

MOULTONBOROUGH SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
With Independent Auditor's Reports Thereon

JUNE 30, 2010

MOULTONBOROUGH SCHOOL DISTRICT

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MOULTONBOROUGH SCHOOL DISTRICT

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The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

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

In planning and performing our audit of the financial statements of Moultonborough School District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Moultonborough School District's internal control.

A *deficiency in internal control over compliance* 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 was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

- We are pleased to report that no material weaknesses were disclosed by our consideration of internal control for planning purposes as described above. Where there are on a regular basis changes in regulatory environment, accounting standards and operations, management should always be alert to opportunities for improving operating efficiencies and for continued training of personnel. Likewise, whenever there is change, opportunities exist for the evaluation of internal controls and procedures to assure optimal benefits from the overall financial system.

This report is intended solely for the information and use of management, the governing 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.

Paul J Mercier Jr, cpa

The Mercier Group, a professional corporation

September 6, 2010

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moultonborough School District as of and for the year ended June 30, 2010, which collectively comprise the Moultonborough School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility Moultonborough 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 *Government 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moultonborough School District, as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof for the 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 our report dated September 6, 2010 on our consideration of the Moultonborough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 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 important for assessing the results of our audit.

The *Management's Discussion and Analysis* beginning on page iii and Budgetary information presented in the section marked *Required Supplementary Information* on pages 25 and 26 are not a required part of the basic financial statements, but are 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 therefore express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moultonborough School District's basic financial statements. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Paul J. Mercier Jr., CPA

The Mercier Group, a professional corporation
September 6, 2010

Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
1 July 2009 - 30 JUNE 2010

This section of the Moultonborough School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements that follow.

FINANCIAL HIGHLIGHTS

- Once again, the District ended the fiscal year in the black.
- In accordance with Articles IV and V of the March 2010 warrant and the 2010-2011 budget as presented, \$100,000 in unreserved fund balance at year end was returned as revenue for the FY11 budget, and \$50,000 was placed in the Buildings and Grounds Expendable Trust. An additional \$162,697 was returned to reduce taxes. The surplus was primarily generated by additional revenue, reduced expenditures for teaching staff, mid-year changes in special education tuition and services, and unusually low rates for fuel oil coupled with a mild winter. This surplus represents 1.1% of the original budgeted amount.
- In 2005, the NH State Legislature abolished the 'excess tax' portion of the state property tax that saw Moultonborough collecting and forwarding to the state an additional \$4,000,448 to \$5,702,257 per year from 1999 to 2004 for distribution to 'property-poor' districts. Since then property taxes raised in town have stayed in town, and Moultonborough has not been a 'donor' town. However, barring new legislation, it appears at this time that we will return to donor town status with an estimated 'excess tax' payment of 3.4 million due the state in 2011.
- As a result of the ARRA economic stimulus package, the District experienced a temporary increase of more than 25% in federal entitlement grants. We expect this will continue into FY2011.

Tax Rate History - Town of Moultonborough

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>State School</i>	2.68	2.58	2.34	2.12	2.21	2.31
<i>Local School</i>	2.87	1.39	1.73	2.01	2.16	2.14
<i>County</i>	0.78	0.77	0.75	0.79	0.97	1.03
<i>Town</i>	<u>1.66</u>	<u>2.05</u>	<u>1.89</u>	<u>2.07</u>	<u>2.32</u>	<u>2.22</u>
<i>Total</i>	12.18	7.99*	6.71	6.99	7.66	7.70

**Note that Moultonborough's property values were updated in 2004.*

Budget History - Total Appropriations & Amount Raised by Taxes

	<u>05-06</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>
<i>Total Approp.</i>	11,309,701	12,282,053	13,043,694	13,619,659	13,829,135
<i>Amt. Raised</i>	10,284,704	11,224,229	11,907,383	12,381,272	12,581,878
<i>Enrollment</i>	697	683	682	679	633

Note: 'Amt. Raised' includes amount raised by both state and local property taxes

OVERVIEW OF THE FINANCIAL STATEMENTS

Financial statements included in this audit report include:

	REQUIRED STATEMENTS	PURPOSE & INFORMATION INCLUDED
Government-Wide	-Statement of Net Assets -Statement of Activities	Provides short and long-term information about our overall financial status, and how our net assets have changed. The statement of net assets includes all assets and liabilities, both operational and capital. The statement of activities accounts for all of the current year's revenues and expenses.
Fund Financials: Governmental Funds	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balances	Provides detailed short-term information on revenues, expenses and fund balances for the current year. Focus is on revenue sources, expenditure categories, and on the balance left at year-end. We have five separate funds: General Fund, Food Service, Federal Projects, Capital Projects, and Health Self-Insurance. Two capital reserve funds are held by the town's Trustees of Trust Funds: Special Education and Buildings & Grounds.
Fund Financials: Fiduciary Funds	-Statement of Fiduciary Net Assets -Statement of Changes in Fiduciary Net Assets	Provides information on funds for which the District acts as a trustee, or fiduciary. The District cannot use these assets to finance its own operations, but is responsible for ensuring that the assets reported here are used for their intended purposes. Student Activities funds are the only items reported here.
Notes to Financial Statements	Notes to the Financial Statements	Provides additional required detailed information and explanations to all statements listed above
Other Required Supplementary Information	-Budgetary Comparison Schedules -Schedule of Federal Funds	Provides additional information on budgeted vs. actual revenues and expenditures for the year. Provides details on grants received from the federal and state governments, including the amount and the purpose for which they were awarded.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

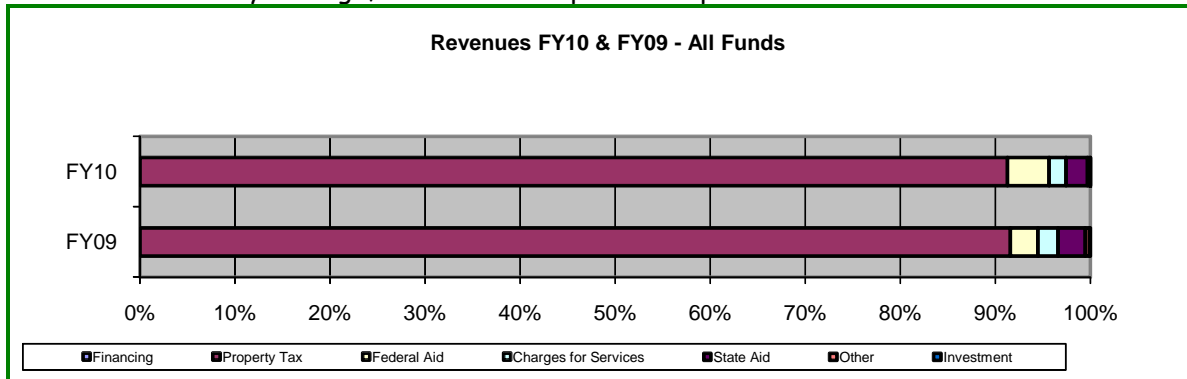
•The chart below illustrates the change in the District's combined net assets FY09 to FY10. The small increase in total assets reflects an increase in funds in our expendable trusts. The decrease in total liabilities reflects another year's payment thereby reducing the balance due on our building loan.

▪\$8,007,132 of net assets are invested in buildings and equipment. Restricted net assets increased to \$1,985,483 due to an increase in expendable trust balances and encumbrances at June 30, 2010. Unrestricted net assets at year end increased to \$312,697 mainly due to reduced spending in the FY10 budget year. In accordance with the FY11 warrant, \$50,000 of these funds will be deposited to the Buildings & Grounds Expendable Trust, and \$100,000 has already been included as revenue in the FY11 budget. The remaining \$162,697 will be used to reduce taxes.

	Net Assets - All Activities			
	FY2009	FY2010	\$ Change	% Change
Current & Other Assets	2,020,584	2,356,013		
Capital and Non-Current Assets	13,312,977	12,980,600		
Total Assets	15,333,561	15,336,613	3,052	0%
Current Liabilities	100,762	57,832		
Long Term Liabilities	5,492,080	4,973,468		
Total Liabilities	5,592,842	5,031,300	(561,542)	-10%
Net Assets-				
Invested in Capital Assets				
net of related debt	7,820,897	8,007,132		
Restricted	1,708,365	1,985,483	277,118	16%
Unrestricted	211,458	312,697	101,239	48%
Total Net Assets	9,740,720	10,305,312	378,357	4%

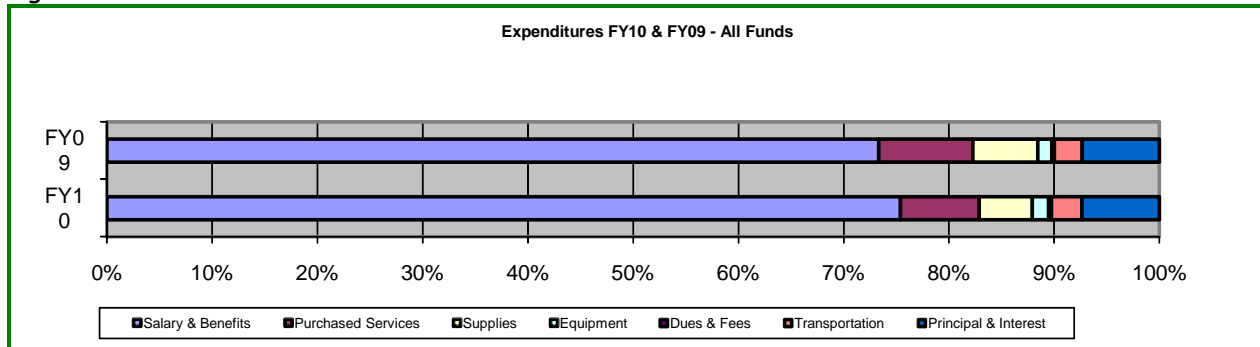
Revenues:

- Whether called 'state' or 'local', local property taxes remain the District's primary revenue source, at about 90% of our revenue.
- Overall, federal aid increased in FY10 due mostly to the receipt of ARRA economic stimulus funds for Title I and IDEA. Reimbursement for breakfast and lunch increased because of an increase in students eligible for free and reduced lunch prices.
- State aid decreased slightly in FY10 due to pro-ration of catastrophic aid and building aid.
- As with the economy at large, the District experienced poor investment returns in FY10.



Expenditures:

- As is true of most schools, almost 80% of expenditures are for salary and benefits. As we cut back in non-personnel areas, this percentage will continue to increase.
- Examples of purchased services include food service, contracted services such as physical therapy, tuition, and maintenance service. Examples of dues and fees include memberships and legal costs.



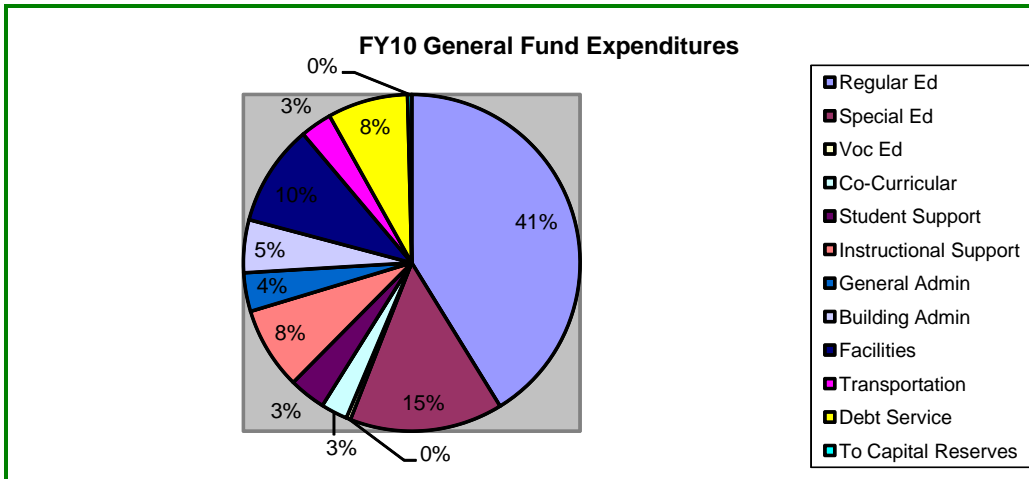
Short-term Liabilities & Fund Balance

- Short-term liabilities (encumbrances) include bills incurred but not yet paid at fiscal year end. FY10 encumbrances totaled \$596,864, and FY09 encumbrances totaled \$522,372.
- Our fund balance at year end represents approximately 1.2% of the approved budget after allowing for the \$100,000 budgeted as revenue for the following year's budget and the \$50,000 to be deposited in the Buildings & Grounds Expendable Trust.

<u>FY10</u>		<u>FY09</u>
\$100,000	Returned to Town per proposed budget	\$ 50,000
162,697	Add'l Return to reduce taxes	111,458
<u>\$262,697</u>	<i>Total Unrestricted Fund Balance</i>	<u>\$161,458</u>
50,000	Deposit to Buildings/Grounds Capital Reserve	50,000
<u>0</u>	Deposit to Special Education Capital Reserve	<u>0</u>
<u>\$ 50,000</u>	<i>Total Restricted Fund Balance</i>	<u>\$ 50,000</u>
\$312,697	<i>Total Fund Balance</i>	\$211,458

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund: This fund is the District's largest and includes most instructional, support, and facility expenses. Direct instruction and related instructional support - athletics, co-curricular activities, library, nurse, guidance, technology - account for approximately 70% of FY10 expenditures.



For a comparison of budgeted and actual revenues and expenditures, please see pages 25, 27 and 28. Please note that funds are not transferred from one line item to another over the course of the year; budget amounts for each line item are left as voted by the public.

Food Service Fund: With the Board's vote to increase lunch and breakfast prices with the FY09 school year, the food service fund has reversed its deficit trend. It should be noted that we do not intend to use our food services as a revenue generator for the District; rather, our intent is for revenues to cover our expenses so that we may continue to offer meals at low rates. Because of this, deficits can arise when replacement kitchen equipment is purchased. 2006's deficit was due to payment of a one-time retirement stipend. It should be noted that many districts subsidize their food services from their general funds.

Food Service Balances

2005	2006	2007	2008	2009	2010
-\$2870	-\$7814	-0-	\$57.00	\$1167	\$2668

Grants Project Fund: A total of \$509,108 was received in grant funding in FY10, compared with \$405,232 received in FY09, the majority of which came from federal allocation-based grants. The increased funding received via ARRA grants in FY10 is expected to disappear in ensuing years.

Health Self-Insurance Fund: - The District purchases a high-deductible health insurance policy, and self-insures a portion of the deductible. FY09 saw \$97,759 being added to that account, and FY10 added another \$143,206 due to lower than expected premium increases and self-insurance reimbursements. Although legislation has been enacted, it remains to be seen exactly how the new health insurance laws will affect choices, premiums, medical inflation, and employer liability.

Expendable Trust Funds:

\$50,000 in unexpended FY09 appropriations were deposited in the Buildings & Grounds Trust Fund, bringing the balance to \$472,105; another \$50,000 will be deposited from unexpended FY10 appropriations in accordance with warrant articles voted at Annual Meeting. The Special Education Trust Fund stands at \$226,297 as of June 30, 2010. Both established in FY08, the Chele Environmental Trust will receive another \$2000 in appropriations, and the Miller Environmental Education Trust received \$36 in community donations. Balance of these funds at June 30, 2010 were \$11,075 and \$43,162 respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Moultonborough School District has one elementary school housing grades Pre-K through 6 of approximately 350 students on a 22-acre site, and one middle/high school housing grades 7 - 12 of approximately 330 students on an 89-acre site. Moultonborough Central School was built in 1949 with major energy conservation renovations done in 1984. The Unit C wing and gym was added in 1988, with HVAC work, and two kindergarten classrooms added in 1999. In 2003, a major renovation of building systems and the addition of six more classrooms was completed.

Moultonborough Academy, built in 1980, had major roof repairs and improvements, adding a metal roof in 1985. Classrooms were partitioned in 1988, and in 1992 lighting upgrades, drainage, and cabling work was done. In 2003 and 2004, major renovations of all building systems, an auditorium, a guidance/nurse/administration wing and a middle school wing were added. An outdoor track with a soccer field was also added. At MA, a new gym floor and new bleachers were installed in 2009. Beginning with the FY07 budget, \$75,000 was added as a line item for buildings and grounds projects; that amount was increased to \$100,000 with the FY09 budget. In FY10 these projects included sealing and resurfacing parking lots and drives, re-surfacing the track field, continuing the replacement of classroom and hallway wall panels, backstop and fence repairs, replacement of gym entry doors/windows, construction of classroom in tech ed, installing server room air conditioning, and installing exterior security cameras.

Long-term Debt:

- In 2003 and 2004, the District embarked on an \$11.3 million building addition and renovation project, financed by a collaborative construction loan with Meredith Village Savings Bank and Laconia Savings Bank. Interest on the loan is 3.98%, with a payback period of 15 years with bi-annual principal and interest payments. Annual payments of \$976,036 will be made through January of 2018.

- RSA 33:4-a limits school district debt to not more than 7% of the town's equalized valuation. In 2003, we would have been limited to about \$117 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors: Education funding and the taxes necessary to support it will continue to be important area to watch. The recent economic meltdown encouraged the District to make a further effort to economize and return additional surplus in an effort to reduce property tax rates come November. Enrollment continued to decrease (as expected) in September 2009, but September 2010 has brought an increase; projections will be closely watched over the next year or so, as will opportunities for energy savings.

Next Year's Budget: The approved 2010-2011 budget reflects a 0.49% *decrease*. At the time the budget was created, the CPI showed an approximate .02% *decrease* due to drop in energy and housing prices. MSSA negotiations in the fall of 2009 resulted in a 2-year agreement with no increase in the wage scale for FY11; due to step increases, however, average pay increases will be 1.49%. New challenges to the FY11 and ensuing years budgets will include reduced allocations from the state, the likelihood of a return to donor town status, increased employer contributions to the NH Retirement System, and however the new health insurance legislation will shake out. In an attempt to position ourselves for the likely future scenario of taxed health benefits, the District will begin offering a choice of plans, including high deductible/HSA combinations. We may have a healthy balance in our health insurance expendable trust, but we need to be especially watchful for any further employer liability as a result of the new legislation.

HIGHLIGHTS of 2009-2010

- Teachers and administrators are implementing three different action plans with the goal of improving the percentage of our students who are proficient in mathematics, writing and science as measured by NECAP results. October 2009 mathematics NECAP results indicate that our action plans are taking effect.
- The January 2010 release by the NH Department of Education showed that Moultonborough Academy has 0.0% dropout rate.
- Members of our Home School Relations committee have put in place a variety of plans to increase parent awareness of special education services with a series of monthly workshops. A 'Friends' program has been started for our special education students using ARRA grant funds to get off the ground.
- A Demographics Impact Task Force was formed to project potential future educational program impacts resulting from declining student enrollment with an eye to minimizing the impact on our students and educational programs.
- Our community members have a very strong bond with their schools and repeatedly respond with enthusiasm towards initiatives that promote our Town's Community Charter. Since 1999, this charter has been the backbone for many activities that focus on the ideals of respect, responsibility, integrity, compassion and moral courage. Activities include COPS in Schools, School Based Mentoring, MTA, HOPE events, MA Shelter Team, and the One Book, One Community activities.
- We encourage everyone to review the 2009-10 Assessment Report that includes student results on the statewide NECAP assessments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

- Contact us at www.moultonborough.k12.nh.us.

Basic Financial Statements

Exhibit A1
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Net Assets
 June 30, 2010

All numbers are expressed in United States Dollars

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	1,444,748	-	1,444,748
Receivables	-	15,311	15,311
Intergovernmental receivable	890,693	5,261	895,954
Internal balances	17,904	(17,904)	-
Capital assets:			
Land	102,590		102,590
Buildings and other structures	19,388,887		19,388,887
Vehicles & mobile equipment	90,728		90,728
Other equipment & furnishings	46,646		46,646
Accumulated depreciation	(6,648,251)		(6,648,251)
	<u>15,333,945</u>	<u>2,668</u>	<u>15,336,613</u>
LIABILITIES			
Accounts payable and other current liabilities	3,988	-	3,988
Deferred Revenues	53,845		53,845
Long-term obligations:			
Due within one year:			
Bonds & notes payable, net of building aid	539,457		539,457
Due Beyond one year:			
Bonds & notes payable, net of building aid	4,434,011		4,434,011
	<u>5,031,301</u>	<u>-</u>	<u>5,031,301</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,007,132	-	8,007,132
Restricted for:			
Encumbered items	594,864		594,864
Food Service		2,668	2,668
Special purposes	754,650		754,650
Self Insurance	633,301		633,301
Unrestricted	312,697		312,697
	<u>10,302,644</u>	<u>2,668</u>	<u>10,305,312</u>

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

Exhibit A2
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

All numbers are expressed in United States Dollars.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities
Primary government:					
<i>Governmental activities:</i>					
Instruction	7,788,137	45,408	660,495	(7,082,234)	(7,082,234)
Support services:					
Student	471,464			(471,464)	(471,464)
Instructional staff	1,001,702			(1,001,702)	(1,001,702)
General administration	469,099			(469,099)	(469,099)
School administration	642,178			(642,178)	(642,178)
Operation & maintenance of plant	1,229,743			(1,229,743)	(1,229,743)
Student transportation	383,306			(383,306)	(383,306)
Interest on long-term debt	284,555			(284,555)	(284,555)
Depreciation-unallocated	493,702			(493,702)	(493,702)
	<u>12,763,886</u>	<u>45,408</u>	<u>660,495</u>	<u>(12,057,983)</u>	<u>-</u>
<i>Business-type activities:</i>					
Food Service	293,974	295,475	-	1,501	1,501
	<u>13,057,860</u>	<u>340,883</u>	<u>660,495</u>	<u>(12,057,983)</u>	<u>1,501</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				11,605,842	11,605,842
Property taxes, levied for debt services				976,036	976,036
Other local revenues				38,030	38,030
				<u>12,619,908</u>	<u>-</u>
Change in net assets				561,925	563,426
Net assets - beginning				9,740,719	9,741,886
Net assets - ending				<u>10,302,644</u>	<u>10,305,312</u>

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

Exhibit B1
MOULTONBOROUGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2010

All numbers are expressed in United States Dollars

	General	Special Revenue	Special- Propose Reserves	Total Governmental Funds
ASSETS				
Cash and cash equivalents	1,299,995			1,299,995
Intergovernmental receivable		138,079	752,614	890,693
Interfund receivable			2,036	2,036
	<u>1,299,995</u>	<u>138,079</u>	<u>754,650</u>	<u>2,192,724</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued Liabilities	3,988			3,988
Interfund payable	346,980	125,700		472,680
Deferred revenue	41,466	12,379		53,845
	<u>392,434</u>	<u>138,079</u>	<u>-</u>	<u>530,513</u>
Fund balances:				
Reserved for:				
Encumbrances	594,864			594,864
Special purposes			754,650	754,650
Unreserved	312,697			312,697
	<u>907,561</u>	<u>-</u>	<u>754,650</u>	<u>1,662,211</u>
	<u>1,299,995</u>	<u>138,079</u>	<u>754,650</u>	<u>2,192,724</u>

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

Exhibit B2
MOULTONBOROUGH SCHOOL DISTRICT
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets
 June 30, 2010

All numbers are expressed in United States Dollars

Total Fund Balance - Governmental Funds (Exhibit B1)		1,662,211
Amounts reported for governmental activities in the statement of net assets are different because:		
<i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</i>		
Land	102,590	
Buildings and other structures	19,388,887	
Equipment & furnishings	90,728	
Vehicles	46,646	
Accumulated depreciation	<u>(6,648,251)</u>	
		12,980,600
<i>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</i>		
Bonds Payable, net of school building aid receivable		(4,973,468)
<i>The net equity of certain activities of internal service funds is reported with governmental activities</i>		
		<u>633,301</u>
Net Assets of Governmental Activities (Exhibit A1)		<u><u>10,302,644</u></u>

Exhibit B3
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2010

All numbers are expressed in United States Dollars

	General	Special Revenue	Special- Purpose Reserves	Total Governmental Funds
REVENUES				
Property tax assessments	12,581,878			12,581,878
County support		5,047		5,047
State support	307,847			307,847
Federal support	36,469	484,002		520,471
Charges for services	45,408			45,408
Other local sources	11,255	20,059	6,716	38,030
	<u>12,982,857</u>	<u>509,108</u>	<u>6,716</u>	<u>13,498,681</u>
EXPENDITURES				
Current:				
Instruction	7,447,341	484,002		7,931,343
Support services:				
Student	446,358	25,106		471,464
Instructional staff	1,001,702			1,001,702
General administration	469,099			469,099
School administration	642,178			642,178
Operation & maintenance of plant	1,229,743			1,229,743
Student transportation	383,306			383,306
Capital outlay	161,326			161,326
Debt service:				
Principal of long-term debt	691,481			691,481
Interest expense long-term debt	284,555			284,555
	<u>12,757,089</u>	<u>509,108</u>	<u>-</u>	<u>13,266,197</u>
Excess of revenues over(under) expenditures	<u>225,768</u>	<u>-</u>	<u>6,716</u>	<u>232,484</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-		52,036	52,036
Transfers out	(52,036)			(52,036)
	<u>(52,036)</u>	<u>-</u>	<u>52,036</u>	<u>-</u>
Net change in fund balances	173,732	-	58,752	232,484
Fund balances - beginning	733,829		695,898	1,429,727
Fund balances - ending	<u>907,561</u>	<u>-</u>	<u>754,650</u>	<u>1,662,211</u>

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

Exhibit B4
MOULTONBOROUGH 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

All numbers are expressed in United States Dollars

Net change in fund balances - total governmental funds (Exhibit B3) 232,484

Amounts reported for governmental activities in the statement of activities (Exhibit A2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Reduce expenditures for capital outlays increasing fixed assets	161,326
Increase expenditures for depreciation charges	(493,702)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Reduction in revenues for State building aid	(172,870)
Reduction in expenditures for principal payments on debt	691,481

<i>The net revenue of certain activities of internal service funds is reported with governmental activities.</i>	143,206
--	---------

Change in net assets of governmental activities (Exhibit A2) 561,925

Exhibit B5
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Net Assets
 Proprietary Funds
 June 30, 2010

All numbers are expressed in United States Dollars

	Business-type Activities	Governmental Activities-
	Enterprise Fund	Internal Service Fund - Health
	Food Service	Insurance
ASSETS		
Current assets:		
Cash and cash equivalents		144,753
Accounts receivable	15,311	
Interfund receivable		488,548
Intergovernmental receivable	5,261	
	20,572	633,301
LIABILITIES		
Current liabilities:		
Interfund payable	17,904	
	17,904	-
NET ASSETS		
Restricted for self-insurance		633,301
Unrestricted	2,668	
	2,668	633,301

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

Exhibit B6
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Net Fund Assets
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2010

All numbers are expressed in United States Dollars

	Business-type Activities	Governmental Activities-
	Enterprise Fund	Internal Service Fund - Self Insurance
	Food Service	
OPERATING REVENUES		
Operating grants and contributions:		
<i>Federal aid</i>		
Federal lunch reimbursement	57,866	
Federal breakfast reimbursement	19,370	
USDA commodities, <i>value received</i>	12,862	
<i>State aid</i>		
State reimbursement	3,177	
Charges for sales and services:		
Program sales		
Food service sales	202,200	
Interfund charges		1,341,321
Employee & COBRA contributions		132,345
	<u>295,475</u>	<u>1,473,666</u>
OPERATING EXPENSES		
Purchased services	281,112	
USDA Commodities, <i>value expended</i>	12,862	
Insurance premiums		1,108,231
Insurance claims & wellness incentives		224,814
	<u>293,974</u>	<u>1,333,045</u>
Operating income(loss)	<u>1,501</u>	<u>140,621</u>
NONOPERATING INCOME(EXPENSE)		
Earnings on investments		2,585
	<u>-</u>	<u>2,585</u>
Income before contributions and transfers	1,501	143,206
Changes in net assets	1,501	143,206
Total net assets - beginning	1,167	490,095
Total net assets - ending	<u>2,668</u>	<u>633,301</u>

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

Exhibit B7
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2010

All numbers are expressed in United States Dollars

	Business-type Activities	Governmental Activities-
	Enterprise Fund	Internal Service Fund - Self Insurance
	Food Service	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	202,200	
Receipts from operating grants and reimbursements	81,687	
Payments to suppliers for goods and services	(306,904)	
Receipts from interfund services provided		1,473,666
Payments for interfund services used		(1,333,045)
	(23,017)	140,621
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Net advances from(to) other funds	23,017	(140,621)
	23,017	(140,621)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received		2,585
	-	2,585
Net increase(decrease) in cash and cash equivalents	-	2,585
Cash and cash equivalents - beginning	-	142,168
Cash and cash equivalents - ending	-	144,753
Reconciliation of operating income (loss) to net cash received(used) by operating activities:		
Operating income (loss)	1,501	140,621
Adjustments to reconcile operating income(loss) to net cash received from(used by) operating activities:		
(Increase) decrease in accounts receivable	(15,311)	
(Increase) decrease in intergovernmental receivables	1,274	
Increase (decrease) in accounts payable	(10,481)	
	(24,518)	-
Net cash received from (used by) operating activities	(23,017)	140,621
Noncash investing, capital, and financing activities:		
Commodities received	12,862	

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

Exhibit B8
MOULTONBOROUGH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

All numbers are expressed in United States Dollars

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	105,674
	<u>105,674</u>
LIABILITIES	
Due to student groups	105,674
	<u>105,674</u>

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

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Moultonborough School District is a New Hampshire municipal corporation governed by an elected School Board. In New Hampshire, each town constitutes a school district and operates according to State law unless that district was enacted by a special act of Legislature in accordance with RSA 194:1. The District serves the community of Moultonborough, New Hampshire and provides public education services for approximately 633 students (*average daily membership*) in grades K through 12.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

FINANCIAL REPORTING ENTITY

The accompanying financial statements present the primary government and any component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the District's operations. Based on the foregoing criteria, no other organizations are included in the District's financial reporting entity and the District is not a component unit of any other primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from any discretely presented *component units* for which the primary government is financially accountable.

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

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

School district assessments (property taxes), grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *General Fund* is the District's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Special Revenue Fund* accounts for the many grants and restricted funds received annually by the District.
- The *Expendable Trusts Fund* accounts for the District's capital and non-capital reserve funds which are restricted for specific purposes

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

The District reports the following major enterprise fund:

- The *Food Service Fund* accounts for the activities of the District's food service program.

Additionally, the District reports the following other fund types:

- The *Agency Fund* accounts for the assets held on behalf of student groups.
- The *Internal Service Fund* accounts for the District's self insurance activities

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

General Budget Policies – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the District's operations. At its annual meeting, the District adopts a budget for the next fiscal year for the General and all significant Special Revenue Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the 2009/2010 fiscal year, \$211,457 of the beginning General Fund balance was applied for this purpose.

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the District. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 12,881,617
Adjustments:	
Encumbrances - June 30, 2009	522,372
Encumbrances - June 30, 2010	<u>(594,864)</u>
Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 12,809,125</u>

ASSETS, LIABILITIES AND FUND EQUITY

Deposits and Investments. For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less.

During the year, the District may have invested excess funds in the **New Hampshire Public Deposit Investment Pool**. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Therefore, the District reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

Receivables. Revenues are recorded when received, except for the following items for which receivables have been recorded: **District's assessment** is calculated when the tax rate is set by the State Department of Revenue Administration and recognized on the first day of the fiscal year. The responsibility for the collection of taxes rests with the applicable municipality; **Interest on investments** is recorded as revenue in the year earned; **Grants** received from other governments require that eligible expenditures be made in order to recognize the revenue. Revenue for these grants is recorded for the period in which eligible expenditures are made; and **Tuition charges** are recorded as revenue for the period when service was provided. All receivables are considered to be collectible. Therefore no provision for bad debts has been included in these financial statements.

Internal Balances – Interfund Receivables and Payables. During the course of normal operations, the District has transactions between funds, including expenditures and transfers of resources to provide services and fund capital outlay. All outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

activities and business-type activities are reported in the government-wide financial statements as “internal balances”. The District considers all receivables collectible and therefore makes no provision for bad debt in its financial statements.

Inventories and Prepaid Items. Inventory in the Governmental and Proprietary Funds consists of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5
Classroom/school equipment & furnishings	10

The District accounts for parking lots, drainage systems, lights, etc. as part of building costs.

Deferred Revenue. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Long-Term Obligations. In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences. It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick leave for employees 50 years old with 15 years or more of service to the District is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ASSETS

CASH AND EQUIVALENTS

Deposits. Throughout the fiscal year, all bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized with securities held by the District or its agent in the District's name.

Authorized Investments. State statutes require the Treasurer, to deposit School District monies in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in solvent banks in the state, except that monies may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits United States government obligations, United States 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. The amount of collected monies on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus.

At least yearly, the School Board is required by law to review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes. Whenever the treasurer has in custody an excess of monies which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the School Board, invest the

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits 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 monies for deposit or for investment in securities of any kind shall, prior to acceptance of such monies, make available at the time of such deposit or investment an option to have such monies secured by collateral having a value at least equal to the amount of such monies. Such collateral shall be segregated for the exclusive benefit of the 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.

INTERGOVERNMENTAL RECEIVABLES

Receivables as of year end for the District's individual major funds are as follows:

	<u>Governmental</u>		<u>Business-</u>
	<u>Activities</u>		<u>Type</u>
	<u>Special</u>	<u>Expendable</u>	<u>Food</u>
	<u>Revenues</u>	<u>Trusts</u>	<u>Service</u>
<u>Federal Government:</u>			
Program grants	\$ 138,079	\$ -	\$ 5,261
<u>Other local governments:</u>			
Town of Moultonborough -			
Trustees of Trust Funds	-	752,614	-
	<u>\$ 138,079</u>	<u>\$ 752,614</u>	<u>\$ 5,261</u>

INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at June 30, 2010 are as follows:

	<u>Internal</u>	<u>Internal</u>
	<u>Balance/</u>	<u>Balance/</u>
	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivable</u>	<u>Payable</u>
Governmental Activities:		
General Fund	\$ -	\$ 346,980
Special Revenues Fund:		
Federal/State/Local Projects		125,700
Special-Purpose Reserves -		
Chele Environmental	2,036	-
Internal Service Fund:		
Self Insurance	488,548	-
	490,584	472,680
Business-Type Activities:		
Food Service	-	17,904
	<u>\$ 490,584</u>	<u>\$ 490,584</u>

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2010 is as follows:

	<i>Governmental Activities</i>			Balance June 30, 2010
	Balance July 1, 2009	Additions	Deductions	
Land	\$ 102,590	\$ -	\$ -	\$ 102,590
Buildings & Other Structures	19,227,561	161,326	-	19,388,887
Equipment	90,728	-	-	90,728
Vehicles	46,646	-	-	46,646
	19,467,525	161,326	-	19,628,851
Less: Accumulated Depreciation	(6,154,549)	(493,702)	-	(6,648,251)
	<u>\$ 13,312,976</u>	<u>\$ (332,376)</u>	<u>\$ -</u>	<u>\$ 12,980,600</u>

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. During the fiscal year, the District was a member of the following public-entity risk pools, currently operating as a common risk management and insurance programs for member towns, cities, school districts and other qualified political subdivisions of New Hampshire.

The *New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Group* is a pooled risk management programs under RSA 5-B. A summary of worker's compensation coverage provided during the fiscal year by Primex³, which retained \$500,000 of each loss is on file at the District business office. The Board has determined to retain the aggregate exposure and has allocated resources based on actuarial analysis for that purpose. A detail of coverages, contributions, credits or balances due are available from the District upon request.

The Member Participation Agreement permits *Primex³* 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 an additional assessment for this or any prior year. Claims have not exceeded insurance coverage in any of the past years.

For property, liability and other risks of loss, the District was covered by commercial insurance. A detail of coverages, contributions, credits or balances due are available from the District upon request.

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

LIABILITIES

DEFERRED REVENUE

Deferred revenue in the Special Revenues Fund at June 30, 2010 represents advances received from grantor agencies for subsequent period expenditures.

AGENCY FUNDS

Agency Deposits held for others at June 30, 2010 include the following:

Due to student groups:

Moultonborough Academy Student Activities	\$ 83,511
Moultonborough Central School Student Activities	22,163
	<u>105,674</u>

DEFINED BENEFIT PENSION PLAN

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 4 Chenell Drive ~ Concord, NH 03301-8509.

The payroll for employees covered by the System for the year ended June 30, 2010, was \$7,025,542; the District's total payroll was \$7,122,494. Contribution requirements for the year ended June 30, 2010, were as follows:

State of New Hampshire	\$ 162,397
Employer Contributions	461,493
Employee Contributions	<u>351,277</u>
	<u>\$ 975,167</u>

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

LONG-TERM DEBT

Changes in General Long-Term Debt. The following is a summary of the District's general long-term debt transactions for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010	Due Within One Year
<i>Governmental Activities:</i>					
General obligation debt	\$ 7,322,773		\$ 691,481	\$ 6,631,292	\$ 719,276
Less: State building aid receivable	(1,830,694)		(172,870)	(1,657,824)	(179,819)
	<u>\$ 5,492,079</u>	\$ -	\$ 518,611	\$ 4,973,468	\$ 539,457

General Long-term Debt Payable. Long-term debt payable at June 30, 2010, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding June 30, 2010
<i>Governmental Activities:</i>					
General Obligation Bonds & Notes MA & MSC Renovations	\$ 11,391,000	01/25/06	01/25/18	3.98	<u>\$ 6,631,292</u>

Annual Requirements To Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of June 30, 2010, including interest payments, are as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation Notes and Bonds		
	Principal	Interest	Total
June 30,			
2011	\$ 719,276	\$ 256,760	\$ 976,036
2012	748,188	227,848	976,036
2013	777,688	198,348	976,036
2014	809,522	166,514	976,036
2015	842,062	133,974	976,036
	<u>3,896,736</u>	<u>983,444</u>	<u>4,880,180</u>
2016-18	<u>2,734,556</u>	<u>193,555</u>	<u>2,928,111</u>
	<u>\$ 6,631,292</u>	<u>\$ 1,176,999</u>	<u>\$ 7,808,291</u>

All debt is general obligation debt of the District, which is backed by its full faith and credit.

MOULTONBOROUGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

Building Aid

State Laws require the State of New Hampshire provide Building Aid to School Building Projects. Such amounts are paid as a percentage of debt repayments over the life of the debt. As of June 30, 2010, it is estimated that the District will receive the following:

Fiscal Year Ending	For General Obligation Notes and Bonds		
	Principal	Interest	Total
June 30,			
2011	\$ 179,819	\$ -	\$ 179,819
2012	187,047	-	187,047
2013	194,422	-	194,422
2014	202,381	-	202,381
2015	210,516	-	210,516
	974,185	-	974,185
2016-18	683,639	-	683,639
	<u>\$ 1,657,824</u>	<u>\$ -</u>	<u>\$ 1,657,824</u>

FUND EQUITY

Reserved for subsequent years' expenditures - Amounts reserved for subsequent year's expenditures were as follows:

Governmental Activities:

General Fund

Open purchase orders and unfinished projects \$ 594,864

Special-Purpose Reserves Fund

Special Education \$ 226,272
Building 472,105
"Chele" Environmental 11,075
Miller Environmental Education 43,198
\$ 752,650

Internal Service Funds related to Governmental Activities:

General Fund Trusts (RSA 199:20-c):

Self Insurance \$ 633,301

Subsequent Budgetary Action – On March 14, 2010, the District voted to place up to \$50,000 of fund balance available on July 1, 2010 in the Building and Grounds Capital Reserve Fund and to use \$50,000 to offset 2010/2011 assessment for school operations.

SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Required Supplementary Information

Exhibit C1
MOULTONBOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2010

All amounts are expressed in United States Dollars

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Property tax assessments	12,581,878	12,581,878	-
State support	314,686	307,847	(6,839)
Federal support	15,000	36,469	21,469
Charges for services	55,600	45,408	(10,192)
Other local sources	6,500	11,255	4,755
	<u>12,973,664</u>	<u>12,982,857</u>	<u>9,193</u>
EXPENDITURES			
Current:			
Instruction	7,831,437	7,439,048	392,389
Support services:			
Student	468,357	446,592	21,765
Instructional staff	966,955	1,006,701	(39,746)
General administration	479,217	461,753	17,464
School administration	654,745	641,433	13,312
Operation & maintenance of plant	1,345,808	1,345,516	292
Student transportation	410,564	351,176	59,388
Capital outlay	3	161,326	(161,323)
Debt service:			
Principal of long-term debt	691,481	691,481	-
Interest expense long-term debt	284,555	284,555	-
	<u>13,133,122</u>	<u>12,829,581</u>	<u>303,541</u>
Excess of revenues over(under) expenditures	(159,458)	153,276	312,734
OTHER FINANCING SOURCES (USES)			
Transfers in	1	-	(1)
Transfers out	(52,000)	(52,036)	(36)
	<u>(51,999)</u>	<u>(52,036)</u>	<u>(37)</u>
Net change in fund balances	(211,457)	101,240	312,697
Unreserved Fund balances - beginning	211,457	211,457	-
Unreserved Fund balances - ending	<u>-</u>	<u>312,697</u>	<u>312,697</u>

Exhibit C2
MOULTONBOROUGH SCHOOL DISTRICT
Special Revenue Fund - Federal/State/Local Projects
Statement of Revenues, Expenditures and Changes in Fund Balance
(Budget vs Actual - Budgetary and GAAP Basis)
For the Fiscal Year Ended June 30, 2010

All amounts are expressed in United States Dollars

	Original/Final		Actual	Variance With
	Original	Final		Final Budget
REVENUE				
Intergovernmental				
Federal/restricted through State:				
Title I	34,846	88,064	88,064	-
Titel I - ARRA	60,762	60,762	47,497	(13,265)
Special Education (IDEA)	136,522	143,560	143,560	-
Special Education (IDEA) - ARRA	159,101	159,101	130,316	(28,785)
Special Education (Preschool)	2,491	2,491	2,491	-
Special Education (Preschool) - ARRA	5,291	5,291	5,291	-
Title II-A	-	66,652	66,652	-
Title VI - Innovative Education	-	131	131	-
County Programs:				
MTA County Grant	-	5,047	5,047	-
Local Programs:				
Partners in Prevention	-	20,059	20,059	-
	399,013	551,158	509,108	(42,050)
EXPENDITURES				
Current				
Instruction	379,013	526,052	484,002	(104,989)
Supporting services:				
Student	20,000	25,106	25,106	(5,106)
	399,013	551,158	509,108	(110,095)
Net change in fund balance	-	-	-	(152,145)
Fund balance - beginning	-	-	-	-
Fund Balance - ending	-	-	-	(152,145)

MOULTONBOROUGH SCHOOL DISTRICT

Note to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

General Budget Policies – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the District's operations. At its annual meeting, the District adopts a budget for the next fiscal year for the General and all significant Special Revenue Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the 2009/2010 fiscal year, \$211,457 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the District. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 12,881,617
Adjustments:	
Encumbrances - June 30, 2009	522,372
Encumbrances - June 30, 2010	<u>(594,864)</u>
Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u><u>\$ 12,809,125</u></u>

**Individual Fund Financial
Statements and Schedules**

Schedule D1a
MOULTONBOROUGH SCHOOL DISTRICT
General Fund

Detailed Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2010

All amounts are expressed in United States Dollars

	<u>Original Budget</u>	<u>Actual (GAAB Basis)</u>	<u>Over(Under) Budget</u>
REVENUES			
Property Tax Assessments:			
Current appropriation - Town of Moultonborough	12,581,878	12,581,878	-
	<u>12,581,878</u>	<u>12,581,878</u>	<u>-</u>
State Support			
School building aid	229,368	224,922	(4,446)
Catasrophic aid	72,818	72,919	101
Vocational transportation aid	5,600	5,656	56
Driver education	6,900	4,350	(2,550)
	<u>314,686</u>	<u>307,847</u>	<u>(6,839)</u>
Federal Support			
Medicaid	15,000	36,469	21,469
	<u>15,000</u>	<u>36,469</u>	<u>21,469</u>
Charges for Services			
Tuition			
Regular day school	22,500	21,532	(968)
Special education - other LEAs	15,000	-	(15,000)
Driver education	18,100	23,876	5,776
	<u>55,600</u>	<u>45,408</u>	<u>(10,192)</u>
	<u>55,600</u>	<u>45,408</u>	<u>(10,192)</u>
Other local sources			
Earnings on investments	3,500	962	(2,538)
Indirect costs - federal funds		2,676	2,676
Other	3,000	7,617	4,617
	<u>6,500</u>	<u>11,255</u>	<u>4,755</u>
OTHER FINANCING SOURCES			
Operating transfers in - Interfund Transfers			
Food service fund	1	-	(1)
	<u>1</u>	<u>-</u>	<u>(1)</u>
Total revenues	<u>12,973,665</u>	<u>12,982,857</u>	<u>9,192</u>
Unreserved fund balance used to reduce school district assessment			
	<u>211,457</u>		
Total revenues and use of fund balance	<u>13,185,122</u>		

Schedule D1b
MOULTONBOROUGH SCHOOL DISTRICT
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended June 30, 2010

all numbers are expressed in United States Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
EXPENDITURES					
Current					
Instruction					
Regular programs	1,854	5,333,411	5,209,670	1,468	124,127
Special programs	23,966	2,089,381	1,862,173	12,027	239,147
Vocational programs	4,760	60,170	53,401	9,300	2,229
Other programs	780	348,475	277,832	1,049	70,374
Adult & community programs	777		44,265		(43,488)
	<u>32,137</u>	<u>7,831,437</u>	<u>7,447,341</u>	<u>23,844</u>	<u>392,389</u>
Support services					
Student		468,357	446,358	234	21,765
Instructional staff	54,141	966,955	1,001,702	59,140	(39,746)
General administration	8,491	479,217	469,099	1,145	17,464
School administration	795	654,745	642,178	50	13,312
Operation & Maintenance of Plant	394,439	1,345,808	1,229,743	510,212	292
Student Transportation	32,369	410,564	383,306	239	59,388
	<u>490,235</u>	<u>4,325,646</u>	<u>4,172,386</u>	<u>571,020</u>	<u>72,475</u>
<i>Total supporting services</i>					
Facilities acquisition and construction		3	161,326		(161,323)
Debt service					
Principal of long-term debt		691,481	691,481		-
Interest expense - long-term debt		284,555	284,555		-
	<u>-</u>	<u>976,036</u>	<u>976,036</u>	<u>-</u>	<u>-</u>
OTHER FINANCING USES					
Operating transfers out - Interfund Transfers					
<i>Expendable Trust Funds:</i>					
Building & Grounds		50,000	50,000		-
Miller Environmental Education		2,000	2,036		(36)
	<u>-</u>	<u>52,000</u>	<u>52,036</u>	<u>-</u>	<u>(36)</u>
	<u>522,372</u>	<u>13,185,122</u>	<u>12,809,125</u>	<u>594,864</u>	<u>303,505</u>

Schedule D2
MOULTONBOROUGH SCHOOL DISTRICT
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2010

All amounts are expressed in United States Dollars

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and equivalents	120,823	168,973	184,122	105,674
	<u>120,823</u>	<u>168,973</u>	<u>184,122</u>	<u>105,674</u>
LIABILITIES				
Due to student groups:				
Moultonborough Academy Student Activities	98,651	132,991	148,131	83,511
Moultonborough Central School Student Activities	22,172	35,982	35,991	22,163
	<u>120,823</u>	<u>168,973</u>	<u>184,122</u>	<u>105,674</u>

Single Audit Reports and Schedules

The Mercier Group

a professional corporation

*INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY
INFORMATION ~ SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moultonborough School District as of and for the year ended June 30, 2010, which collectively comprise the Moultonborough School District's basic financial statements and have issued our report there on dated September 6, 2010. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moultonborough School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit organizations* is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Paul J. Mercier Jr., CPA

The Mercier Group, a professional corporation
September 6, 2010

The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON THE 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
Moultonborough School District
Moultonborough, New Hampshire

We have audited the financial statements of Moultonborough School District as of and for the year ended June 30, 2010, and have issued our report thereon dated September 6, 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 Moultonborough 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 Moultonborough School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Moultonborough School District's internal control over financial reporting.

A *deficiency in internal control over compliance* 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 Moultonborough 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 governing 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.

Paul J. Mercier Jr., CPA

The Mercier Group, a professional corporation

September 6, 2010

The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON THE INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance. We have audited Moultonborough School District's compliance with the types of compliance requirements described in the *OMB circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Moultonborough School District's major federal programs for the year ended June 30, 2010. The Moultonborough 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 management. Our responsibility is to express an opinion on Moultonborough 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 Moultonborough 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 on the Moultonborough School District's compliance with those requirements.

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

Internal Control Over Compliance. Management of the Moultonborough 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 Moultonborough 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 our 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.

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 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 the 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 considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the governing 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.

Paul J. Mercier Jr., CPA

The Mercier Group, a professional corporation
September 6, 2010

Schedule I
MOULTONBOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

All amounts are expressed in United States Dollars

Federal grantor/Pass-through grantor/Program title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Revenues and Expenditures	
				Federal	State
U.S. Department of Agriculture					
<i>Passed through the State of New Hampshire - Department of Agriculture</i>					
Food Distribution (Food Donation Program)	10.550				
Surplus Distribution <i>(Non-cash Assistance ~ USDA Commodity Foods)</i>		N/a	12,862	12,862	
				12,862	-
U.S. Department of Agriculture					
<i>Passed through the State of New Hampshire - Department of Education</i>					
Nutrition Cluster					
School Breakfast Program	10.553	N/a	19,370	19,370	
National School Lunch Program	10.555	N/a	57,866	57,866	3,177
				77,236	3,177
U.S. Department of Education					
<i>Passed through the State Of New Hampshire - Department of Education</i>					
Title I, Part A Cluster*					
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)	84.010	00096	88,064	88,064	
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA), Recovery Act	84.389	N/a	60,762	47,497	
				135,561	-
Special Education Cluster*					
Special Education - Grants to States (IDEA, Part B)	84.027	02587	143,560	143,560	
Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	10007	159,101	130,316	
Special Education - Preschool (IDEA Preschool)	84.173	02776	2,491	2,491	
Special Educaion - Preschool (IDEA Preschool), Recovery Act	84.392	N/a	5,291	5,291	
				281,658	-
Title II-A	84.367A				
Title II A		04870	66,652	66,652	
Title II A		94890	64,291	131	
				66,783	-
				574,100	3,177

* Denotes a major grant

MOULTONBOROUGH SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
USED IN PREPARING THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

BASIS OF PRESENTATION

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of Moultonborough School District and is presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

**RECONCILIATION OF THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Expenditures of Federal awards in the financial statements include the following:

	<u>Federal Support</u>
<i>Governmental Funds:</i>	
General Fund	\$ 36,469
<u>Special Revenue Fund</u>	
Federal/State/Local Projects	<u>484,002</u>
Intergovernmental Revenues - <i>Exhibit B3</i>	520,471
 <i>Proprietary Funds:</i>	
<u>Enterprise Fund</u>	
Food Service - <i>Exhibit B7</i>	<u>90,098</u>
	610,569
 Less:	
Medicaid reimbursements in General Fund not considered grants for compliance reporting	<u>(36,469)</u>
Federal Awards per Schedule of Federal Awards	<u><u>\$ 574,100</u></u>

MOULTONBOROUGH SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 & ARRA 84.389	Title I, Part A Cluster
84.027, ARRA 84.391, 84.173 & ARRA 84.392	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS:

No matters were identified which required reporting.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were identified which required reporting.

MOULTONBOROUGH SCHOOL DISTRICT

Summary of Prior Audit Findings

For the Fiscal Year Ended June 30, 2010

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

Not Applicable – No prior findings and questioned costs were reported

MOULTONBOROUGH SCHOOL DISTRICT

Corrective Action Plan

For the Fiscal Year Ended June 30, 2010

CORRECTIVE ACTION PLAN

Not Applicable – No current audit findings and questioned costs were reported