative control over these funds.

NOTE 19 – RISK MANAGEMENT

The School District self-insures, as part of the City’s self-funded program, against claims for workers’ compensation, unemployment, and most employee health coverage. As a public entity in New Hampshire, the School District is also protected by “Limited Immunity” and “Municipal Cap” statutes. As of June 30, 2025, the “statutory cap” limit is \$325,000, and the aggregate limit is \$1,000,000. Annual estimate requirements for claims are provided in the School District’s annual operating budget.

Changes in the balances of claims liabilities are described below are recorded by the School District during the current period and previous four fiscal years as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
June 30, 2025	\$ 1,418,120	\$ 32,767,360	\$ 32,659,716	\$ 1,525,764
June 30, 2024	\$ 4,405,608	\$ 26,916,673	\$ 29,904,161	\$ 1,418,120
June 30, 2023	\$ 827,065	\$ 29,681,124	\$ 26,102,581	\$ 4,405,608
June 30, 2022	\$ 1,649,582	\$ 27,576,413	\$ 28,398,930	\$ 827,065
June 30, 2021	\$ 1,099,566	\$ 24,194,224	\$ 23,644,208	\$ 1,649,582

Workers’ Compensation – The School District contracts with an insurance consultant for claims processing of the School District’s workers’ compensation policy. The workers’ compensation claims liability represents an estimate for future costs, based on historical analysis for similar claims for all employees.

Health Insurance – The School District contracts with an insurance carrier for excess liability coverage with an insurance consultant for claims processing. Under the terms of its insurance coverage, the School District has an aggregate stop loss at 125% of claims and \$275,000 of claims per individual family. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year-end.

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NOTE 20 – CAFETERIA BENEFIT PLAN

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

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

In addition to directing the School District's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account, and \$3,050 into the Medical Spending Account. This cap applies to both School District contributions and employee pre-tax contributions.

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

NOTE 21 – 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. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Manchester School District.

The School District has set aside a reserve for contingency (Committed Fund Balance) in the general fund in the amount of \$1,377,097 at June 30, 2025. This reserve represents potential liabilities related to workers' compensation, automobile, and general insurance that the School District may have to pay in the subsequent year. The amount of reserve was determined based on past experience as well as a valuation prepared by the City of Manchester's actuary.

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 22 – CERTAIN RISK DISCLOSURES

The School District is subject to certain risks related to vulnerabilities caused by concentrations or constraints. The financial statements for the period ending June 30, 2025 are vulnerable to the risk of substantial financial impact from the concentration described below:

Concentration: School District Assessment – The School District's primary funding sources are local property taxes (City assessment) and the state adequacy aid, which constitute approximately 44% and 42%, respectively, of its total general fund revenue for the fiscal year ended June 30, 2025. The School District's ability to maintain existing service levels and support its operations is therefore dependent upon the continued stability of the property tax base within the City of Manchester and the availability of State adequacy aid funding. A substantial decline in the assessed valuation of property within the School District, a downturn in the local real estate market, a significant property tax abatement, a significant decline in available state funding or a significant change in the adequacy aid calculation could have a material effect on the School District's financial position and results of operations. No such events were identified that would impact this future revenue source at June 30, 2025.

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NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through March 19, 2026, the date the June 30, 2025 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
MANCHESTER SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System and the City of Manchester Employees' Contributory Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2025
Unaudited

	June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
New Hampshire Retirement System										
Fiscal year-end										
Measurement Date										
School District's Proportion of the net pension liability	2.71%	2.83%	2.79%	3.03%	2.92%	2.93%	2.89%	2.89%	2.97%	2.89%
Proportionate share of the net pension liability	\$ 107,305,153	\$ 150,250,260	\$ 137,026,037	\$ 146,114,642	\$ 140,678,061	\$ 187,347,631	\$ 128,213,737	\$ 165,721,805	\$ 166,539,583	\$ 149,618,381
Covered payroll (as of measurement date)	\$ 76,273,174	\$ 79,847,317	\$ 80,552,076	\$ 82,258,740	\$ 81,925,516	\$ 81,925,516	\$ 83,878,728	\$ 85,091,891	\$ 92,310,294	\$ 94,727,473
Proportionate share of the net pension liability as a percentage of its covered payroll	140.69%	188.17%	170.11%	177.63%	171.71%	228.68%	152.86%	194.76%	180.41%	157.95%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%	67.18%	70.33%
City of Manchester Employees' Contributory Retirement System										
Fiscal year-end										
Measurement Date										
Proportion of the net pension liability	19.76%	18.57%	18.21%	18.60%	16.99%	16.22%	16.70%	18.05%	19.22%	21.53%
Proportionate share of the net pension liability	\$ 25,265,796	\$ 24,068,169	\$ 22,788,053	\$ 28,272,662	\$ 23,479,339	\$ 24,975,783	\$ 23,226,361	\$ 36,744,821	\$ 35,792,002	\$ 38,011,434
Covered payroll	\$ 10,466,179	\$ 9,793,708	\$ 9,717,908	\$ 9,659,865	\$ 8,989,476	\$ 8,800,799	\$ 9,236,811	\$ 10,794,220	\$ 11,954,117	\$ 14,455,651
Proportionate share of the net pension liability as a percentage of its covered payroll	241.40%	245.75%	224.50%	293.59%	261.19%	283.79%	251.46%	340.41%	299.41%	262.95%
Plan fiduciary net position as a percentage of the total pension liability	59.33%	59.60%	63.70%	57.30%	62.70%	62.80%	67.40%	55.90%	59.50%	62.85%

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

EXHIBIT F
MANCHESTER SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System and the City of Manchester Employees' Contributory Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2025
Unaudited

	June 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
New Hampshire Retirement System										
Fiscal year-end										
Measurement Date	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution	\$ 9,087,205	\$ 10,117,632	\$ 10,207,127	\$ 12,825,313	\$ 12,723,379	\$ 13,291,467	\$ 16,447,964	\$ 17,857,297	\$ 17,421,228	\$ 18,191,391
Contributions in relation to the contractually required contributions	(9,087,205)	(10,117,632)	(10,207,127)	(12,825,313)	(12,723,379)	(13,291,467)	(16,447,964)	(17,857,297)	(17,421,228)	(18,191,391)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of fiscal year)	\$ 76,273,174	\$ 79,847,317	\$ 80,552,076	\$ 82,238,740	\$ 81,925,516	\$ 83,878,728	\$ 85,091,891	\$ 92,310,294	\$ 94,727,473	\$ 99,133,697
Contributions as a percentage of covered payroll	11.92%	11.91%	12.67%	12.67%	15.59%	15.53%	15.82%	19.33%	19.34%	18.35%
City of Manchester Employees' Contributory Retirement System										
Fiscal year-end										
Measurement Date	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution	\$ 2,294,756	\$ 1,554,098	\$ 2,355,880	\$ 2,439,086	\$ 2,413,432	\$ 2,504,707	\$ 2,894,661	\$ 3,535,549	\$ 3,899,660	\$ 4,764,813
Contributions in relation to the contractually required contributions	(2,294,756)	(1,554,098)	(2,355,880)	(2,439,086)	(2,413,432)	(2,504,707)	(2,894,661)	(3,535,549)	(3,899,660)	(4,764,813)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,466,179	\$ 9,793,708	\$ 9,717,908	\$ 9,629,865	\$ 8,989,476	\$ 8,800,799	\$ 9,236,811	\$ 10,794,220	\$ 11,954,117	\$ 14,455,651
Contributions as a percentage of covered payroll	21.93%	15.87%	24.24%	25.33%	26.85%	28.46%	31.34%	32.75%	32.62%	32.96%

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

MANCHESTER SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

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

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

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2025. These schedules are presented to illustrate the requirement to show information for 10 years.

City of Manchester Employees' Contributory Retirement System

Actuarial Assumptions – The assumptions shown below have been adopted by the Retirement System's Board of Trustees in connection with the December 31, 2024, actuarial valuation.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31 for the contribution starting 6 months later. Actuarial contributions reported during the plan year are therefore based on two consecutive actuarially determined contributions.
Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent-of-Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	5-year smoothed market, 20% corridor
Wage Inflation	2.50%
Salary Increases	3.25% to 6.93% including inflation
Investment Rate of Return	6.75% (net of investment expense)
Retirement Age	Age and Experience-based on table of rates that are specific to the type of eligibility conditions.
Mortality	Pub-2010 Mortality Table projected to 2039 using projection scale MP-2019.
Expense Load	1.25% of payroll
COLA Assumption	1.0% compounded annually

Actual experience of the Retirement System will not coincide exactly with assumed experience, regardless of the accuracy of the assumption, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate.

EXHIBIT G
MANCHESTER SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System and the City of Manchester Employees' Contributory Retirement System Cost Sharing Multiple Employer-Defined Benefit Plan
For the Fiscal Year Ended June 30, 2025
Unaudited

		June 30,									
		2017	2018	2019	2020	2021	2022	2023	2024	2025	
New Hampshire Retirement System											
Fiscal year-end											
Measurement date		June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
School District's proportion of the net OPEB liability	3.96%	2017	2018	2019	2020	2021	2022	2023	2024	2025	
School District's proportionate share of the net OPEB liability (asset)											
			3.92%	3.03%	2.91%	3.14%	3.08%	3.10%	3.19%	2.95%	
	\$ 19,164,160	\$ 17,910,725	\$ 13,861,566	\$ 12,738,136	\$ 13,737,026	\$ 12,351,190	\$ 11,712,637	\$ 10,904,103	\$ 9,179,489		
School District's covered payroll (as of measurement date)	\$ 79,847,317	\$ 80,552,076	\$ 82,238,740	\$ 81,925,516	\$ 81,925,516	\$ 83,878,728	\$ 85,091,891	\$ 92,310,294	\$ 94,727,473		
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	24.00%	22.23%	16.85%	15.55%	16.77%	14.73%	13.76%	11.81%	9.69%		
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%	12.80%	14.01%		
City of Manchester Employees' Contributory Retirement System											
Fiscal year-end											
Measurement date		June 30,	Dec 31,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
School District's proportion of the net OPEB liability	22.97%	2017	2018	2019	2020	2021	2022	2023	2024	2025	
School District's proportionate share of the net OPEB liability (asset)											
	\$ 2,886,082	\$ 3,185,240	\$ 3,085,522	\$ 2,643,978	\$ 2,890,322	\$ 2,933,519	\$ 3,966,238	\$ 2,593,531	\$ 2,628,990		
School District's covered payroll	\$ 9,793,708	\$ 9,717,908	\$ 9,629,865	\$ 8,989,476	\$ 8,800,799	\$ 9,236,811	\$ 10,794,220	\$ 11,954,117	\$ 14,455,651		
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	29.47%	32.78%	31.76%	29.41%	32.15%	31.76%	36.74%	21.70%	18.19%		
Plan fiduciary net position as a percentage of the total OPEB liability	54.45%	47.47%	42.73%	48.70%	49.40%	53.40%	46.30%	61.30%	66.45%		

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

EXHIBIT H
MANCHESTER SCHOOL DISTRICT
Schedule of School District Contributions – Other Postemployment Benefits
New Hampshire Retirement System and the City of Manchester Employees' Contributory Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2025

	June 30,								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
New Hampshire Retirement System	<i>Unaudited</i>								
Fiscal year-end	June 30,								
Measurement date	2020								
Contractually required contribution	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$ 2,300,233	\$ 2,321,722	\$ 1,339,181	\$ 1,325,963	\$ 1,481,674	\$ 1,262,952	\$ 1,394,201	\$ 1,050,031	\$ 1,016,318
Contributions in relation to the contractually required contribution	(2,300,233)	(2,321,722)	(1,339,181)	(1,325,963)	(1,481,674)	(1,262,952)	(1,394,201)	(1,050,031)	(1,016,318)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of measurement date)	\$ 79,847,317	\$ 80,552,076	\$ 82,258,740	\$ 81,925,516	\$ 83,878,728	\$ 85,091,891	\$ 92,310,294	\$ 94,727,473	\$ 99,133,697
Contributions as a percentage of covered payroll	2.88%	2.88%	1.63%	1.62%	1.77%	1.53%	1.51%	1.11%	1.03%
City of Manchester Employees' Contributory Retirement System									
Fiscal year-end	June 30,								
Measurement date	Dec. 31,								
Contractually required contribution	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$ 165,718	\$ 164,435	\$ 159,342	\$ 182,786	\$ 203,224	\$ 240,450	\$ 306,180	\$ 340,380	\$ 325,923
Contributions in relation to the contractually required contribution	(165,718)	(164,435)	(159,342)	(182,786)	(203,224)	(240,450)	(306,180)	(340,380)	(325,923)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 9,793,708	\$ 9,717,908	\$ 9,629,865	\$ 8,989,476	\$ 8,800,799	\$ 9,236,811	\$ 10,794,220	\$ 11,954,117	\$ 14,455,651
Contributions as a percentage of covered payroll	1.69%	1.69%	1.65%	2.03%	2.31%	2.60%	2.84%	2.85%	2.25%

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

EXHIBIT I
MANCHESTER 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, 2025

	June 30,								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPEB liability, beginning of year	\$ 9,776,528	\$ 9,348,080	\$ 7,679,725	\$ 9,181,074	\$ 10,757,792	\$ 7,965,606	\$ 7,364,661	\$ 7,689,867	\$ 7,792,567
Changes for the year:									
Service cost	461,536	429,507	461,908	487,477	501,056	418,453	330,624	343,372	375,503
Interest	284,916	355,954	305,169	331,615	244,118	178,016	266,323	286,480	312,847
Assumption changes and difference between actual and expected experience	(692,871)	(1,985,042)	1,246,554	1,145,285	(3,111,782)	(912,173)	72,304	(158,219)	(787,124)
Benefit payments	(482,029)	(468,774)	(512,282)	(387,659)	(425,578)	(285,241)	(344,045)	(368,933)	(415,161)
OPEB liability, end of year	\$ 9,348,080	\$ 7,679,725	\$ 9,181,074	\$ 10,757,792	\$ 7,965,606	\$ 7,364,661	\$ 7,689,867	\$ 7,792,567	\$ 7,278,632
Covered payroll	\$ 91,049,499	\$ 104,683,532	\$ 99,252,726	\$ 86,468,759	\$ 90,771,388	\$ 90,771,388	\$ 90,868,877	\$ 90,868,877	\$ 100,877,886
Total OPEB liability as a percentage of covered payroll	10.27%	7.34%	9.25%	12.44%	8.78%	8.11%	8.46%	8.58%	7.22%

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

MANCHESTER SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

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

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

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

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2025. 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.

City of Manchester Employees' Contributory Retirement System

Actuarial Assumptions – The assumptions shown below have been adopted by the Retirement System's Board of Trustees in connection with the December 31, 2024, actuarial valuation.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31 for the contribution starting 6 months later. Actuarial contributions reported during the plan year are therefore based on two consecutive actuarially determined contributions.
Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	17 Years
Asset Valuation Method	5-year smooth market; 20% corridor
Wage Inflation	2.50%
Salary Increases	3.25% to 6.93% including inflation
Investment Rate of Return	6.75% (net of investment expenses)
Retirement Age	Age and experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Mortality Table projected to 2039 using projection scale MP-2019.
Expense Load	None
Increases	Annual health subsidy amounts are assumed to increase 4% annually

Actual experience of the Retirement System will not coincide exactly with assumed experience, regardless of the accuracy of the assumption, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate.

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 – The discount rate in the July 1, 2025 actuarial valuation increased to 5.20% from the 3.93% discount rate used in the July 1, 2023 actuarial valuation.

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, 2025. 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
MANCHESTER SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2025

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 100,848,052	\$ 100,848,052	\$ -
Other local sources:			
Tuition	825,000	1,215,152	390,152
Transportation	-	74,207	74,207
Investment earnings	550,000	770,020	220,020
Student activities	25,000	19,390	(5,610)
Miscellaneous	10,000	590,837	580,837
Total from other local sources	<u>1,410,000</u>	<u>2,669,606</u>	<u>1,259,606</u>
State sources:			
Adequacy aid (grant)	96,523,584	96,523,581	(3)
Adequacy aid (tax)	19,591,182	19,591,182	-
School building aid	3,032,991	3,032,991	-
Special education aid	1,563,515	1,720,077	156,562
Vocational aid	750,000	568,183	(181,817)
Other state aid	473,387	186,387	(287,000)
Total from state sources	<u>121,934,659</u>	<u>121,622,401</u>	<u>(312,258)</u>
Federal sources:			
Medicaid	750,000	820,185	70,185
NJROTC	107,214	94,695	(12,519)
Total from federal sources	<u>857,214</u>	<u>914,880</u>	<u>57,666</u>
Other financing sources:			
Transfers in	7,007,439	7,007,439	-
Total revenues and other financing sources	232,057,364	<u>\$ 233,062,378</u>	<u>\$ 1,005,014</u>
Use of fund balance to reduce school district assessment	7,800,000		
Total revenues and use of fund balance	<u>\$ 239,857,364</u>		

See Independent Auditor's Report.

SCHEDULE 2
MANCHESTER SCHOOL DISTRICT
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2025

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 27,270	\$ 87,608,762	\$ 81,236,528	\$ 33,270	\$ 6,366,234
Special programs	776,560	48,249,282	49,447,285	134,683	(556,126)
Vocational programs	-	2,906,510	2,614,050	-	292,460
Other programs	44,485	2,519,717	2,677,581	205,390	(318,769)
Adult and continuing education programs	-	156,684	118,956	-	37,728
Total instruction	<u>848,315</u>	<u>141,440,955</u>	<u>136,094,400</u>	<u>373,343</u>	<u>5,821,527</u>
Support services:					
Student	16,416	18,688,696	19,665,346	3,510	(963,744)
Instructional staff	2,987	2,812,513	2,682,515	143	132,842
General administration	-	247,469	506,831	-	(259,362)
Executive administration	357	2,634,694	2,618,661	20,355	(3,965)
School administration	-	12,698,384	12,523,691	-	174,693
Business	-	2,088,057	2,161,070	-	(73,013)
Operation and maintenance of plant	726	14,813,575	13,046,403	-	1,767,898
Student transportation	40,940	12,116,953	19,195,397	15	(7,037,519)
Other	710,392	3,215,916	3,293,627	35,693	596,988
Total support services	<u>771,818</u>	<u>69,316,257</u>	<u>75,693,541</u>	<u>59,716</u>	<u>(5,665,182)</u>
Debt service:					
Principal on long-term debt	-	9,249,244	9,099,148	-	150,096
Interest on long-term debt	-	2,150,908	2,308,100	-	(157,192)
Total debt service	<u>-</u>	<u>11,400,152</u>	<u>11,407,248</u>	<u>-</u>	<u>(7,096)</u>
Facilities acquisition and construction	-	17,700,000	15,716,674	1,280,984	702,342
Other financing uses:					
Transfers out	-	-	600,000	-	(600,000)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,620,133</u>	<u>\$ 239,857,364</u>	<u>\$ 239,511,863</u>	<u>\$ 1,714,043</u>	<u>\$ 251,591</u>

See Independent Auditor's Report.

SCHEDULE 3
MANCHESTER SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2025

Unassigned fund balance, beginning	\$ 6,759,267
Changes:	
Unassigned fund balance used to reduce school district assessment	(7,800,000) *
Revenue surplus	1,005,014
Unexpended balance of appropriations	251,591
Decrease in nonspendable fund balance	1,041,587
Increase in committed fund balance	<u>(679,619)</u>
Unassigned fund balance, ending	<u>\$ 577,840</u>

*The total amount available for reduction of the City of Manchester's tax rate includes this amount and a portion of nonspendable fund balance representing fiscal year 2025 debt service paid in advance.

See Independent Auditor's Report.

SCHEDULE 4
MANCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds				Total
	Vocational Education Program	Tuition Based Programs	Student Activities	Other	
ASSETS					
Cash and cash equivalents	\$ 47,723	\$ 126,709	\$ 1,383,528	\$ -	\$ 1,557,960
Accounts receivable	-	-	-	297,481	297,481
Intergovernmental receivable	-	-	-	1,966,619	1,966,619
Total assets	\$ 47,723	\$ 126,709	\$ 1,383,528	\$ 2,264,100	\$ 3,822,060
LIABILITIES					
Accounts payable	\$ -	\$ 15,899	\$ -	\$ 12,100	\$ 27,999
Accrued salaries and benefits payable	-	3,807	-	5,830	9,637
Interfund payable	-	-	-	1,996,575	1,996,575
Total liabilities	-	19,706	-	2,014,505	2,034,211
FUND BALANCES					
Committed	47,723	107,003	-	249,595	404,321
Assigned	-	-	1,383,528	-	1,383,528
Total fund balances	47,723	107,003	1,383,528	249,595	1,787,849
Total liabilities and fund balances	\$ 47,723	\$ 126,709	\$ 1,383,528	\$ 2,264,100	\$ 3,822,060

See Independent Auditor's Report.

SCHEDULE 5
MANCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2025

	Special Revenue Funds				
	Vocational Education Program	Tuition Based Programs	Student Activities	Other	Total
REVENUES					
Other local	\$ 17,946	\$ 208,787	\$ 1,212,171	\$ 2,279,286	\$ 3,718,190
State	-	13,850	-	222,126	235,976
Federal	-	-	-	125,221	125,221
Total revenues	<u>17,946</u>	<u>222,637</u>	<u>1,212,171</u>	<u>2,626,633</u>	<u>4,079,387</u>
EXPENDITURES					
Current:					
Instruction	31,128	183,163	1,171,120	1,273,424	2,658,835
Support services:					
Student	315	-	-	124,042	124,357
Instructional staff	-	-	-	137,085	137,085
Executive administration	-	-	-	183,621	183,621
Operation and maintenance of plant	-	-	-	244,402	244,402
Student transportation	-	-	-	710,771	710,771
Other	-	-	-	2,022	2,022
Noninstructional services	-	-	-	75,221	75,221
Total expenditures	<u>31,443</u>	<u>183,163</u>	<u>1,171,120</u>	<u>2,750,588</u>	<u>4,136,314</u>
Net change in fund balances	(13,497)	39,474	41,051	(123,955)	(56,927)
Fund balances, beginning	61,220	67,529	1,342,477	373,550	1,844,776
Fund balances, ending	<u>\$ 47,723</u>	<u>\$ 107,003</u>	<u>\$ 1,383,528</u>	<u>\$ 249,595</u>	<u>\$ 1,787,849</u>

See Independent Auditor's Report.

SCHEDULE 6
MANCHESTER SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Changes in Student Activities Funds by School
For the Fiscal Year Ended June 30, 2025

	Bakersville	Beech	Central High	Gessler Park	Green Acres	Highland Falls	Hillside	Jewett	McDonough	McLaughlin
Assigned fund balance, beginning	\$ 3,056	\$ 16,712	\$ 416,453	\$ 8,013	\$ 12,929	\$ 6,613	\$ 48,278	\$ 1,757	\$ 2,981	\$ 28,272
Revenues:										
Other local:										
Academic Clubs	-	-	4,608	-	-	-	-	-	-	-
Administration Supplies	-	-	-	21,341	-	100	-	-	-	-
Band/Music	-	-	25,620	-	-	-	12,833	-	-	-
Classes	-	-	31,560	-	-	-	20,664	-	-	-
Class Activities	4,945	30	-	-	-	-	-	-	12,157	-
Donations	24	3,120	-	-	-	-	-	4,993	1,360	-
Equipment Fixtures	-	-	-	-	-	-	-	-	-	-
Field Trips	-	1,305	-	-	-	-	-	-	-	-
Food Sales	-	-	-	-	-	-	-	2,473	-	-
Fund Raising	14	7,364	-	-	-	-	-	5,510	-	-
Miscellaneous/General	1,806	51	42,535	1,856	7,488	24,479	37,912	3,319	101	-
National Clubs	-	-	5,536	-	-	-	-	-	-	-
Newspaper	-	-	10,296	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	38	-	-	-
Other Clubs	-	-	50,421	-	-	-	8,988	-	-	-
PTG	-	-	-	-	-	-	-	-	-	-
Sports Activities	-	-	30,361	-	-	-	-	-	-	-
Staff Morale	-	-	-	-	-	-	-	-	-	-
Store	-	-	13,247	-	-	-	-	-	-	-
Yearbook	-	-	7,571	-	-	-	-	-	-	-
Total revenue	6,789	11,870	221,755	23,197	7,488	24,579	80,435	16,295	15,324	33,678

(Continued)

SCHEDULE 6 (continued)
MANCHESTER SCHOOL DISTRICT

Student Activity Funds
Combining Schedule of Changes in Student Activities Funds by School
For the Fiscal Year Ended June 30, 2025

Expenditures:	Bakersville	Beech	Central High	Goesler Park	Green Acres	Highland Gothic's Falls	Hillside	Jewett	McDonough	McLaughlin
Instruction:										
Academic Clubs	-	-	5,365	-	-	-	-	-	-	-
Administration Supplies	-	-	23,871	16,738	-	-	15,486	-	137	-
Band/Music	-	-	35,177	-	-	-	17,703	-	-	-
Classes	-	-	-	-	-	-	-	1,443	11,246	-
Class Activities	1,832	1,201	-	-	-	-	-	2,520	247	-
Donations	-	1,099	-	-	-	-	-	203	-	-
Equipment Fixtures	1,001	-	-	-	-	-	-	7,576	-	-
Field Trips	237	3,594	-	-	-	-	-	3,390	-	-
Food Sales	-	-	-	-	-	-	-	-	-	-
Fund Raising	-	2,890	-	-	-	-	-	-	-	-
Miscellaneous/General	853	1,077	38,653	-	7,609	27,403	39,723	-	-	30,289
National Clubs	-	-	5,327	-	-	-	-	-	-	-
Newspaper	-	-	5,495	-	-	-	-	-	-	-
Other Clubs	-	-	53,782	-	-	-	10,731	-	-	-
Sports Activities	-	-	24,948	-	-	-	-	-	-	-
Staff Morale	675	-	-	-	-	-	-	1,546	279	-
Store	-	-	14,912	-	-	-	-	-	-	-
Yearbook	-	-	4,333	-	-	-	-	-	-	-
Total expenditures	4,598	9,861	211,863	16,738	7,609	27,403	83,643	16,678	11,909	30,289
Assigned fund balance, ending	\$ 5,247	\$ 18,721	\$ 426,345	\$ 14,472	\$ 12,808	\$ 3,789	\$ 45,070	\$ 1,374	\$ 6,396	\$ 31,661

(Continued)

SCHEDULE 6 (continued)
MANCHESTER SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Changes in Student Activities Funds by School
For the Fiscal Year Ended June 30, 2025

	Memorial	MST	Northwest	Parkside	Parker	Smyth	Southside	Webster	West	Weston	Wilson	Totals
Assigned fund balance, beginning	\$ 386,739	\$ 117,346	\$ 10,713	\$ 26,575	\$ 5,424	\$ 21,511	\$ 11,605	\$ 9,807	\$ 203,512	\$ 4,151	\$ 30	\$ 1,342,477
Revenue:												
Other local:												
Academic Clubs	8,678	-	-	-	-	-	-	-	17,479	-	-	47,598
Administration Supplies	-	-	-	-	-	-	-	-	2,006	-	-	40,459
Band/Music	33,585	-	-	25,654	-	-	-	-	3,885	-	-	115,348
Classes	61,312	-	-	18,144	-	-	-	-	-	-	-	96,588
Class Activities	-	-	3,644	-	-	4,274	-	-	26,026	-	-	43,441
Donations	-	-	3,126	-	-	2,725	-	-	909	-	-	6,760
Equipment Fixtures	-	-	-	-	-	-	-	-	-	-	-	3,778
Field Trips	-	-	-	-	-	1,836	-	-	-	-	-	7,346
Food Sales	-	-	-	-	-	-	-	-	2,000	-	-	12,798
Fund Raising	-	-	4,547	-	-	11,395	-	-	-	-	-	167,453
Miscellaneous/General	61,985	-	-	6,879	2,877	594	23,329	23,997	12,777	19,937	-	152,375
Interest	-	-	-	-	-	-	-	-	415	-	-	5,951
National Clubs	96,058	14,632	-	808	-	-	-	-	34,932	-	-	156,726
Newspaper	-	-	-	-	-	-	-	-	-	-	-	38
Other Clubs	42,895	23,041	-	3,862	-	-	-	-	34,112	-	-	163,319
PTG	-	-	-	-	-	-	-	-	-	-	-	-
Sports Activities	79,118	-	-	-	-	-	-	-	54,272	-	-	163,751
Staff Morale	-	-	-	-	-	-	-	-	-	-	-	-
Store	-	-	-	-	-	-	-	-	-	-	-	13,247
Yearbook	3,016	-	-	-	-	-	-	-	-	-	-	10,587
Total revenue	386,647	37,673	11,317	55,347	2,877	20,824	23,329	23,997	188,813	19,937	-	1,212,171

(Continued)

SCHEDULE 6 (continued)
MANCHESTER SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Changes in Student Activities Funds by School
For the Fiscal Year Ended June 30, 2024

	Memorial	MST	Northwest	Parkside	Parkey	Smyth Road	Southside	Webster	West	Weston	Wilson	Totals
Expenditures:												
Instruction:												
Academic Clubs	-	-	-	156	-	-	-	-	15,538	-	-	21,059
Administration Supplies	-	-	147	-	-	-	-	-	1,490	-	-	18,512
Band/Music	31,235	-	-	26,627	-	-	-	-	-	-	-	97,219
Classes	60,273	-	-	12,449	-	-	-	-	-	-	-	125,602
Class Activities	-	-	6,757	-	-	3,432	-	-	19,860	-	-	45,771
Donations	-	-	-	-	-	236	-	-	1,771	-	-	5,873
Equipment Fixtures	-	-	-	-	-	3,103	-	-	-	-	-	4,307
Field Trips	-	-	-	-	-	2,045	-	-	-	-	-	13,452
Food Sales	-	-	-	-	-	-	-	-	-	-	-	3,390
Fund Raising	-	-	-	-	-	2,995	-	-	-	-	-	5,885
Miscellaneous/General	81,804	-	30	5,973	5,459	535	26,469	10,378	13,892	16,838	30	307,015
National Clubs	108,732	18,185	-	7,336	-	-	-	-	31,407	-	-	170,987
Newspaper	-	-	-	-	-	-	-	-	-	-	-	5,495
Other Clubs	35,690	31,627	-	4,207	-	-	-	-	16,033	-	-	152,070
PTG	-	-	-	-	-	-	-	-	-	-	-	-
Sports Activities	-	-	-	-	-	-	-	-	39,056	-	-	153,373
Staff Morale	-	-	-	-	-	1,170	-	-	-	-	-	6,046
Yearbook	15,642	-	-	177	-	-	-	-	-	-	-	20,152
Total expenditures	422,745	49,812	9,310	56,925	5,459	13,516	26,469	10,378	139,047	16,838	30	1,171,120
Assigned fund balance, ending	\$ 350,641	\$ 105,207	\$ 12,720	\$ 24,997	\$ 2,842	\$ 28,819	\$ 8,465	\$ 23,426	\$ 253,278	\$ 7,250	\$ -	\$ 1,383,528

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



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

Independent Auditor's Report

To the Honorable Members of the Board of School Committee
Manchester School District
Manchester, New Hampshire

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Manchester School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Manchester School District's basic financial statements, and have issued our report thereon dated March 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Manchester 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 Manchester School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manchester School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manchester 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*.

***Manchester 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***

Manchester School District's Response to Findings

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

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 Manchester 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 19, 2026
Concord, New Hampshire

***PLODZIK & SANDERSON
Professional Association***



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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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 Honorable Members of the Board of School Committee
Manchester School District
Manchester, New Hampshire

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Manchester 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 Manchester School District's major federal programs for the year ended June 30, 2025. The Manchester 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.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the Manchester School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Manchester 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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

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 Manchester 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Manchester School District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, the Manchester School District did not comply with requirements regarding Title I Grants to Local Educational Agencies as described in finding number 2025-003 for Special Tests – Supplement, Not Supplant.

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

Compliance with such requirements is necessary, in our opinion, for the Manchester School District to comply with the requirements applicable to that program.

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 Manchester 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 Manchester School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 Manchester 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 Manchester 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 Manchester 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 Manchester School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2025-003. Our opinion on Title I Grants to Local Educational Agencies is modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Manchester School District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Manchester School District's response was not subject 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-003 and 2025-004 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Manchester School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Manchester 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.

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.

March 19, 2026
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

2025-001 Transportation Budgeting & Vendor Billing Oversight (Material Weakness)

Criteria: Effective internal control over financial reporting requires management to design and implement policies and procedures that ensure budgets are developed using reliable, supportable, and data-driven methodologies, and that expenditures are monitored at a level of detail sufficient to detect errors, overbilling, or unusual fluctuations. Vendor billing practices should be transparent, standardized, and subject to independent review to ensure that payments are accurate, properly authorized, and supported by appropriate documentation.

Under the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management is responsible for establishing and maintaining control activities and monitoring procedures that mitigate risks associated with budgeting, procurement, vendor payments, and financial reporting. Sound governmental financial management practices further require that expenditures of public funds be supported by sufficient documentation to allow for meaningful variance analysis, supervisory review, and oversight.

Condition: During the fiscal year, the School District identified a significant developing budget variance related to specialized transportation services. Mid-year, management identified that expenditures for specialized transportation were projected to exceed the approved budget by approximately \$2 million. As the year progressed and additional services were provided and invoiced, the School District was subsequently informed that the variance was expected to increase significantly. Shortly after fiscal year-end, the School District notified the engagement team that once all fiscal year 2025 transportation services were recorded, the total overage for the specialized transportation line item was estimated to be approximately \$4 million in excess of the approved budget.

Based on discussions with the School District's finance department and the magnitude of the variance, the engagement team determined that additional audit procedures were warranted beyond the standard budget-to-actual analytical review normally performed as part of the annual audit. As a result, we performed expanded procedures to better understand the factors contributing to the variance, including reviewing vendor billing practices, supporting documentation, and the School District's budgeting methodology for specialized transportation services.

Through these procedures, we identified several control deficiencies related to transportation budgeting practices, vendor billing documentation, and invoice review processes.

The School District does not maintain detailed, student-level tracking of specialized transportation services. As a result, the transportation budgeting process primarily relies on applying a blanket percentage increase to prior-year expenditures rather than incorporating operational data that would more accurately reflect anticipated service needs. Key factors that are not consistently incorporated into the budgeting process include:

- Student movement, such as new placements, program changes, and mid-year transitions;
- Changes in service levels, including the need for aides, specialized vehicles, or extended routes;
- Vendor-specific rate structures and billing methodologies;
- Distance-based pricing variability; and
- Variations in service days associated with the school calendar.

Because these operational variables are not systematically incorporated into the budgeting process, transportation budgets may not accurately reflect expected service levels or contractual pricing arrangements.

In addition to budgeting limitations, we identified weaknesses in billing oversight and vendor documentation practices. Specifically:

- Several vendors bill on a per-day basis without consistently providing documentation supporting the underlying rate calculations.
- Mid-year student-specific rate changes were observed, including instances where the billed rate increased significantly without documented changes in service levels.

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

- Certain vendors apply distance-based pricing without a standardized or documented methodology supporting the calculation.
- Some invoices were submitted in informal spreadsheet formats lacking standard invoice elements such as service descriptions, rate support, and detailed billing summaries.
- Sequential invoice numbering patterns from certain vendors raised concerns regarding invoice authenticity and completeness.
- Supporting Excel worksheets attached to invoices did not consistently reconcile to the billed totals.

Collectively, these issues indicate weaknesses in financial planning, vendor billing documentation, invoice review procedures, and overall monitoring controls.

Cause: These conditions appear to result from several contributing factors, including the absence of a formalized, data-driven budgeting methodology for specialized transportation services, limited integration between student services, special education placement information, and the Transportation Department, and insufficient standardization of vendor contract and invoicing requirements. In addition, supervisory review procedures for vendor invoices, rate changes, and supporting documentation appear to be limited, and the process relies heavily on manual spreadsheets and informal documentation without adequate validation controls.

Effect: The absence of student-level service tracking and standardized billing oversight increases the risk of errors and inefficiencies within the transportation program. Specifically, these conditions increase the likelihood of:

- Recurring budget variances or overruns due to imprecise forecasting;
- Overbilling or billing errors that may not be detected in a timely manner;
- Misclassification or misallocation of transportation expenditures;
- Limited ability to perform meaningful variance analysis between budgeted and actual costs;
- Reduced transparency regarding vendor pricing practices and service delivery;
- Diminished ability to evaluate vendor performance and cost-effectiveness; and
- Increased exposure to fraud risk due to weak invoice validation procedures.

As a result, these weaknesses increase the likelihood that material misstatements related to transportation expenditures could occur and not be prevented or detected in a timely manner.

Identification as Repeat Finding: This is not a repeat finding from the prior year.

Recommendation: Since identifying the budget overage, the School District has taken steps to improve the oversight and monitoring of specialized transportation costs. These efforts include developing more detailed, student-level transportation data intended to better track service activity and associated costs throughout the year. Continued development and use of this information should allow management to more readily identify fluctuations or unusual cost trends, enabling timely follow-up, investigation, and resolution when variances arise.

We recommend that management continue strengthening internal controls over transportation budgeting and vendor oversight by implementing a more structured and data-driven approach to both financial planning and invoice review. Specifically, the School District should continue developing and maintaining student-level tracking of all specialized transportation services, including placement type, service level, distance, vendor, rate structure, and number of service days. This information should be incorporated into a formal budgeting model that reflects anticipated student movements, contractual pricing terms, and school calendar service requirements.

Management should also standardize vendor invoicing requirements to ensure that invoices contain sufficient detail to support billed amounts, including service dates, rates, mileage or distance calculations where applicable, and supporting documentation for rate changes. Mid-year rate adjustments should require documented justification and formal approval.

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Finally, the School District should establish formal invoice review procedures designed to reconcile supporting worksheets to billed totals, verify calculation accuracy, and periodically review vendor billing patterns, including invoice sequencing and pricing trends, to enhance oversight and reduce the risk of billing errors or irregularities.

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

2025-002 Disbursement Controls (Significant Deficiency)

Criteria: Sound internal control practices require that purchase orders be issued and approved prior to goods being ordered or services being rendered to ensure that expenditures are properly authorized, budgeted, and recorded in the appropriate accounting period. In addition, effective disbursement controls require invoices to be reviewed, approved, and paid in accordance with vendor terms to avoid late payment penalties, maintain strong vendor relationships, and ensure proper financial management.

Condition: During our testing of expenditures, we identified multiple instances where established purchasing and payment procedures were not followed. Specifically:

- Purchase Orders Issued After the Fact – in several instances purchase orders were created after goods had already been ordered or received, or after services had been performed.
- Late Vendor Payments – we identified multiple instances where vendor invoices were paid more than 30 days after the invoice due date.

While the School District has an established approval process designed to ensure purchases are properly authorized before commitments are made and invoices are reviewed prior to payment, our testing indicated that the process is not consistently being followed in the intended order. In certain cases, approvals were obtained after the purchase had already occurred or invoices were processed significantly after the due date.

Cause: These issues appear to be the result of inconsistent adherence to the School District's established purchasing procedures. In certain instances, purchases were initiated by departments before an approved purchase order was obtained, resulting in invoices were not always processed in a timeframe that ensured payment in accordance with vendor terms. This indicates that while procedures are in place, they are not consistently followed or monitored to ensure purchases are properly authorized prior to commitment and invoices are reviewed and paid in a timely manner.

Effect: Failure to issue purchase orders prior to ordering goods or services weakens internal controls over purchasing and may result in:

- Expenditures being incurred without proper authorization or budget verifications.
- Increased risk of overspending budget appropriations or grant funds.
- Reduced transparency and accountability over purchasing activities.

Additionally, untimely payment of invoices may result in:

- Late payment penalties or interest charges.
- Strained vendor relationships.
- Potential disruption of services if vendors restrict future purchases due to delayed payments.

Identification as Repeat Finding: This is not a repeat finding from the prior year.

Recommendation: We recommend that management strengthen controls over purchasing and disbursements by reinforcing existing purchasing procedures and ensuring that the established approval process is followed in the proper sequence. Specifically, purchase orders should be prepared and approved prior to ordering goods or services or engaging vendors to ensure expenditures are properly authorized and budgeted before commitments are made.

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Periodic oversight or review of purchasing and disbursement activity should also be carried out to ensure continued compliance with established policies and procedures.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-003 Lack of Written Methodology for Title I Funds (Material Weakness)

Federal Agency: U.S. Department of Education
Pass-through Agency: State of New Hampshire Department of Education
Cluster/Program: Title I Grants to Local Educational Agencies
Assistance Listing Number: 84.010
Passed-through Identification: 20241052, 20240071 & 20250400
Compliance Requirement: Special Tests – Supplement, Not Supplant

Type of Finding:

Internal Control over Compliance – Material Weakness
Material Noncompliance

Criteria or Specific Requirement: Under the Elementary and Secondary Education Act (ESEA), as amended by Every Student Succeeds Act (ESSA), school districts are required to demonstrate compliance with the Supplement, Not Supplant provision for Title I funds (Section 1118[b][1]). This provision mandates that federal funds be used to supplement, and not supplant, the funds that would otherwise be made available from state and local resources. To satisfy this requirement, a school district must develop and maintain a written methodology describing how state and local funds are allocated to schools. The methodology must ensure that Title I schools receive their allocation of state and local funds without regard to the receipt of Title I funds and that the allocation process is applied consistently across all schools.

In addition, the New Hampshire Department of Education provides a Supplement, Not Supplant form that districts may utilize to document their methodology for allocating state and local funds to schools and to demonstrate compliance with this requirement.

Condition: During the audit, it was noted that the School District has developed a Supplement, Not Supplant procedure document intended to address the Title I requirement. However, the document does not fully meet the criteria of a written methodology as required under ESSA. Specifically, the document does not clearly describe the process or formula used to allocate state and local funds to individual schools, nor does it demonstrate that such allocations are made without consideration of Title I status. As a result, the School District does not currently have a documented methodology that clearly establishes how state and local resources are distributed among schools in a manner that supports compliance with the Supplement, Not Supplant requirement. Additionally, the School District has not completed or maintained documentation utilizing the Supplement, Not Supplant form provided by the New Hampshire Department of Education or a comparable tool to document its allocation methodology.

Cause: Although the School District has taken steps to address the Supplement, Not Supplant requirement by developing a procedure document, it has not yet established a comprehensive written methodology that formalizes the process for allocating state and local funds to schools. This appears to be the result of incomplete implementation of the federal requirement and limited documentation of the School District's budgeting and allocation practices at the school level.

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Effect: Without a documented methodology that clearly outlines how state and local funds are allocated to schools, the School District cannot demonstrate that Title I schools receive their state and local funding without regard to Title I status. This increases the risk that Title I funds could inadvertently be used to supplant state or local funds and may result in noncompliance with federal program requirements.

Questioned Costs: Since the School District does not have a written methodology, questioned costs could not be determined.

Identification as Repeat Finding: As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat of finding 2024-001.

Recommendation: We recommend that the School District develop and implement a comprehensive written methodology that clearly describes how state and local funds are allocated to individual schools. The methodology should demonstrate that allocations are determined without regard to Title I status and should include sufficient detail to allow an independent reviewer to understand and replicate the allocation process. While the School District has developed a Supplement, Not Supplant procedure document, it should be expanded or revised to include a clear and documented allocation methodology that meets ESSA requirements. The School District may also utilize the Supplement, Not Supplant form provided by the New Hampshire Department of Education, or a comparable format, to formally document its methodology. Additionally, the School District should provide training to key personnel involved in budgeting and federal program administration, establish periodic reviews of school-level allocations to verify compliance with the methodology, and implement monitoring controls to ensure ongoing adherence to federal regulations.

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

2025-004

Verification of Suspension and Debarment (Material Weakness)

Federal Agency: U.S. Department of Health and Human Services

Pass-through Agency: N/A

Cluster/Program: Substance Abuse and Mental Health Services Projects of Regional and National

Significance

Assistance Listing Number: 93.243

Passed-through Identification: N/A

Compliance Requirement: Procurement/Suspension/Debarment

Type of Finding:

Internal Control over Compliance – Material Weakness

Criteria or Specific Requirement: In accordance with 2 CFR 180.300, recipients of federal funds are required to ensure that contractors, subcontractors, or vendors are not suspended or debarred from participating in federal programs before awarding any contract or procurement that exceeds \$25,000. This verification must be conducted through the System for Award Management (SAM) or through one of the other permitted methods, including obtaining a certification from the vendor or including a clause in the contract whereby the vendor certifies that it is not suspended or debarred.

Condition: During our review of the School District's procurement process related to federally funded expenditures, we noted that the School District awarded contracts to three vendors that were identified as sole source providers without verifying whether the vendors were suspended or debarred prior to contract execution. No evidence was provided demonstrating that the School District performed a search of the System for Award Management (SAM), obtained a certification from the vendors, or included a contract clause addressing suspension and debarment status as required under 2 CFR 180.300.

SCHEDULE I (Continued)
MANCHESTER SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

While the School District utilizes a standard non-exclusion certification form when conducting competitive bid processes, this control is not applied when vendors are selected through non-competitive procurement methods, such as sole source procurements. As a result, the School District does not have a control in place to ensure that suspension and debarment verification is consistently performed for all federally funded procurements exceeding \$25,000. This resulted in three instances where the required verification was not performed.

Cause: The School District's procurement procedures do not include clearly defined controls requiring suspension and debarment verification for all federally funded procurements regardless of the procurement method used. Existing procedures incorporate a non-exclusion certification form within the competitive bidding process; however, they do not require equivalent verification when vendors are procured through non-competitive methods, such as sole source procurements.

Effect: Failure to verify the suspension or debarment status of vendors prior to contract award increases the risk that federal funds could be awarded to an ineligible entity. If a vendor were determined to be suspended or debarred, the School District could be subject to disallowance of related costs, repayment of federal funds, and potential administrative penalties, which could also negatively impact the School District's eligibility for future federal funding.

Questioned Costs: None identified. The School District subsequently performed a search on SAM.gov and confirmed that all three sole source vendors were not suspended or debarred.

Identification as Repeat Finding: This is not a repeat finding from the prior year.

Recommendation: We recommend that the School District update and strengthen its procurement policies and procedures to require verification of suspension and debarment status for all contractors and vendors receiving federally funded contracts exceeding \$25,000, regardless of the procurement method used. Procedures should require documentation of the verification through one of the three methods permitted under 2 CFR 180.300, including:

- Checking the vendor's status in SAM,
- Obtaining a certification from the vendor, or
- Including a suspension and debarment clause within the contract or procurement agreement.

Additionally, the School District should ensure that its existing non-exclusion certification form, or equivalent documentation, is consistently applied to all federally funded procurements, including sole source and other non-competitive procurement methods, to ensure compliance with federal requirements.

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

SCHEDULE II
Manchester School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

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	\$ -	\$ 791,251
National School Lunch Program	10.555	N/A	-	3,346,780
Summer Food Service Program for Children	10.559	N/A	-	88,157
Fresh Fruit and Vegetable Program	10.582	N/A	-	75,221
<i>CLUSTER TOTAL</i>			-	4,301,409
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
			-	4,301,409
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I CSI West High	84.010	20231128	-	14,836
Title I CSI Wilson	84.010	20231144	-	4,102
Title I CSI Beech Street	84.010	20231196	-	78,916
Title I CSI Beech Street	84.010	20241052	-	621,422
Title I CSI McDonough	84.010	20241127	-	214,953
Title I CSI Parker Varney	84.010	20241059	-	153,583
Title I	84.010	20240071	-	1,834,031
Title I	84.010	20250400	-	6,907,074
<i>PROGRAM TOTAL</i>			-	9,828,917
SPECIAL EDUCATION CLUSTER				
Special Education Grants to States:				
IDEA	84.027	20230381	-	7,091
IDEA	84.027	20240586	-	1,509,929
IDEA	84.027	20250535	-	3,462,890
IDEA - State Systemic Improvement Plan Literacy	84.027	20240532	-	2,264
IDEA - State Systemic Improvement Plan Literacy	84.027	20250604	-	34,953
Special Education Preschool Grants:				
Preschool	84.173	20240586	-	34,364
Preschool	84.173	20250535	-	65,938
<i>CLUSTER TOTAL</i>			-	5,117,429
Career and Technical Education - Basic Grants to States:				
Perkins V Program Improvement	84.048	20240280	-	201,716
Perkins V Program Improvement	84.048	20251060	-	627,897
Perkins Redistribution	84.048	20251027	-	72,921
Perkins Redistribution	84.048	20251397	-	35,634
<i>PROGRAM TOTAL</i>			-	938,168
Education for Homeless Children and Youth:				
McKinney-Vento Homeless Education	84.196	20240309	-	20,773
McKinney-Vento Homeless Education	84.196	20250976	-	50,399
<i>PROGRAM TOTAL</i>			-	71,172
Twenty-First Century Community Learning Centers:				
21st Century Community Learning Center - Site 8	84.287	20240080	-	2,985
21st Century Community Learning Center - Site 5	84.287	20250404	-	927,304
21st Century Community Learning Center - Bakersville	84.287	20250405	-	110,132
21st Century Community Learning Center - Gossler	84.287	20250406	-	92,745
21st Century Community Learning Center - McLaughlin	84.287	20250407	-	86,832
21st Century Community Learning Center - Hillside	84.287	20250408	-	43,102
21st Century Community Learning Center - McDonough	84.287	20250409	-	112,997
21st Century Community Learning Center - Parkside	84.287	20250410	-	89,834
21st Century Community Learning Center - Parker Varney	84.287	20250411	-	102,954
21st Century Community Learning Center - Southside	84.287	20250412	-	100,511
<i>PROGRAM TOTAL</i>			-	1,669,396
			-	(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
Manchester School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

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 EDUCATION				
Passed Through the State of New Hampshire Department of Education				
English Language Acquisition State Grants:				
Title III	84.365	20230526	-	56,943
Title III Immigrant Children & Youth	84.365	20230919	-	3,926
Title III	84.365	20240435	-	273,316
Title III	84.365	20250402	-	243,799
<i>PROGRAM TOTAL</i>			-	<u>577,984</u>
Supporting Effective Instruction State Grants:				
Title II Part A	84.367	20230372	-	53,672
Title II Part A	84.367	20240326	-	500,299
Title II Part A	84.367	20250401	-	912,480
<i>PROGRAM TOTAL</i>			-	<u>1,466,451</u>
Student Support and Academic Enrichment Program:				
Title IV A	84.424	20230773	-	161,962
Title IV A	84.424	20240536	-	421,906
Title IV A	84.424	20250403	-	589,761
Stronger Connections	84.424F	20231466	-	1,164,539
<i>PROGRAM TOTAL</i>			-	<u>2,338,168</u>
COVID-19 - Education Stabilization Fund:				
ESSER III	84.425U	20220362	-	7,492,523
ARP - Innovative School Grant	84.425U	20231095	-	281,108
ARP - Learning Into Literacy - Gossler	84.425U	20241113	-	3,630
ARP - Learning Into Literacy - Weston	84.425U	20241118	-	5,071
ARP - Learning Into Literacy - Highland Goffs Falls	84.425U	20241133	-	2,745
ARP - Competitive Homeless Children and Youth	84.425W	20220449	-	8,478
ARP - Homeless Children and Youth	84.425W	20220463	-	14,815
<i>PROGRAM TOTAL</i>			-	<u>7,808,370</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>29,816,055</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	23DR4516PA	-	8,586
<i>PROGRAM TOTAL</i>			-	<u>8,586</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>8,586</u>
DIRECT FUNDING				
U.S. DEPARTMENT OF DEFENSE				
NJROTC	12.U01	N/A	-	86,109
<i>PROGRAM TOTAL</i>			-	<u>86,109</u>
U.S. DEPARTMENT OF JUSTICE				
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	1,800,214
<i>PROGRAM TOTAL</i>			-	<u>1,800,214</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	31,545
<i>PROGRAM TOTAL</i>			-	<u>31,545</u>
STOP School Violence	16.839	N/A	-	124,434
<i>PROGRAM TOTAL</i>			-	<u>124,434</u>

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
Manchester School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

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 EDUCATION				
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects:				
Community Schools	84.215J	N/A	-	564,071
Community Schools	84.215J	N/A	-	56,000
<i>PROGRAM TOTAL</i>			-	620,071
U.S. DEPARTMENT OF HEALTH and HUMAN SERVICES				
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Project Aware	93.243	N/A	-	508,698
Project Aware	93.243	N/A	-	883,896
<i>PROGRAM TOTAL</i>			-	1,392,594
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 38,181,017

The accompanying notes are an integral part of this schedule.

SCHEDULE III
MANCHESTER SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

FINANCIAL STATEMENT FINDINGS

NONE

FEDERAL AWARD FINDINGS

2024-001 Lack of Written Methodology for Title I Fund (Material Weakness)

Status: Uncorrected. Current year testing revealed that the School District has implemented a Supplement, Not Supplant procedure document; however, the document does not include the required methodology for allocating state and local funds among schools in a manner that demonstrates Title I schools receive funding comparable to non-Title I schools without regard to the receipt of Title I funds.

MANCHESTER SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Manchester School District under programs of the federal government for the year ended June 30, 2025. 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 Manchester School District, it is not intended to and does not present the financial position and changes in net position and fund balance of the Manchester 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 Manchester School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Non-monetary 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, 2025, the value of food donations received was \$356,662.

APPENDIX

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Jennifer Chmiel, Ed.D.
Superintendent of Manchester Schools

CORRECTIVE ACTION PLAN
June 30, 2025

Audit Finding Reference:

2025-001

Management's Response and Planned Corrective Action:

The District has developed a comprehensive corrective action plan focused on strengthening internal controls, improving financial accuracy, and increasing transparency. Key actions include:

1. Student-Level Transportation Tracking

The District has implemented a centralized system to track specialized transportation services at the student level, which includes service type, vendor, rates, and service days. This allows for more accurate forecasting and real-time monitoring of costs.

2. Data-Driven Budgeting Model

A new budgeting framework will be developed that incorporates operational data such as student placements, service levels, contractual rates, and calendar-based service days. This model will replace reliance on historical percentage increases.

3. Standardized Vendor Invoicing Requirements

The District has established and enforced clear invoicing standards for all transportation vendors. Invoices are required to include detailed service information, rate calculations, and supporting documentation. Vendor contracts have been updated accordingly.

4. Formal Invoice Review Procedures

A structured invoice review and approval process has been implemented to ensure all charges are verified against the services provided. This includes reconciliation of supporting documentation and formal approval of any rate changes.

5. Strengthened Monitoring and Oversight

The District continues to implement monthly financial monitoring, regular variance analysis, and periodic internal audits of transportation expenditures. Cross-department collaboration between Transportation, Finance, and Special Education will be formalized.

Statement of nondiscrimination: *It is the policy of the Manchester Board of School Committee, in its actions, and those of its employees, that there shall be no discrimination on the basis of age, sex, race, color, marital status, physical or mental disability, religious creed, national origin or sexual orientation for employment in, or operation and administration of any program or activity in the Manchester School District. The Title IX Coordinator is Kelly Espinola for staff and students.*

6. Staff Training and Accountability

Staff involved in budgeting, purchasing, and invoice processing will receive training on updated procedures and internal control expectations to ensure consistent implementation.

Name of Contact Person and Completion Date:

Dr. Kelly Espinola, Assistant Superintendent of High Schools and Operations
Karen DeFrancis, Executive Director of Finance
Anticipated Completion Date – August 31, 2026

Audit Finding Reference:

2025-002

Management's Response and Planned Corrective Action:

The District will continue to reinforce purchasing policies and procedures with staff to ensure purchases of goods and services are preapproved through the purchase order process. Training for staff regarding purchasing policies and procedures will be provided as needed. In addition, oversight of purchasing activities will be carried out by department supervisors.

Name of Contact Person and Completion Date:

Nicole Doherty, Assistant Superintendent for Teaching, Learning, and Leading
Karen DeFrancis, Executive Director of Finance
Anticipated Completion Date – May 31, 2026

Audit Finding Reference:

2025-003

Management's Response and Planned Corrective Action:

The District has historically managed our Title I grant as supplemental funding and has a methodology for allocating local funds to schools without regard to whether they receive Title I funds. During fiscal year 2025, the district developed procedures to document our process, however the methodology was not included. The District will update the written procedure with the methodology to be in compliance with the Title I Supplement, Not Supplant requirement.

Name of Contact Person and Completion Date:

Nicole Doherty, Assistant Superintendent for Teaching, Learning, and Leading
Karen DeFrancis, Executive Director of Finance
Anticipated Completion Date – May 31, 2026

Audit Finding Reference:

2025-004

Management’s Response and Planned Corrective Action:

District Policy Fiscal 130, Federal Funds Policies and Procedures, requires “documentation that debarment/suspension was queried must be retained for each covered transaction as part of the documentation required under DAF-3, paragraph J. This documentation should include the date(s) queried and copy(ies) of the SAM result report/screen shot, or a copy of the or certification from the vendor. It should be attached to the payment backup and retained for future audit review”. The district will strengthen this policy by conducting training for staff. In addition, the district will develop a check list of purchasing requirements for federal funds.

Name of Contact Person and Completion Date:

Nicole Doherty, Assistant Superintendent for Teaching, Learning, and Leading
Karen DeFrancis, Executive Director of Finance
Anticipated Completion Date – June 30, 2026