

HOLLIS SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

**HOLLIS SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
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Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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.

As discussed in Note I.B.3 to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net assets, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters noted in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Hollis School District as of June 30, 2010, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, 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 each major fund and the aggregate remaining fund information of the Hollis School District as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2010 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 19 and 20 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 combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Hollis School District. The combining and individual fund schedules and the schedule of expenditures of federal awards 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.

October 22, 2010

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 514,697
Investments	469
Intergovernmental receivables	446,949
Other receivables	344
Prepaid items	4,705
Capital assets, net of accumulated depreciation:	
Land improvements	95,757
Buildings and building improvements	1,458,537
Machinery, equipment and vehicles	34,983
Total assets	2,556,441
LIABILITIES	
Accounts payable	84,208
Accrued salaries and benefits	82,805
Intergovernmental payable	1,356
Accrued interest payable	167,085
Unearned revenue	25,019
Noncurrent obligations:	
Due within one year:	
Bonds	181,165
Compensated absences	10,710
Due in more than one year:	
Bonds	670,040
Termination benefits	117,545
Total liabilities	1,339,933
NET ASSETS	
Invested in capital assets, net of related debt	738,072
Restricted for special purposes	5,576
Unrestricted	472,860
Total net assets	\$ 1,216,508

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, 2010

	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	\$ 5,284,455	\$ 36,740	\$ 409,719	\$ -	\$ (4,837,996)
Support services:					
Student	881,185	-	134,097	-	(747,088)
Instructional staff	297,010	-	-	-	(297,010)
General administration	56,764	-	-	-	(56,764)
Executive administration	392,344	-	-	-	(392,344)
School administration	480,713	-	-	-	(480,713)
Business	32,277	-	-	-	(32,277)
Operation and maintenance of plant	1,056,581	8,000	560	-	(1,048,021)
Student transportation	364,028	-	-	-	(364,028)
Other	1,782,694	-	-	-	(1,782,694)
Non-instructional services	217,195	194,372	33,547	-	10,724
Interest on long-term debt	207,612	-	-	65,763	(141,849)
Total governmental activities	<u>\$ 11,052,858</u>	<u>\$ 239,112</u>	<u>\$ 577,923</u>	<u>\$ 65,763</u>	<u>(10,170,060)</u>

General revenues:	
School district assessment	7,537,589
Grants and contributions not restricted to specific programs	2,402,042
Miscellaneous	4,607
Total general revenues	<u>9,944,238</u>
Change in net assets	(225,822)
Net assets, beginning, as restated (See Note III.D.)	1,442,330
Net assets, ending	<u>\$ 1,216,508</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, 2010

	General	Grants	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 466,063	\$ -	\$ -	\$ 48,634	\$ 514,697
Investments	469	-	-	-	469
Receivables:					
Accounts	344	-	-	-	344
Intergovernmental	12,826	159,111	262,920	12,092	446,949
Interfund receivable	228,535	-	-	-	228,535
Prepaid items	4,575	-	-	130	4,705
Total assets	<u>\$ 712,812</u>	<u>\$ 159,111</u>	<u>\$ 262,920</u>	<u>\$ 60,856</u>	<u>\$ 1,195,699</u>
LIABILITIES					
Accounts payable	\$ 79,654	\$ 4,329	\$ -	\$ 225	\$ 84,208
Accrued salaries and benefits	82,805	-	-	-	82,805
Intergovernmental payable	1,356	-	-	-	1,356
Interfund payable	-	146,501	62,714	19,320	228,535
Deferred revenue	2,700	8,281	-	14,038	25,019
Total liabilities	<u>166,515</u>	<u>159,111</u>	<u>62,714</u>	<u>33,583</u>	<u>421,923</u>
FUND BALANCES					
Reserved for encumbrances	186,891	-	-	150	187,041
Reserved for endowments	-	-	-	5,576	5,576
Reserved for special purposes	79,000	-	-	8,628	87,628
Unreserved, undesignated, reported in:					
General fund	280,406	-	-	-	280,406
Special revenue funds	-	-	200,206	12,919	213,125
Total fund balances	<u>546,297</u>	<u>-</u>	<u>200,206</u>	<u>27,273</u>	<u>773,776</u>
Total liabilities and fund balances	<u>\$ 712,812</u>	<u>\$ 159,111</u>	<u>\$ 262,920</u>	<u>\$ 60,856</u>	<u>\$ 1,195,699</u>

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

EXHIBIT 4
HOLLIS SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2010

Total fund balances of governmental funds (Exhibit 3)		\$	773,776
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>(4,563,315)</u>
			1,589,277
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables		\$	(228,535)
Payables			<u>228,535</u>
			-
Interest on long-term debt is not accrued in governmental funds.			
			(167,085)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bonds		\$	851,205
Compensated absences			10,710
Termination benefits			<u>117,545</u>
			(979,460)
Net assets of governmental activities (Exhibit 1)		\$	<u><u>1,216,508</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, 2010

	General	Grants	Expendable Trust	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 7,537,589	\$ -	\$ -	\$ -	\$ 7,537,589
Other local	39,612	-	560	207,348	247,520
State	2,392,584	-	-	6,659	2,399,243
Federal	338,409	273,287	-	30,988	642,684
Total revenues	<u>10,308,194</u>	<u>273,287</u>	<u>560</u>	<u>244,995</u>	<u>10,827,036</u>
EXPENDITURES					
Current:					
Instruction	4,987,942	139,190	-	16,074	5,143,206
Support services:					
Student	747,088	134,097	-	-	881,185
Instructional staff	297,010	-	-	-	297,010
General administration	56,764	-	-	-	56,764
Executive administration	391,106	-	-	-	391,106
School administration	480,753	-	-	-	480,753
Business	32,277	-	-	-	32,277
Operation and maintenance of plant	1,027,854	-	28,789	-	1,056,643
Student transportation	364,028	-	-	-	364,028
Other	1,782,694	-	-	-	1,782,694
Non-instructional services	-	-	-	215,951	215,951
Debt service:					
Principal	188,108	-	-	-	188,108
Interest	203,670	-	-	-	203,670
Total expenditures	<u>10,559,294</u>	<u>273,287</u>	<u>28,789</u>	<u>232,025</u>	<u>11,093,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(251,100)</u>	<u>-</u>	<u>(28,229)</u>	<u>12,970</u>	<u>(266,359)</u>
Other financing sources (uses):					
Transfers in	187	-	83,266	-	83,453
Transfers out	<u>(83,266)</u>	<u>-</u>	<u>-</u>	<u>(187)</u>	<u>(83,453)</u>
Total other financing sources and uses	<u>(83,079)</u>	<u>-</u>	<u>83,266</u>	<u>(187)</u>	<u>-</u>
Net change in fund balances	(334,179)	-	55,037	12,783	(266,359)
Fund balances, beginning	880,476	-	145,169	14,490	1,040,135
Fund balances, ending	<u>\$ 546,297</u>	<u>\$ -</u>	<u>\$ 200,206</u>	<u>\$ 27,273</u>	<u>\$ 773,776</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, 2010

Net change in fund balances of total governmental funds (Exhibit 5) \$ (266,359)

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	(125,014)	
		(125,014)

Transfers in and out between governmental funds are eliminated on the operating statement.

Transfers in	\$ (83,453)	
Transfers out	83,453	
		-

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	188,108
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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	\$ (3,942)	
Decrease in compensated absences payable	555	
Increase in termination benefits payable	(19,170)	
		(22,557)

Change in net assets of governmental activities (Exhibit 2)	\$ (225,822)
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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, 2010

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 21,516
LIABILITIES	
Due to student groups	<u>21,516</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, 2010**

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, 2010.

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
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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.

The School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, as required by GASB Statement No. 45.

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, 2010**

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.

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

Expendable Trust Fund – Reports as a special revenue fund and accounts for funds established by School District Meeting for building maintenance purposes.

The School District also reports four nonmajor governmental funds: food service, other special revenue, capital project, and permanent.

Fiduciary Funds

The School District 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.

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

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 \$10,000 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:

	<u>Years</u>
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
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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.

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. *Termination Benefits*

Teachers are entitled to a retirement incentive after meeting certain employment requirements.

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

I.C.7. *Fund Equity*

The governmental activities report net assets in three components: invested in capital assets, net of related debt which is computed as the capital assets less accumulated depreciation (\$1,589,277) less the outstanding debt amounts related to capital acquisitions (\$851,205) for a total of \$738,072; restricted, which represents the balance of permanent funds; and unrestricted, which represents the balance of the net assets.

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. Included in these are amounts for encumbrances (unexpended balances of amounts appropriated), endowments (Permanent Fund), and special purposes (amounts voted at District Meeting to be sent to the Expendable Trust Fund, and the Capital Project Fund balance).

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 2010, \$718,852 of the unreserved fund balance from the fiscal year 2009 was used.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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, business, operation and maintenance of plant, student transportation, other support services, non-instructional 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.

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.

These notes are continued on the next page.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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	(126,258)	(11,685)	(137,943)
Buildings and building improvements	(4,278,224)	(109,401)	(4,387,625)
Machinery, equipment and vehicles	(33,819)	(3,928)	(37,747)
Total accumulated depreciation	<u>(4,438,301)</u>	<u>(125,014)</u>	<u>(4,563,315)</u>
Net book value, all capital assets	<u>\$ 1,714,291</u>	<u>\$ (125,014)</u>	<u>\$ 1,589,277</u>

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 121,670
Support services:	
Executive administration	1,238
Operation and maintenance of plant	940
Non-instructional services	<u>1,166</u>
Total depreciation expense	<u>\$ 125,014</u>

These notes are continued on the next page.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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, 2010	Current Portion
General obligation bonds payable:						
School addition	\$ 1,960,000	1995	2015	7.00-6.12	\$ 475,000	\$ 95,000
School addition	\$ 2,937,516	1995	2015	4.25-7.15	376,205	86,165
					<u>851,205</u>	<u>181,165</u>
Compensated absences payable:						
Vested sick leave					7,023	7,023
Accrued vacation leave					3,687	3,687
					<u>10,710</u>	<u>10,710</u>
Termination benefits payable					117,545	-
					<u>\$ 979,460</u>	<u>\$ 191,875</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2010:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Total
Balance, beginning	\$ 1,039,313	\$ 11,265	\$ 98,375	\$ 1,148,953
Additions	-	-	19,170	19,170
Reductions	(188,108)	(555)	-	(188,663)
Balance, ending	<u>\$ 851,205</u>	<u>\$ 10,710</u>	<u>\$ 117,545</u>	<u>\$ 979,460</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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
2011	\$ 181,165	\$ 204,913	\$ 386,078
2012	175,321	205,009	380,330
2013	169,870	204,664	374,534
2014	164,793	203,935	368,728
2015	160,056	202,852	362,908
Totals	<u>\$ 851,205</u>	<u>\$ 1,021,373</u>	<u>\$ 1,872,578</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.”

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

Receivable fund	Payable fund	Amount
General	Grants	\$ 146,501
General	Expendable Trust	62,714
General	Nonmajor	19,320
		<u>\$ 228,535</u>

The amounts due to the General Fund from the Grants Fund and Nonmajor 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.

III.C.2. *Transfers*

Transfers within the reporting entity are for the purposes of adding to capital reserve accounts and distribution of income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Expendable Trust Fund	Total
Transfers out:			
General fund	\$ -	\$ 83,266	\$ 83,266
Nonmajor funds	187	-	187
	<u>\$ 187</u>	<u>\$ 83,266</u>	<u>\$ 83,453</u>

III.D. Restatement of Beginning Equity

Net assets and fund balances at July 1, 2009 were restated to reflect the following adjustments:

	Governmental Activities	Food Service Fund	Permanent Fund
To record deferred revenue for student lunch deposits	\$ (4,886)	\$ (4,886)	\$ -
To record funds previously unreported	5,373	-	5,373
Net assets/fund balance, as previously reported	1,441,843	210	-
Net assets/fund balance, as restated	<u>\$ 1,442,330</u>	<u>\$ (4,676)</u>	<u>\$ 5,373</u>

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.

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 2010 to be recorded as an insurance expenditure/expense totaled \$28,931. There were no unpaid contributions for the year ended June 30, 2010. The School District also paid \$33,338 for workers' compensation and \$7,650 for unemployment 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.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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 2010, the rates of contribution from the School District were 7.49% for teachers, which represents 70% of the total employer cost, and 9.16% 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 2008, 2009 and 2010 were \$301,056, \$278,527 and \$363,692, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2010 was \$138,894. 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 feels that the chance of disallowance is unlikely, 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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 7,537,580	\$ 7,537,589	\$ 9
Other local	62,525	39,612	(22,913)
State	2,249,920	2,253,690	3,770
Federal	301,796	338,409	36,613
Total revenues	<u>10,151,821</u>	<u>10,169,300</u>	<u>17,479</u>
EXPENDITURES			
Current:			
Instruction	5,013,054	4,899,796	113,258
Support services:			
Student	861,527	744,688	116,839
Instructional staff	317,056	329,201	(12,145)
General administration	151,187	51,194	99,993
Executive administration	386,271	391,106	(4,835)
School administration	472,877	484,329	(11,452)
Business	-	32,277	(32,277)
Operation and maintenance of plant	756,454	985,043	(228,589)
Student transportation	477,327	353,561	123,766
Other	1,959,875	1,782,694	177,181
Debt service:			
Principal	188,108	188,108	-
Interest	203,670	203,670	-
Facilities acquisition and construction	1	-	1
Total expenditures	<u>10,787,407</u>	<u>10,445,667</u>	<u>341,740</u>
Deficiency of revenues under expenditures	<u>(635,586)</u>	<u>(276,367)</u>	<u>359,219</u>
Other financing sources (uses):			
Transfers in	-	187	187
Transfers out	(83,266)	(83,266)	-
Total other financing sources and uses	<u>(83,266)</u>	<u>(83,079)</u>	<u>187</u>
Net change in fund balance	<u>\$ (718,852)</u>	(359,446)	<u>\$ 359,406</u>
Increase in reserve for special purposes		(3,734)	
Unreserved fund balance, beginning		643,586	
Unreserved fund balance, ending		<u>\$ 280,406</u>	

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

EXHIBIT 9
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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 130,000	\$ 273,287	\$ 143,287
EXPENDITURES			
Current:			
Instruction	130,000	139,190	(9,190)
Support services:			
Student	-	134,097	(134,097)
Total expenditures	130,000	273,287	(143,287)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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, 2010**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 10,169,487
Adjustment:	
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	138,894
Per Exhibit 5 (GAAP basis)	<u>10,308,381</u>
 Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 10,528,933
Adjustments:	
Basis difference:	
Encumbrances, beginning	161,624
Encumbrances, ending	(186,891)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	138,894
Per Exhibit 5 (GAAP basis)	<u>10,642,560</u>

For the 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 \$143,287 for the fiscal year ended June 30, 2010. Overexpenditures were mostly due to the receipt and expenditure of unanticipated funds.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2010

	Special Revenue		Capital Project	Permanent	Total
	Food Service	Other			
ASSETS					
Cash and cash equivalents	\$ 25,709	\$ 14,297	\$ 8,628	\$ -	\$ 48,634
Intergovernmental receivable	6,451	-	-	5,641	12,092
Prepaid items	130	-	-	-	130
Total assets	<u>\$ 32,290</u>	<u>\$ 14,297</u>	<u>\$ 8,628</u>	<u>\$ 5,641</u>	<u>\$ 60,856</u>
LIABILITIES					
Accounts payable	\$ -	\$ 225	\$ -	\$ -	\$ 225
Interfund payable	19,255	-	-	65	19,320
Deferred revenue	5,743	8,295	-	-	14,038
Total liabilities	<u>24,998</u>	<u>8,520</u>	<u>-</u>	<u>65</u>	<u>33,583</u>
FUND BALANCES					
Reserved for encumbrances	150	-	-	-	150
Reserved for endowments	-	-	-	5,576	5,576
Reserved for special purposes	-	-	8,628	-	8,628
Unreserved, undesignated	7,142	5,777	-	-	12,919
Total fund balances	<u>7,292</u>	<u>5,777</u>	<u>8,628</u>	<u>5,576</u>	<u>27,273</u>
Total liabilities and fund balances	<u>\$ 32,290</u>	<u>\$ 14,297</u>	<u>\$ 8,628</u>	<u>\$ 5,641</u>	<u>\$ 60,856</u>

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2010

	Special Revenue		Capital Project	Permanent	Total
	Food Service	Other			
REVENUES					
Local	\$ 194,372	\$ 12,586	\$ -	\$ 390	\$ 207,348
State	2,559	4,100	-	-	6,659
Federal	30,988	-	-	-	30,988
Total revenues	<u>227,919</u>	<u>16,686</u>	<u>-</u>	<u>390</u>	<u>244,995</u>
EXPENDITURES					
Current:					
Instruction	-	16,074	-	-	16,074
Non-instructional services	215,951	-	-	-	215,951
Total expenditures	<u>215,951</u>	<u>16,074</u>	<u>-</u>	<u>-</u>	<u>232,025</u>
Excess of revenues over expenditures	<u>11,968</u>	<u>612</u>	<u>-</u>	<u>390</u>	<u>12,970</u>
Other financing uses:					
Transfers out	-	-	-	(187)	(187)
Net change in fund balances	11,968	612	-	203	12,783
Fund balances, beginning	(4,676)	5,165	8,628	5,373	14,490
Fund balances, ending	<u>\$ 7,292</u>	<u>\$ 5,777</u>	<u>\$ 8,628</u>	<u>\$ 5,576</u>	<u>\$ 27,273</u>

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,537,580	\$ 7,537,589	\$ 9
Other local sources:			
Tuition	22,500	27,005	4,505
Investment earnings	13,075	3,052	(10,023)
Rentals	-	8,000	8,000
Miscellaneous	26,950	1,555	(25,395)
Total from other local sources	<u>62,525</u>	<u>39,612</u>	<u>(22,913)</u>
State sources:			
Adequacy aid (grant)	721,446	721,446	-
Adequacy aid (tax)	1,403,800	1,403,800	-
School building aid	65,763	65,763	-
Catastrophic aid	58,911	62,681	3,770
Total from state sources	<u>2,249,920</u>	<u>2,253,690</u>	<u>3,770</u>
Federal sources:			
Medicaid	25,000	61,613	36,613
ARRA - State Fiscal Stabilization Fund	276,796	276,796	-
Total from federal sources	<u>301,796</u>	<u>338,409</u>	<u>36,613</u>
Other financing sources:			
Transfers in	-	187	187
Total revenues and other financing sources	10,151,821	<u>\$ 10,169,487</u>	<u>\$ 17,666</u>
Use of fund balance to reduce school district assessment	<u>718,852</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 10,870,673</u>		

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 18,115	\$ 3,309,411	\$ 3,293,998	\$ 62,436	\$ (28,908)
Special programs	3,664	1,703,643	1,555,050	10,091	142,166
Total instruction	<u>21,779</u>	<u>5,013,054</u>	<u>4,849,048</u>	<u>72,527</u>	<u>113,258</u>
Support services:					
Student	2,400	861,527	747,088	-	116,839
Instructional staff	49,796	317,056	297,010	81,987	(12,145)
General administration	5,570	151,187	56,764	-	99,993
Executive administration	-	386,271	391,106	-	(4,835)
School administration	1,779	472,877	480,753	5,355	(11,452)
Business	-	-	32,277	-	(32,277)
Operation and maintenance of plant	69,833	756,454	1,027,854	27,022	(228,589)
Student transportation	10,467	477,327	364,028	-	123,766
Other	-	1,959,875	1,782,694	-	177,181
Total support services	<u>139,845</u>	<u>5,382,574</u>	<u>5,179,574</u>	<u>114,364</u>	<u>228,481</u>
Debt service:					
Principal	-	188,108	188,108	-	-
Interest	-	203,670	203,670	-	-
Total debt service	<u>-</u>	<u>391,778</u>	<u>391,778</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	-	1	-	-	1
Other financing uses:					
Transfers out	-	83,266	83,266	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 161,624</u>	<u>\$ 10,870,673</u>	<u>\$ 10,503,666</u>	<u>\$ 186,891</u>	<u>\$ 341,740</u>

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

Unreserved, undesignated fund balance, beginning	\$	643,586
Changes:		
Unreserved fund balance used to reduce school district assessment		(718,852)
Budget summary:		
Revenue surplus (Exhibit 12)	\$	17,666
Unexpended balance of appropriations (Exhibit 13)		<u>341,740</u>
Budget surplus		359,406
Increase in reserve for special purposes		<u>(3,734)</u>
Unreserved, undesignated fund balance, ending	\$	<u><u>280,406</u></u>

EXHIBIT 15
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2010

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents				
Hollis Primary School	\$ 11,771	\$ 18,806	\$ 20,141	\$ 10,436
Hollis Upper Elementary	16,304	47,305	53,755	9,854
Total assets	<u>28,075</u>	<u>66,111</u>	<u>73,896</u>	<u>20,290</u>
Liabilities:				
Due to student groups	<u>\$ 28,075</u>	<u>\$ 66,111</u>	<u>\$ 73,896</u>	<u>\$ 20,290</u>

EXHIBIT 16
HOLLIS SCHOOL DISTRICT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
CHILD NUTRITION CLUSTER			
Passed Through the State of New Hampshire Department of Education			
National School Lunch Program (School Lunch Program)	10.555	N/A	\$ 30,988
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of New Hampshire Department of Education			
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA-B	84.027	02615	139,138
Special Education - Grants to States, Recovery Act:			
IDEA-B	84.391	100500	111,889
Special Education - Preschool Grants:			
Preschool	84.173	02798	4,967
Special Education - Preschool Grants, Recovery Act:			
Preschool	84.392	100510	4,460
CLUSTER TOTAL			<u>260,454</u>
Safe and Drug-Free School and Communities - State Grants:			
Title IV	84.186	06454	455
Improving Teacher Quality State Grants:			
Title II	84.367	04834	4,059
Title II	84.367	04945	8,319
PROGRAM TOTAL			<u>12,378</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act:			
State Fiscal Stabilization Fund	84.394	N/A	276,796
GRAND TOTAL			<u>\$ 581,071</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hollis School District under programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Hollis School District, it is not intended to and does not present the financial position or changes in net assets of the Hollis School District.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. Commodities Donated

Included in the expenditures reported under the National School Lunch Program is the value of food commodities received during the year from the Department of Agriculture Surplus Distribution Program.



Roberts, Greene & Drolet, PLLC

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*

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

We have audited the 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 year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 22, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures 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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, the School Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 22, 2010

Roberts, Greene & Drolet, PLLC

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info@robertsgreenedrolet.com



Roberts, Greene & Drolet, PLLC

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Hollis School District's (School District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School District's major federal programs for the year ended June 30, 2010. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the Hollis School District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Hollis School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material

**HOLLIS SCHOOL DISTRICT
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
THE MAJOR PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 22, 2010

Roberts, Greene & Drolet, PLLC

**HOLLIS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

1. The auditor’s report issued contained an adverse opinion on the financial statements of the governmental activities, and an unqualified opinion on each major fund and the aggregate remaining fund information.
2. There were no material weaknesses identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There was no noncompliance material to the financial statements noted.

Federal Awards

1. There were no material weaknesses identified in the internal control over major programs.
2. There were no significant deficiencies identified in the internal control over major programs that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for major programs contained an unqualified opinion.
4. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The programs tested as major programs were the Child Nutrition Cluster, and CFDA No. 84.394: State Fiscal Stabilization Fund (SFSF) – Education Grant Funds, Recovery Act.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The Hollis School District did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE