

HOLLIS SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

**HOLLIS SCHOOL DISTRICT
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Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hollis School District
PO Box 1588
Hollis, New Hampshire 03049

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the fiscal year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollis School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 19-21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Hollis School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollis School District's basic financial statements. The individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 16, 2009

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 877,379
Investments	469
Intergovernmental receivables	369,532
Other receivables	390
Prepaid items	18,320
Capital assets, net of accumulated depreciation:	
Land improvements	107,442
Buildings and building improvements	1,567,938
Machinery, equipment and vehicles	38,911
Total assets	2,980,381
LIABILITIES	
Accounts payable	95,101
Accrued salaries and benefits	35,764
Intergovernmental payable	93,927
Accrued interest payable	163,143
Unearned revenue	1,650
Noncurrent obligations:	
Due within one year:	
Bonds	188,108
Compensated absences	11,265
Due in more than one year:	
Bonds	851,205
Compensated absences	98,375
Total liabilities	1,538,538
NET ASSETS	
Invested in capital assets, net of related debt	674,980
Unrestricted	766,863
Total net assets	\$ 1,441,843

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
HOLLIS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 5,151,362	\$ 33,947	\$ 286,982	\$ -	\$ (4,830,433)
Support services:					
Student	798,725	-	135,859	-	(662,866)
Instructional staff	336,319	-	3,905	-	(332,414)
General administration	35,576	-	-	-	(35,576)
Executive administration	385,673	-	-	-	(385,673)
School administration	465,203	-	-	-	(465,203)
Operation and maintenance of plant	858,023	-	580	-	(857,443)
Student transportation	390,762	-	-	-	(390,762)
Other	1,668,734	-	-	-	(1,668,734)
Non-instructional services	255,802	216,229	34,124	-	(5,449)
Facilities acquisition and construction	41,109	-	-	-	(41,109)
Interest on long-term debt	205,888	-	-	65,148	(140,740)
Total governmental activities	<u>\$ 10,593,176</u>	<u>\$ 250,176</u>	<u>\$ 461,450</u>	<u>\$ 65,148</u>	<u>(9,816,402)</u>

General revenues:	
School district assessment	7,851,363
Grants and contributions not restricted to specific programs	2,436,151
Miscellaneous	52,705
Total general revenues	<u>10,340,219</u>
Change in net assets	523,817
Net assets, beginning	<u>918,026</u>
Net assets, ending	<u>\$ 1,441,843</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
HOLLIS SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

	General	Food Service	Grants	Expendable Trust	Other Governmental Fund (Capital Project)	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 805,243	\$ 58,344	\$ 5,164	\$ -	\$ 8,628	\$ 877,379
Investments	469	-	-	-	-	469
Receivables:						
Accounts	315	-	75	-	-	390
Intergovernmental	44,095	1,521	144,822	179,094	-	369,532
Interfund receivable	236,392	-	-	-	-	236,392
Prepaid items	18,320	-	-	-	-	18,320
Total assets	<u>\$ 1,104,834</u>	<u>\$ 59,865</u>	<u>\$ 150,061</u>	<u>\$ 179,094</u>	<u>\$ 8,628</u>	<u>\$ 1,502,482</u>
LIABILITIES						
Accounts payable	\$ 94,833	\$ -	\$ 268	\$ -	\$ -	\$ 95,101
Accrued salaries and benefits	35,598	166	-	-	-	35,764
Intergovernmental payable	93,927	-	-	-	-	93,927
Interfund payable	-	59,489	142,978	33,925	-	236,392
Deferred revenue	-	-	1,650	-	-	1,650
Total liabilities	<u>224,358</u>	<u>59,655</u>	<u>144,896</u>	<u>33,925</u>	<u>-</u>	<u>462,834</u>
FUND BALANCES						
Reserved for encumbrances	161,624	-	-	-	-	161,624
Reserved for special purposes	75,266	-	-	-	-	75,266
Unreserved, undesignated, reported in:						
General fund	643,586	-	-	-	-	643,586
Capital project fund	-	-	-	-	8,628	8,628
Special revenue funds	-	210	5,165	145,169	-	150,544
Total fund balances	<u>880,476</u>	<u>210</u>	<u>5,165</u>	<u>145,169</u>	<u>8,628</u>	<u>1,039,648</u>
Total liabilities and fund balances	<u>\$ 1,104,834</u>	<u>\$ 59,865</u>	<u>\$ 150,061</u>	<u>\$ 179,094</u>	<u>\$ 8,628</u>	<u>\$ 1,502,482</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
HOLLIS SCHOOL DISTRICT
Reconciliation of Fund Balances of Total Governmental Funds to the Statement of Net Assets
June 30, 2009

Total fund balances of governmental funds (Exhibit 3)		\$	1,039,648
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost		\$	6,152,592
Less accumulated depreciation			<u>(4,438,301)</u>
			1,714,291
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables		\$	(236,392)
Payables			<u>236,392</u>
			-
Interest on long-term debt is not accrued in governmental funds.			
			(163,143)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bonds		\$	1,039,313
Compensated absences			<u>109,640</u>
			(1,148,953)
Net assets of governmental activities (Exhibit 1)		\$	<u><u>1,441,843</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
HOLLIS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Food Service	Grants	Expendable Trust	Other Governmental Fund (Capital Project)	Total Governmental Funds
REVENUES						
School district assessment	\$ 7,851,363	\$ -	\$ -	\$ -	\$ -	\$ 7,851,363
Other local	76,610	220,721	10,942	580	-	308,853
State	2,716,046	2,871	2,200	-	-	2,721,117
Federal	54,530	31,253	149,877	-	-	235,660
Total revenues	<u>10,698,549</u>	<u>254,845</u>	<u>163,019</u>	<u>580</u>	<u>-</u>	<u>11,116,993</u>
EXPENDITURES						
Current:						
Instruction	5,006,711	-	23,255	-	-	5,029,966
Support services:						
Student	654,360	-	144,365	-	-	798,725
Instructional staff	321,149	-	3,905	-	-	325,054
General administration	35,576	-	-	-	-	35,576
Executive administration	384,435	-	-	-	-	384,435
School administration	465,203	-	-	-	-	465,203
Operation and maintenance of plant	823,158	-	-	33,925	-	857,083
Student transportation	390,762	-	-	-	-	390,762
Other	1,668,734	-	-	-	-	1,668,734
Non-instructional services	-	254,635	-	-	-	254,635
Debt service:						
Principal	196,196	-	-	-	-	196,196
Interest	201,234	-	-	-	-	201,234
Facilities acquisition and construction	39,830	-	-	-	1,279	41,109
Total expenditures	<u>10,187,348</u>	<u>254,635</u>	<u>171,525</u>	<u>33,925</u>	<u>1,279</u>	<u>10,648,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>511,201</u>	<u>210</u>	<u>(8,506)</u>	<u>(33,345)</u>	<u>(1,279)</u>	<u>468,281</u>
Other financing sources (uses):						
Transfers in	-	-	-	81,632	-	81,632
Transfers out	(81,632)	-	-	-	-	(81,632)
Total other financing sources and uses	<u>(81,632)</u>	<u>-</u>	<u>-</u>	<u>81,632</u>	<u>-</u>	<u>-</u>
Net change in fund balances	429,569	210	(8,506)	48,287	(1,279)	468,281
Fund balances, beginning	450,907	-	13,671	96,882	9,907	571,367
Fund balances, ending	<u>\$ 880,476</u>	<u>\$ 210</u>	<u>\$ 5,165</u>	<u>\$ 145,169</u>	<u>\$ 8,628</u>	<u>\$ 1,039,648</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
HOLLIS SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net change in fund balances of total governmental funds (Exhibit 5)	\$	468,281
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital outlay	\$	-
Depreciation expense		(124,545)
		(124,545)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(81,632)
Transfers out		81,632
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Principal repayment of bonds		196,196
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$	(4,654)
Increase in compensated absences		(11,461)
		(16,115)
Change in net assets of governmental activities (Exhibit 2)	\$	523,817

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
HOLLIS SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2009

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 27,802
LIABILITIES	
Due to student groups	<u>27,802</u>
NET ASSETS	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2009.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Hollis School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with the nonmajor fund in the last column before the totals.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met. Fiduciary fund financial statements also report using this same basis of accounting. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income and federal and state grants. In general, other revenues are recognized when cash is received.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

I.B.4. Fund Types and Major Funds

Governmental Funds

The School District reports the following major governmental funds:

General Fund – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

Food Service Fund – Reports as a special revenue fund and used to account for the food service program.

Grants Fund – Reports as a special revenue fund and accounts for the School District’s local, state and federal grant programs.

Expendable Trust Fund – Used to account for funds established by School District Meeting for building maintenance purposes.

The School District also reports a nonmajor governmental fund: the capital project fund.

Fiduciary Funds

The School District also reports the following fiduciary funds:

Agency Funds – Account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency funds are used to account for student activities.

I.C. Assets, Liabilities, and Net Assets or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the School District’s treasurer have custody of all monies belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or 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.

Investments are stated at fair value based on quoted market prices.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

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

I.C.2. *Prepays*

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

I.C.3. *Capital Assets and Depreciation*

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$5,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	20
Buildings and building improvements	50-115
Machinery, equipment and vehicles	15-20

I.C.4. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

I.C.5 *Compensated Absences*

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees to specified maximums. Support staff employees are entitled to a portion of their sick and vacation leave upon termination. Teachers are entitled to a retirement incentive after meeting certain employment requirements.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.6. *Fund Equity*

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds except the Expendable Trust. A project length budget was adopted for the Capital Project. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unreserved, undesignated fund balance to balance the budget. In the fiscal year 2009, \$342,860 of the unreserved fund balance from the fiscal year 2008 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, other support services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Education.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, reimbursements from other school districts for shared services and the trust funds being in the custody of the Town of Hollis trustees of trust funds

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.

III.A.2. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
Governmental activities:			
At cost:			
Land improvements	233,700	-	233,700
Buildings and building improvements	5,846,162	-	5,846,162
Machinery, equipment and vehicles	72,730	-	72,730
Total all capital assets	<u>6,152,592</u>	<u>-</u>	<u>6,152,592</u>
Less accumulated depreciation:			
Land improvements	(114,573)	(11,685)	(126,258)
Buildings and building improvements	(4,169,293)	(108,931)	(4,278,224)
Machinery, equipment and vehicles	(29,890)	(3,929)	(33,819)
Total accumulated depreciation	<u>(4,313,756)</u>	<u>(124,545)</u>	<u>(4,438,301)</u>
Net book value, all capital assets	<u>\$ 1,838,836</u>	<u>\$ (124,545)</u>	<u>\$ 1,714,291</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

Depreciation Expense

Depreciation expense was charged to functions of the School District as follows:

Governmental activities:	
Instruction	\$ 121,200
Support services:	
General administration	1,238
Operation and maintenance of plant	940
Non-instructional services	1,167
Total depreciation expense	<u>\$ 124,545</u>

III.B. Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2009	Current Portion
General obligation bonds payable:						
School addition	\$ 1,960,000	1995	2015	7.00-6.12	\$ 570,000	\$ 95,000
School addition	\$ 2,937,516	1995	2015	4.25-7.15	469,313	93,108
					<u>1,039,313</u>	<u>188,108</u>
Compensated absences payable:						
Vested sick leave					7,634	7,634
Accumulated vacation leave					3,631	3,631
Vested earned time					98,375	-
					<u>109,640</u>	<u>11,265</u>
					<u>\$ 1,148,953</u>	<u>\$ 199,373</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2009:

	General Obligation Bonds Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 1,235,509	\$ 98,179	\$ 1,333,688
Additions	-	11,461	11,461
Reductions	(196,196)	-	(196,196)
Balance, ending	<u>\$ 1,039,313</u>	<u>\$ 109,640</u>	<u>\$ 1,148,953</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 188,108	\$ 203,670	\$ 391,778
2011	181,164	204,913	386,077
2012	175,321	205,009	380,330
2013	169,870	204,665	374,535
2014	164,793	203,935	368,728
2015	160,057	202,852	362,909
Totals	<u>\$ 1,039,313</u>	<u>\$ 1,225,044</u>	<u>\$ 2,264,357</u>

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

**HOLLIS SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE FISCAL YEAR ENDED
 JUNE 30, 2009**

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable fund	Payable fund	Amount
General	Food service	\$ 59,489
	Grants	142,978
	Expendable trust	33,925
		\$ 236,392

The amounts due to the General Fund from the Food Service and Grants Funds represent overdrafts of pooled cash. The amount due to the General Fund from the Expendable Trust Fund represents reimbursement of expenditures in accordance with the purpose of the capital reserve funds.

III.C.2. Transfers

Transfers within the reporting entity are for the purpose of adding to capital reserve accounts. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In: Expendable Trust Fund
Transfers out:	
General fund	\$ 81,632

IV. Other Information

IV.A. Risk Management

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2009**

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School District shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

Contributions paid for fiscal year 2009 to be recorded as an insurance expenditure/expense totaled \$28,074. There were no unpaid contributions for the year ended June 30, 2009. The School District also paid \$29,258 for workers' compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 5% of gross earnings for all employees. During fiscal year 2009, the rates of contribution from the School District were 5.80% for teachers, which represents 65% of the total employer cost, and 8.74% for other employees. The balance of the employer cost was paid by the State of New Hampshire. Employer contributions from the School District during the fiscal years 2007, 2008 and 2009 were \$187,600, \$301,056 and \$278,527, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2009 was \$131,454. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

IV.C. Contingent Liabilities

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District does not feel the chance of disallowance is likely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 7,851,363	\$ 7,851,363	\$ -
Other local	76,071	76,610	539
State	2,572,050	2,584,592	12,542
Federal	25,000	54,530	29,530
Total revenues	<u>10,524,484</u>	<u>10,567,095</u>	<u>42,611</u>
EXPENDITURES			
Current:			
Instruction	5,163,308	4,888,414	274,894
Support services:			
Student	829,951	655,972	173,979
Instructional staff	311,175	364,105	(52,930)
General administration	131,188	40,906	90,282
Executive administration	384,435	384,435	-
School administration	483,154	465,269	17,885
Operation and maintenance of plant	756,347	842,977	(86,630)
Student transportation	431,729	401,229	30,500
Other	1,886,384	1,668,734	217,650
Debt service:			
Principal	196,196	196,196	-
Interest	201,235	201,234	1
Total expenditures	<u>10,775,102</u>	<u>10,109,471</u>	<u>665,631</u>
Excess (deficiency) of revenues over (under) expenditures	(250,618)	457,624	708,242
Other financing uses:			
Transfers out	<u>(92,242)</u>	<u>(81,632)</u>	<u>10,610</u>
Net change in fund balance	<u>\$ (342,860)</u>	375,992	<u>\$ 718,852</u>
Increase in reserve for special purposes		(1,634)	
Unreserved fund balance, beginning		<u>269,228</u>	
Unreserved fund balance, ending		<u>\$ 643,586</u>	

The notes to the required supplementary information is an integral part of this statement.

EXHIBIT 9
HOLLIS SCHOOL DISTRICT
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local:			
Sales	\$ 299,630	\$ 216,229	\$ (83,401)
Miscellaneous	-	4,492	4,492
State:			
Lunch reimbursement	2,870	2,871	1
Federal:			
Federal reimbursement	22,500	19,383	(3,117)
USDA commodities	-	11,870	11,870
Total revenues	<u>325,000</u>	<u>254,845</u>	<u>(70,155)</u>
EXPENDITURES			
Current:			
Non-instructional services	<u>335,610</u>	<u>254,635</u>	<u>80,975</u>
Excess (deficiency) of revenues over (under) expenditures	(10,610)	210	10,820
Other financing sources:			
Transfers in	<u>10,610</u>	<u>-</u>	<u>(10,610)</u>
Net change in fund balance	<u>\$ -</u>	<u>210</u>	<u>\$ 210</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ 210</u>	

The notes to the required supplementary information is an integral part of this statement.

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ -	\$ 10,942	\$ 10,942
State	-	2,200	2,200
Federal	130,000	149,877	19,877
Total revenues	<u>130,000</u>	<u>163,019</u>	<u>33,019</u>
EXPENDITURES			
Current:			
Instruction	130,000	23,255	106,745
Support services:			
Student	-	144,365	(144,365)
Instructional staff	-	3,905	(3,905)
Total expenditures	<u>130,000</u>	<u>171,525</u>	<u>(41,525)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,506)</u>	<u>\$ (8,506)</u>
Fund balance, beginning		<u>13,671</u>	
Fund balance, ending		<u>\$ 5,165</u>	

The notes to the required supplementary information is an integral part of this statement.

**HOLLIS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

Reconciliation of Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	10,567,095
Adjustments:	
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	131,454
Per Exhibit 5 (GAAP basis)	<u>\$ 10,698,549</u>
 Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 10,191,103
Adjustments:	
Basis difference:	
Encumbrances, beginning	108,047
Encumbrances, ending	(161,624)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	131,454
Per Exhibit 5 (GAAP basis)	<u>\$ 10,268,980</u>

For the Food Service and Grants Funds, there is no difference between the budgetary basis and GAAP.

Excess of Expenditures Over Appropriations

The grants fund has an excess of expenditures over appropriations of \$41,525 for the fiscal year ended June 30, 2009. Overexpenditures were mostly due to the receipt and expenditure of unanticipated funds and the use of existing funds in the local programs.

INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,851,363	\$ 7,851,363	\$ -
Other local sources:			
Tuition	16,200	28,397	12,197
Investment earnings	10,000	13,072	3,072
Rentals	-	8,000	8,000
Miscellaneous	49,871	27,141	(22,730)
Total from other local sources	<u>76,071</u>	<u>76,610</u>	<u>539</u>
State sources:			
Adequacy aid (grant)	945,359	945,359	-
Adequacy aid (tax)	1,490,792	1,490,792	-
School building aid	67,058	65,148	(1,910)
Catastrophic aid	68,841	83,293	14,452
Total from state sources	<u>2,572,050</u>	<u>2,584,592</u>	<u>12,542</u>
Federal sources:			
Medicaid	25,000	54,530	29,530
Total revenues	10,524,484	<u>\$ 10,567,095</u>	<u>\$ 42,611</u>
Use of fund balance to reduce school district assessment	342,860		
Total revenues and use of fund balance	<u>\$ 10,867,344</u>		

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 1,658	\$ 3,617,569	\$ 3,420,019	\$ 18,115	\$ 181,093
Special programs	6,964	1,545,739	1,455,238	3,664	93,801
Total instruction	<u>8,622</u>	<u>5,163,308</u>	<u>4,875,257</u>	<u>21,779</u>	<u>274,894</u>
Support services:					
Student	788	829,951	654,360	2,400	173,979
Instructional staff	6,840	311,175	321,149	49,796	(52,930)
General administration	240	131,188	35,576	5,570	90,282
Executive administration	-	384,435	384,435	-	-
School administration	1,713	483,154	465,203	1,779	17,885
Operation and maintenance of plant	50,014	756,347	823,158	69,833	(86,630)
Student transportation	-	431,729	390,762	10,467	30,500
Other	-	1,886,384	1,668,734	-	217,650
Total support services	<u>59,595</u>	<u>5,214,363</u>	<u>4,743,377</u>	<u>139,845</u>	<u>390,736</u>
Debt service:					
Principal	-	196,196	196,196	-	-
Interest	-	201,235	201,234	-	1
Total debt service	<u>-</u>	<u>397,431</u>	<u>397,430</u>	<u>-</u>	<u>1</u>
Facilities acquisition and construction	<u>39,830</u>	<u>-</u>	<u>39,830</u>	<u>-</u>	<u>-</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>92,242</u>	<u>81,632</u>	<u>-</u>	<u>10,610</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 108,047</u>	<u>\$ 10,867,344</u>	<u>\$ 10,137,526</u>	<u>\$ 161,624</u>	<u>\$ 676,241</u>

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

Unreserved, undesignated fund balance, beginning		\$ 269,228
Changes:		
Unreserved fund balance used to reduce school district assessment		(342,860)
Budget summary:		
Revenue surplus (Exhibit 11)	\$ 42,611	
Unexpended balance of appropriations (Exhibit 12)	<u>676,241</u>	
Budget surplus		718,852
Increase in reserve for special purposes		<u>(1,634)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 643,586</u></u>