

MOULTONBOROUGH SCHOOL DISTRICT

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

JUNE 30, 2011

**MOULTONBOROUGH SCHOOL DISTRICT**

*Table of Contents*

June 30, 2011

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	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	i
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	ii

**Basic Financial Statements**

Exhibit

**Government Wide Financial Statements**

Statement of Net Assets .....	A1	2
Statement of Activities .....	A2	3

**Fund Financial Statements**

Balance Sheet – Governmental Funds .....	B1	4
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	B2	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	B3	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	B4	7
Statement of Fiduciary Net Assets – Fiduciary Funds .....	B5	8
<b>Notes to the Financial Statements</b> .....		9-20

**Required Supplementary Information**

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual		
– General Fund .....	C1	21
- Food Service .....	C2	22
– Special Revenue Fund – Federal/State/Local Projects .....	C2	23
Notes to Required Supplementary Information – Budgetary Reporting .....		24

**Combining and Individual Fund Statements and Schedules**

Schedule

*GENERAL FUND*

Statement of Estimated and Actual Revenues .....	D1a	25
Statement of Appropriations, Expenditures and Encumbrances .....	D1b	26

*TRUST AND AGENCY FUNDS*

Combining Statement of Changes in Assets and Liabilities - All Agency Funds	D2	27
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MOULTONBOROUGH SCHOOL DISTRICT

Table of Contents

June 30, 2011

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	<u>PAGE(S)</u>
<b>Single Audit Reports and Schedules</b>	
<i>INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION ~ SCHEDULE OF FEDERAL AWARDS.....</i>	28
<i>INDEPENDENT AUDITOR'S 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 .....</i>	29
<i>REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....</i>	30
Schedule of Expenditures of Federal Awards.....	31
Notes to the Schedule of Expenditures of Federal Awards .....	32-33
Summary of Prior Audit Findings.....	34
Corrective Action Plan.....	35

# The Mercier Group

*a professional corporation*

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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, each major fund and the aggregate remaining fund information of Moultonborough School District as of and for the year ended June 30, 2011, 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, each major fund and the aggregate remaining fund information of Moultonborough School District, as of June 30, 2011, and the respective changes in financial position 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 10, 2011 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 should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* beginning on page ii and Budgetary information presented in the section marked *Required Supplementary Information* 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*

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**The Mercier Group**, a professional corporation  
September 10, 2011

# **Management's Discussion & Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**1 July 2010 - 30 JUNE 2011**

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, 2011. Please read it in conjunction with the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- Once again, the District ended the fiscal year with a surplus.
- In accordance with Articles VI and VII 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 \$288,461 was returned to reduce taxes. The surplus was primarily generated by additional revenue, the elimination of an anticipated out of district special education placement, low utility rates coupled with a mild winter, and the availability of ARRA Title I, IDEA, and Federal Education Jobs funding. This surplus represents approximately 3% 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.
- As a result of the ARRA economic stimulus package, the District experienced a temporary increase of more than 25% in federal entitlement grants. This funding ends as of September 30, 2011.

**Tax Rate History - Town of Moultonborough**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<i>State School</i>	2.68	2.58	2.34	2.12	2.21	2.31	2.32
<i>Local School</i>	2.87	1.39	1.73	2.01	2.16	2.14	2.12
<i>County</i>	0.78	0.77	0.75	0.79	0.97	1.03	2.63
<i>Town</i>	1.66	2.05	1.89	2.07	2.32	2.22	1.05
<i>Total</i>	12.18	7.99*	6.71	6.99	7.66	7.70	8.12

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

**Budget History - Total Appropriations & Amount Raised by Taxes**

	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>10-11</u>
<i>Total Approp.</i>	12,282,053	13,043,694	13,619,659	13,829,135	13,760,726
<i>Amt. Raised</i>	11,224,229	11,907,383	12,381,272	12,581,878	12,451,735
<i>Enrollment</i>	683	682	679	633	658

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	Provides additional information on budgeted vs. actual revenues and expenditures for the year.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

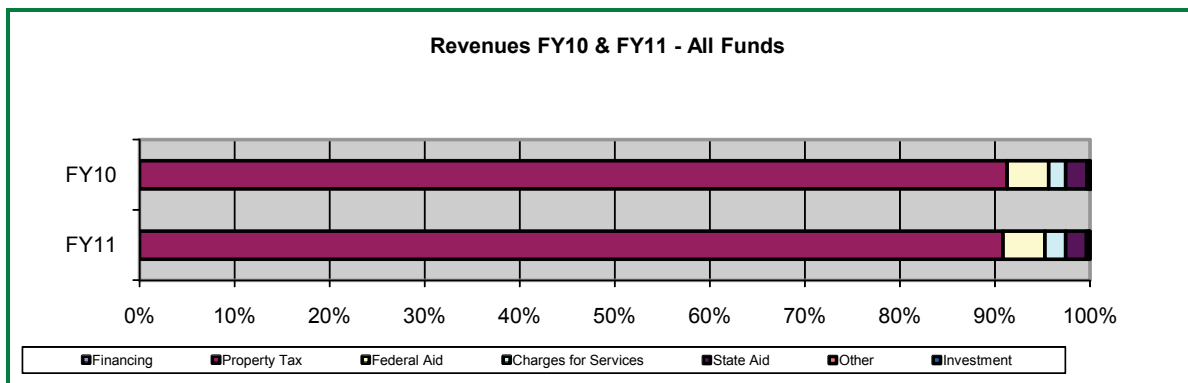
•The chart below illustrates the change in the District's combined net assets FY10 to FY11. The decrease in total assets reflects increased depreciation over time. The decrease in total liabilities reflects another year's payment thereby reducing the balance due on our building loan. The small increase in total net assets is due to an increase in funds in our expendable trusts. .

▪\$8,044,820 of net assets are invested in buildings and equipment. Restricted net assets increased to \$2,006,087 due to an increase in expendable trust balances and encumbrances at June 30, 2011. Unrestricted net assets at year end increased to \$388,461 mainly due to reduced spending in the FY11 budget year. In accordance with the FY12 warrant, \$50,000 of these funds will be deposited to the Buildings & Grounds Expendable Trust, and \$80,000 has already been included as revenue in the FY12 budget. The remaining \$308,461 will be used to reduce taxes.

<b>Net Assets - Governmental Activities</b>				
	<b>FY2011</b>	<b>FY2010</b>	<b>\$ Change</b>	<b>% Change</b>
Current & Other Assets	2,441,436	2,356,012		
Capital and Non-Current Assets	12,478,831	12,980,600		
<b>Total Assets</b>	14,920,267	15,336,612	(416,345)	-3%
Current Liabilities	608,029	57,832		
Long Term Liabilities	3,872,870	4,973,468		
<b>Total Liabilities</b>	4,480,899	5,031,300	(550,401)	-12%
<b>Net Assets-</b>				
Invested in Capital Assets net of related debt	8,044,820	8,007,132		
Restricted	2,006,087	1,985,483	20,604	1%
Unrestricted	388,461	312,697	75,764	20%
<b>Total Net Assets</b>	10,439,368	10,305,312	96,368	1%

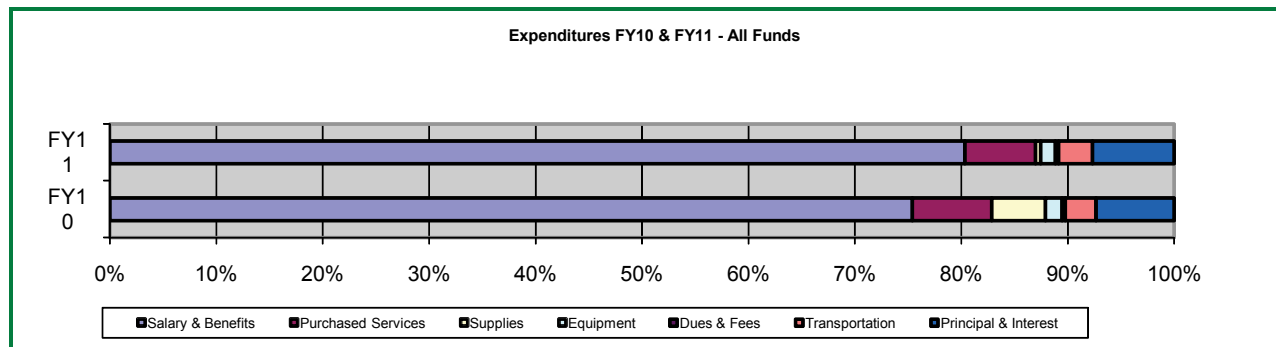
**Revenues:**

- Whether called 'state' or 'local', local property taxes are the District's primary revenue source, at about 90% of our revenue.
- In FY11, federal aid increased due to the receipt of ARRA economic stimulus funds for Title I, IDEA, and Federal Education Jobs. Reimbursement for breakfast and lunch increased because of an increase in students eligible for free and reduced lunch prices.
- State aid increased slightly in FY11 due to pro-ration of catastrophic aid and building aid.
- As with the economy at large, the District experienced poor investment returns in FY11.



**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.



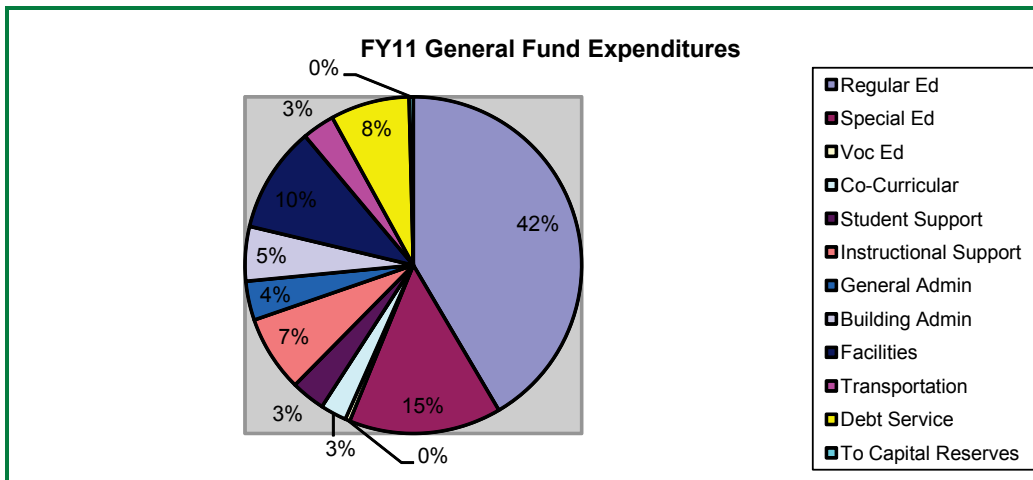
Short-term Liabilities & Fund Balance

- Short-term liabilities (encumbrances) include bills incurred but not yet paid at fiscal year end. FY10 encumbrances totaled \$596,864, and FY11 encumbrances totaled \$525,948.
- Our fund balance at year end represents approximately 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>FY11</u>
\$100,000	Returned to Town per proposed budget	\$100,000
<u>162,697</u>	Add'l Return to reduce taxes	<u>288,461</u>
\$262,697	<i>Total Unrestricted Fund Balance</i>	\$388,461
50,000	Deposit to Buildings/Grounds Capital Reserve	50,000
<u>0</u>	Deposit to Special Education Capital Reserve	<u>0</u>
\$ 50,000	<i>Total Restricted Fund Balance</i>	\$ 50,000
\$312,697	<i>Total Fund Balance</i>	\$438,461

**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 school district 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: It should be noted that our food service program is not intended to be 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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
-\$2870	-\$7814	-0-	\$57.00	\$1167	\$2668	\$3218

Grants Project Fund: A total of \$477,257 was received in grant funding in FY11, compared with \$509,108 received in FY10, the majority of which came from federal allocation-based grants. The increased funding received via ARRA grants in FY10 & FY11 will disappear as of September 30, 2011.

Health Self-Insurance Fund: - The District's most popular plan choice purchases a high-deductible health insurance policy, and self-insures a portion of the deductible. FY10 saw \$143,206 being added to that account, and FY11 saw the account reduced by \$21,167. The reduction was in accordance with plans to gradually lower the balance of this fund. 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 FY10 appropriations were deposited in the Buildings & Grounds Trust Fund, bringing the balance to \$527,510; another \$50,000 will be deposited from unexpended FY11 appropriations in accordance with warrant articles voted at Annual Meeting. The Special Education Trust Fund stands at \$228,657 as of June 30, 2011. Established in FY08, the Chele Environmental Trust balance is \$15,185. The Miller Environmental Education Trust, funded through community donations stands at \$43,782 as of June 30, 2011.

## **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 FY11 these projects included rehabbing the Unit C bathrooms at MCS, entry tiles at several locations, MA locker room rehab, continuing the replacement of classroom and hallway wall panels at MA, paving egress paths, repair and painting of outbuildings at MA, and replacing several door units.

### 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 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 brought an unexpected increase; September 2011 once again shows a decrease in students.

*Next Year's Budget:* For the second year in a row, economic conditions created a challenging environment in which the School Board developed the 2011-2012 budget, which reflects a 0.50% increase. Challenges to the FY12 and ensuing years budgets will include the downshifting of costs and workload to the local level, reduced allocations from the state, the always-present possibility 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 now offers 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 2010-2011**

- Recent changes in the NH State Minimum Standards have set the stage for our high schools to offer students a variety of ways to earn credits other than the traditional Carnegie Units.
- Three different action plans are being implemented with the goal of improving the percentage of our students who are proficient in mathematics, writing and science as measured by NECAP results. October 2010 mathematics NECAP results indicate that our action plans are meeting partial success with students in 4 of the 7 grades tested scoring significantly higher than students throughout the state. Unfortunately, 2 of the 7 grades scored significantly lower than the state average. Revisions are being made to the action plan in an effort to improve our standings.
- 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. For the second year in a row, ARRA funds are being used to establish the Lakes Region Friendship Connection, a group that facilitates weekly after school and weekend activities for students with special needs providing them with opportunities to interact in social settings.
- Reading continues to be our students' strongest area of performance with students in 5 of the 7 grades tested scoring significantly higher than students throughout the state in reading and the District scoring significantly higher as a whole in both reading and writing.
- 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 School Based Mentoring, HOPE events, Pennies for Paws, Making Strides for Breast Cancer, and MCS monthly food drives.
- We encourage everyone to review the 2010-11 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](http://www.moultonborough.k12.nh.us).

# **Basic Financial Statements**

Exhibit A1  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Statement of Net Assets*  
June 30, 2011

*All numbers are expressed in United States Dollars*

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	1,463,162
Intergovernmental receivable	960,216
Other receivables	18,058
Capital assets:	
Land	102,590
Buildings and other structures	19,388,887
Vehicles & mobile equipment	90,728
Other equipment & furnishings	46,646
Accumulated depreciation	(7,150,020)
	<u>14,920,267</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,739
Deferred Revenues	45,149
Long-term obligations:	
Bonds & notes payable, net of building aid:	
Due within one year	561,141
Due beyond one year	3,872,870
	<u>4,480,899</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,044,820
Restricted for:	
Open purchase orders	525,948
Food service operations	3,218
Capital & noncapital reserves	814,787
Self Insurance	612,134
Tax reduction	50,000
Unrestricted	388,461
	<u>10,439,368</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, 2011

*All numbers are expressed in United States Dollars.*

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue and</u></b>
		<b><u>Charges for</u></b>	<b><u>Operating</u></b>	<b><u>Changes in Net Assets</u></b>
		<b><u>Services</u></b>	<b><u>Grants and</u></b>	<b><u>Primary Government</u></b>
			<b><u>Contributions</u></b>	<b><u>Governmental</u></b>
				<b><u>Activities</u></b>
Primary government:				
<i>Governmental activities:</i>				
Instruction	8,082,757	111,903	7,218,265	(752,589)
Support services:				
Student	420,919			(420,919)
Instructional staff	940,724			(940,724)
General administration	482,944			(482,944)
School administration	673,761			(673,761)
Operation & maintenance of plant	1,310,353			(1,310,353)
Student transportation	394,436			(394,436)
Non-instructional services:				
Food service operations	285,278	191,180		(94,098)
Insurance Premiums and Claims	1,531,341	1,501,350		(29,991)
Interest on long-term debt	256,760			(256,760)
Depreciation-unallocated	501,769			(501,769)
	<u>14,881,042</u>	<u>1,804,433</u>	<u>7,218,265</u>	<u>(5,858,344)</u>
General revenues and transfers:				
Taxes:				
Property taxes, levied for general purposes				4,979,316
Property taxes, levied for debt services				976,036
Other local revenues				37,048
				<u>5,992,400</u>
Change in net assets				134,056
Net assets - beginning				10,305,312
Net assets - ending				<u>10,439,368</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, 2011

*All numbers are expressed in United States Dollars*

	<b>General</b>	<b>Food Service</b>	<b>Grant Programs</b>	<b>Capital &amp; Noncapital Reserves</b>	<b>Health Insurance</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	1,316,976				146,186	1,463,162
Intergovernmental receivable		9,348	136,081	814,787		960,216
Accounts receivable	12,731	5,327				18,058
Interfund receivable					465,948	465,948
	<u>1,329,707</u>	<u>14,675</u>	<u>136,081</u>	<u>814,787</u>	<u>612,134</u>	<u>2,907,384</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	1,739					1,739
Interfund payable	336,919	11,457	117,572			465,948
Deferred revenue	26,640		18,509			45,149
	<u>365,298</u>	<u>11,457</u>	<u>136,081</u>	<u>-</u>	<u>-</u>	<u>512,836</u>
Fund balances:						
<i>Restricted for</i>						
Food service operations		3,218				3,218
<i>Committed for</i>						
Open purchase orders	525,948					525,948
Capital & noncapital reserves				814,787		814,787
Self Insurance					612,134	612,134
Tax reduction	50,000					50,000
<i>Unassigned</i>	388,461					388,461
	<u>964,409</u>	<u>3,218</u>	<u>-</u>	<u>814,787</u>	<u>612,134</u>	<u>2,394,548</u>
	<u>1,329,707</u>	<u>14,675</u>	<u>136,081</u>	<u>814,787</u>	<u>612,134</u>	<u>2,907,384</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, 2011

*All numbers are expressed in United States Dollars*

<b>Total Fund Balance - Governmental Funds (Exhibit B1)</b>		2,394,548
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
<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>(7,150,020)</u>	12,478,831
 <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	<u>(4,434,011)</u>	<u>(4,434,011)</u>
<b>Net Assets of Governmental Activities (Exhibit A1)</b>		<u><u>10,439,368</u></u>

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

Exhibit B3  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2011

All numbers are expressed in United States Dollars

	General	Food Service	Grant Programs	Capital & Noncapital Reserves	Health Insurance	Total Governmental Funds
<b>REVENUES</b>						
Property tax assessments	5,955,352					5,955,352
State support	6,791,400	3,028				6,794,428
Federal support	51,556	91,620	460,480			603,656
Charges for services	111,903	191,180				303,083
Interfund Charges					1,336,348	1,336,348
Employee & COBRA Contributions					165,002	165,002
Other local sources	3,310		16,777	8,137	8,824	37,048
	<u>12,913,521</u>	<u>285,828</u>	<u>477,257</u>	<u>8,137</u>	<u>1,510,174</u>	<u>15,194,917</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	7,605,500		477,257			8,082,757
Support services:						
Student	420,919					420,919
Instructional staff	940,724					940,724
General administration	482,944					482,944
School administration	673,761					673,761
Operation & maintenance of plant	1,310,353					1,310,353
Student transportation	394,436					394,436
Non-instructional services:						
Food service operations		285,278				285,278
Insurance Premiums					1,304,668	1,304,668
Insurance Claims & Wellness Incentives					226,673	226,673
Debt service						
Principal	719,276					719,276
Interest	256,760					256,760
	<u>12,804,673</u>	<u>285,278</u>	<u>477,257</u>	<u>-</u>	<u>1,531,341</u>	<u>15,098,549</u>
Excess of revenues over(under) expenditures	108,848	550	-	8,137	(21,167)	96,368
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-			52,000		52,000
Transfers out	(52,000)					(52,000)
	<u>(52,000)</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	56,848	550	-	60,137	(21,167)	96,368
Fund balances - beginning	907,561	2,668		754,650	633,301	2,298,180
Fund balances - ending	<u>964,409</u>	<u>3,218</u>	<u>-</u>	<u>814,787</u>	<u>612,134</u>	<u>2,394,548</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, 2011*

*All numbers are expressed in United States Dollars*

**Net change in fund balances - total governmental funds (Exhibit B3)** 96,368

**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.*

Increase expenditures for depreciation charges (501,769)

*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 (179,819)

Reduction in expenditures for principal payments on debt 719,276

**Change in net assets of governmental activities (Exhibit A2)** 134,056

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

Exhibit B5  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Statement of Fiduciary Net Assets*  
Fiduciary Funds  
June 30, 2011

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*All numbers are expressed in United States Dollars*

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	104,690
	<u>104,690</u>
<b>LIABILITIES</b>	
Due to student groups	104,690
	<u>104,690</u>

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

# MOULTONBOROUGH SCHOOL DISTRICT

## *Notes to Financial Statements*

June 30, 2011

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### **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 any *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, 2011

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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 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 *Food Service Fund* accounts for the activities of the District's food service program.
- The *Grant Programs Fund* accounts for the many grants and restricted funds received annually by the District.
- The *Capital & Noncapital Reserves Fund* accounts for the District's capital and non-capital reserve funds which were established by vote of the legislative body according to statutes are restricted for specific purposes

# MOULTONBOROUGH SCHOOL DISTRICT

## *Notes to Financial Statements*

June 30, 2011

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- The *Health Insurance Fund* accounts for the District's self-insurance activities.

Additionally, the District reports the following other fund types:

- The *Agency Fund* accounts for the assets held on behalf of student groups.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in 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.

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 2010/2011 fiscal year, \$312,698 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:

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

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Expenditures and Other Financing Uses ~ Budgetary Basis *(see Exhibit C1)* \$ 12,787,757

Adjustments:

Encumbrances - June 30, 2010	594,864
Encumbrances - June 30, 2011	<u>(525,948)</u>

Expenditures and Other Financing Sources ~ GAAP Basis *(see Exhibit B3)* \$ 12,856,673

**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.

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 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.

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at fair value. 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

# MOULTONBOROUGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

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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 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 Fund 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 District accounts for parking lots, drainage systems, lights, etc. as part of building costs. 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. Property, plant, and equipment of the District 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, including computers	5
Classroom/school equipment & furnishings	10

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# MOULTONBOROUGH SCHOOL DISTRICT

## *Notes to Financial Statements*

June 30, 2011

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**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 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 and fiduciary fund financial statements. All vacation pay is accrued when incurred in the government-wide 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 governmental fund Balance Sheet, fund balances are reported using a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned depending on the level of restrictions. *Nonspendable fund balance* includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. *Restricted fund balance* is the amount that is restricted to specific purposes by external requirements such as those of creditors, grantors, contributors or laws and regulations. *Committed fund balance* is the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority (the legislative body). *Assigned fund balance* is the amount that is constrained by the District's intent to be used for specific purposes, but is not restricted or committed, except for certain stabilization agreements. *Unassigned fund balance* is the residual classification for the general fund.

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

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**ASSETS**

**CASH AND INVESTMENTS**

**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.

**Investments.** During the course of the fiscal year and at year-end, the District's investments consisted of participation units of the New Hampshire Public Deposit Investment Pool (the Pool). At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks. Although the value of underlying securities may change with the market, the District's unit values remain constant.

**Concentrations of credit and market risk.** Financial instruments that potentially expose the District to credit risk consist primarily of bank deposits and investments in participation units of the New Hampshire Public Deposit Investment Pool. It is the District's policy to deposit monies in high quality financial institutions according to State Statutes and to limit risk by maintaining deposits within the Federal Depository Insurance Limits (FDIC) whenever possible. The District has not experienced any losses on its cash deposits and management believes the organization is not exposed to significant credit risk on those amounts even though amounts are held by a single financial institutions and are in excess of the FDIC limits. Each participation unit of the NHPDIP is valued at one-dollar and do not fluctuate with the market values of underlying investments.

**INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables as of year-end for the District's individual major funds are as follows:

	<b>Governmental Activities</b>		
	<b>Food Service</b>	<b>Grant Programs</b>	<b>Capital &amp; Noncapital Reserves</b>
<u>Federal Government:</u>			
Program grants	\$ 9,348	\$ 136,081	\$ -
<u>Other local governments:</u>			
Town of Moultonborough - Trustees of Trust Funds	-	-	814,787
	<u>\$ 9,348</u>	<u>\$ 136,081</u>	<u>\$ 814,787</u>

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

**INTERFUND RECEIVABLES/PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2011 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Governmental Activities:</b>		
General Fund	\$ -	\$ 336,919
Special Revenues Fund:		
Food Service		11,457
Grant Programs		117,572
Special-Purpose Reserves - Chele Environmental		-
Self Insurance	<u>465,948</u>	<u>-</u>
	<u>\$ 465,948</u>	<u>\$ 465,948</u>

**CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2011 is as follows:

	<i>Governmental Activities</i>			
	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Land	\$ 102,590	\$ -	\$ -	\$ 102,590
Buildings & Other Structures	19,388,887	-	-	19,388,887
Equipment	90,728	-	-	90,728
Vehicles	46,646	-	-	46,646
	<u>19,628,851</u>	<u>-</u>	<u>-</u>	<u>19,628,851</u>
Less: Accumulated Depreciation	<u>(6,648,251)</u>	<u>(501,769)</u>	<u>-</u>	<u>(7,150,020)</u>
	<u>\$ 12,980,600</u>	<u>\$ (501,769)</u>	<u>\$ -</u>	<u>\$ 12,478,831</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 (Primex<sup>3</sup>) 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 Primex<sup>3</sup>, which retained \$500,000 of each loss is on file at the District business office. The Board has determined to retain the aggregate

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

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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 *Primex*<sup>3</sup> 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.

**LIABILITIES**

**DEFERRED REVENUE**

Deferred revenue in the General Fund and Grants Fund at June 30, 2011 represents advances received from the Town of Moultonborough and grantor agencies for subsequent period expenditures.

**AGENCY FUNDS**

Agency Deposits held for others at June 30, 2011 include the following:

*Due to student groups:*

Moultonborough Academy Student Activities	\$ 80,351
Moultonborough Central School Student Activities	24,339
	<hr/>
	104,690
	<hr/> <hr/>

**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

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

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, 2011, was \$7,010,063; the District's total payroll was \$7,474,808. Contribution requirements for the year ended June 30, 2011, were as follows:

State of New Hampshire	\$ 175,990
Employer Contributions	567,260
Employee Contributions	<u>350,503</u>
	<u>\$ 1,093,753</u>

**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, 2011:

	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
General obligation debt	\$ 6,631,292		\$ 719,276	\$ 5,912,016	\$ 748,188
Less: State building aid receivable	<u>(1,657,824)</u>		<u>(179,819)</u>	<u>(1,478,005)</u>	<u>(187,047)</u>
	<u>\$ 4,973,468</u>	\$ -	\$ 539,457	\$ 4,434,011	\$ 561,141

**General Long-term Debt Payable.** Long-term debt payable at June 30, 2011, is comprised of the following individual issues:

<u>Description of Issue</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding June 30, 2011</u>
<i>Governmental Activities:</i>					
General Obligation Bonds & Notes MA & MSC Renovations	\$ 11,391,000	01/25/06	01/25/18	3.98	<u>\$ 5,912,016</u>

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

**Annual Requirements To Amortize General Obligation Debt.** The annual requirements to amortize all general obligation debt outstanding as of June 30, 2011, including interest payments, are as follows:

*Governmental Activities:*

<b>Fiscal Year Ending</b>	<b>General Obligation Notes and Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
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
2016	875,909	100,127	976,036
	4,053,369	826,811	4,880,180
2017-18	1,858,647	93,428	1,952,075
	<u>\$ 5,912,016</u>	<u>\$ 920,239</u>	<u>\$ 6,832,255</u>

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

**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, 2011, it is estimated that the District will receive the following:

<b>Fiscal Year Ending</b>	<b>For General Obligation Notes and Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2012	\$ 187,047	\$ -	\$ 187,047
2013	194,422	-	194,422
2014	202,381	-	202,381
2015	210,516	-	210,516
2016	218,977	-	218,977
	1,013,343	-	1,013,343
2017-18	464,662	-	464,662
	<u>\$ 1,478,005</u>	<u>\$ -</u>	<u>\$ 1,478,005</u>

**MOULTONBOROUGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2011

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**FUND EQUITY**

Restrictions of fund equity as of June 30, 2011 were as follows:

	<u>General Fund</u>	<u>Food Service</u>	<u>Capital &amp; Noncapital Reserves</u>	<u>Health Insurance</u>
<i>Restricted for:</i>				
Food service activities	\$ -	\$ 3,218	\$ -	\$ -
<i>Committed for:</i>				
Open purchase orders	525,948			
Capital & noncapital reserves:				
Special Education			228,657	
Building			527,510	
"Chele" Environmental			15,369	
Miller Environmental Education			43,251	
Self-insurance activities				612,134
Tax reduction*	50,000			
	<u>\$ 575,948</u>	<u>\$ 3,218</u>	<u>\$ 814,787</u>	<u>\$ 612,134</u>

*\*Subsequent Budgetary Action.* On March 14, 2011, the District voted to place up to \$50,000 of fund balance available on July 1, 2011 in the Building and Grounds Capital Reserve Fund and to use \$50,000 to offset 2011/2012 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, 2011

All amounts are expressed in United States Dollars

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>			
Property tax assessments	5,955,352	5,955,352	-
State support	6,786,888	6,791,400	4,512
Federal support	12,000	51,556	39,556
Charges for services	45,275	111,903	66,628
Other local sources	5,500	3,310	(2,190)
	<u>12,805,015</u>	<u>12,913,521</u>	<u>108,506</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	7,782,421	7,618,668	163,753
Support services:			
Student	410,630	420,685	(10,055)
Instructional staff	976,933	1,012,992	(36,059)
General administration	490,139	489,537	602
School administration	687,962	676,576	11,386
Operation & maintenance of plant	1,328,298	1,146,441	181,857
Student transportation	413,294	394,822	18,472
Debt service:			
Principal	719,276	719,276	-
Interest	256,760	256,760	-
	<u>13,065,713</u>	<u>12,735,757</u>	<u>329,956</u>
Excess of revenues over(under) expenditures	(260,698)	177,764	438,462
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(52,000)	(52,000)	-
Net change in fund balances	(312,698)	125,764	438,462
Unreserved Fund balances - beginning	907,561	907,561	-
Unreserved Fund balances - ending	<u>594,863</u>	<u>1,033,325</u>	<u>438,462</u>

Schedule C2  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Budgetary Comparison Schedule*  
*Budget to Actual (GAAP and Budgetary Basis)*  
*Special Revenue Fund - Food Service*  
For the Fiscal Year Ended June 30, 2011

*All amounts are expressed in United States Dollars*

	<b>Original/Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>			
Intergovernmental:			
Federal lunch reimbursement	58,459	60,994	2,535
Federal breakfast reimbursement	19,500	21,247	1,747
USDA commodities, <i>value received</i>	-	9,379	9,379
State reimbursement	2,760	3,028	268
Charges for services			
Food service sales	213,281	191,180	(22,101)
	<u>294,000</u>	<u>285,828</u>	<u>(8,172)</u>
<b>EXPENDITURES</b>			
Non-instructional Services			
Food Service Operations:			
USDA Commodities, <i>value expended</i>	-	9,379	(9,379)
Purchased services	294,000	275,899	18,101
	<u>294,000</u>	<u>285,278</u>	<u>8,722</u>
Net change in fund balance	-	550	550
Fund balance - beginning	-	2,668	2,668
Fund Balance - ending	-	<u>3,218</u>	<u>3,218</u>

Exhibit C3  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Budgetary Comparison Schedule*  
*Budget to Actual (GAAP and Budgetary Basis)*  
*Special Revenue Fund - Grant Programs*  
For the Fiscal Year Ended June 30, 2011

*All amounts are expressed in United States Dollars*

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUE</b>			
<u>Federal Support</u>			
<i>Federal/Direct:</i>			
Title I ARRA	70,583	13,948	(56,635)
IDEA-B ARRA	159,101	19,587	(139,514)
Education Jobs Fund - ARRA	140,243	140,243	-
<i>Federal/restricted through State:</i>			
Chapter I ESEA, Title I	83,570	83,570	-
IDEA-B	135,748	135,748	-
IDEA Preschool	2,490	2,490	-
Title II-A	64,987	64,894	(93)
	<u>656,722</u>	<u>460,480</u>	<u>(196,242)</u>
<u>Other Programs</u>			
Tri-County CAP/CC Collaborative - Partners in Prevention	22,967	2,908	(20,059)
NH Charitable Foundation - MTA	20,000	13,869	(6,131)
	<u>42,967</u>	<u>16,777</u>	<u>(26,190)</u>
	<u>699,689</u>	<u>477,257</u>	<u>(222,432)</u>
<b>EXPENDITURES</b>			
Current			
Instruction	699,689	477,257	222,432
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund Balance - ending	-	-	-

**MOULTONBOROUGH SCHOOL DISTRICT**

*Note to Required Supplementary Information – Budgetary Reporting*  
June 30, 2011

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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 2010/2011 fiscal year, \$312,698 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> )	\$ 12,787,757
Adjustments:	
Encumbrances - June 30, 2010	594,864
Encumbrances - June 30, 2011	<u>(525,948)</u>
Expenditures and Other Financing Sources ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u>\$ 12,856,673</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, 2011

*All amounts are expressed in United States Dollars*

	<b>Original Budget</b>	<b>Actual (GAAB Basis)</b>	<b>Over(Under) Budget</b>
<b>REVENUES</b>			
Property Tax Assessments:			
Current appropriation - Town of Moultonborough	5,955,352	5,955,352	-
	<u>5,955,352</u>	<u>5,955,352</u>	<u>-</u>
State Support			
State-wide enhanced education tax	6,496,384	6,496,384	-
School building aid	234,309	234,309	-
Catastrophic aid	43,764	52,003	8,239
Vocational tuition	5,600	3,004	(2,596)
Driver education	6,831	5,700	(1,131)
	<u>6,786,888</u>	<u>6,791,400</u>	<u>4,512</u>
Federal Support			
Medicaid	12,000	51,556	39,556
	<u>12,000</u>	<u>51,556</u>	<u>39,556</u>
Charges for Services			
Tuition			
Regular day school	27,356	89,018	61,662
Driver Education	17,919	22,885	4,966
	<u>45,275</u>	<u>111,903</u>	<u>66,628</u>
Other local sources			
Earnings on investments	2,500	956	(1,544)
Indirect costs - federal funds	-	2,273	2,273
Other	3,000	81	(2,919)
	<u>5,500</u>	<u>3,310</u>	<u>(2,190)</u>
Total revenues	<u>12,805,015</u>	<u>12,913,521</u>	<u>108,506</u>
Unreserved fund balance used to reduce school district assessment	<u>312,698</u>		
Total revenues and use of fund balance	<u>13,117,713</u>		

Schedule D1b  
**MOULTONBOROUGH SCHOOL DISTRICT**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended June 30, 2011

*all numbers are expressed in United States Dollars*

	<b>Reserved From Prior Fiscal Year</b>	<b>Voted Appropriations</b>	<b>Expenditures Net of Refunds</b>	<b>Reserved To Next Fiscal Year</b>	<b>(Over) Under Budget</b>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular programs	1,468	5,348,344	5,340,035	8,231	1,546
Special programs	12,027	2,011,855	1,883,946	18,231	121,705
Vocational programs	9,300	65,312	59,017	7,942	7,653
Other programs	1,049	311,409	281,430	270	30,758
Adult & community programs		45,501	41,072	2,338	2,091
	<u>23,844</u>	<u>7,782,421</u>	<u>7,605,500</u>	<u>37,012</u>	<u>163,753</u>
Support services					
Student	234	410,630	420,919		(10,055)
Instructional staff	59,140	976,933	940,724	131,408	(36,059)
General administration	1,145	490,139	482,944	7,738	602
School administration	50	687,962	673,761	2,865	11,386
Operation & Maintenance of Plant	510,212	1,328,298	1,310,353	346,300	181,857
Student Transportation	239	413,294	394,436	625	18,472
	<u>571,020</u>	<u>4,307,256</u>	<u>4,223,137</u>	<u>488,936</u>	<u>166,203</u>
<i>Total supporting services</i>					
Debt service					
Principal of long-term debt		719,276	719,276		-
Interest expense - long-term debt		256,760	256,760		-
	<u>-</u>	<u>976,036</u>	<u>976,036</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING USES</b>					
Operating transfers out - Interfund Transfers					
<i>Capital and Noncapital Reserves:</i>					
Building & Grounds Expendable Trust		50,000	50,000		-
Chele Environmental Trust		2,000	2,000		-
	<u>-</u>	<u>52,000</u>	<u>52,000</u>	<u>-</u>	<u>-</u>
	<u>594,864</u>	<u>13,117,713</u>	<u>12,856,673</u>	<u>525,948</u>	<u>329,956</u>

Schedule D2  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Combining Statement of Changes in Assets and Liabilities*  
*All Agency Funds*  
For the Fiscal Year Ended June 30, 2011

*All amounts are expressed in United States Dollars*

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash and equivalents	105,674	235,743	236,727	104,690
	<u>105,674</u>	<u>235,743</u>	<u>236,727</u>	<u>104,690</u>
<b>LIABILITIES</b>				
Due to student groups:				
Moultonborough Academy Student Activities	83,511	197,117	200,277	80,351
Moultonborough Central School Student Activities	22,163	38,626	36,450	24,339
	<u>105,674</u>	<u>235,743</u>	<u>236,727</u>	<u>104,690</u>

# **Single Audit Reports and Schedules**

# The Mercier Group

*a professional corporation*

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*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, each major fund and the aggregate remaining fund information of Moultonborough School District as of and for the year ended June 30, 2011, which collectively comprise the Moultonborough School District's basic financial statements and have issued our report there on dated September 10, 2011. 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*

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**The Mercier Group**, a professional corporation  
September 10, 2011

# The Mercier Group

*a professional corporation*

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***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, 2011, and have issued our report thereon dated September 10, 2011. 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** Management of Moultonborough School District is responsible for establishing and maintaining effective 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 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* 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*

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**The Mercier Group**, a professional corporation  
September 10, 2011

# The Mercier Group

*a professional corporation*

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## **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, 2011. 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, *Audits of State and Local Governments and Non-Profit Organizations*. 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 of 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, 2011.

**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 10, 2011

Schedule I  
**MOULTONBOROUGH SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
For the Fiscal Year Ended June 30, 2011

*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
<b>U.S. Department of Agriculture</b>					
<i>Passed through the State of New Hampshire - Department of Agriculture</i>					
<b>Food Distribution (Food Donation Program)</b>	<b>10.550</b>				
Surplus Distribution <i>(Non-cash Assistance ~ USDA Commodity Foods)</i>		N/A	9,379	9,379	
				<b>9,379</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>					
<i>Passed through the State of New Hampshire - Department of Education</i>					
<b>Nutrition Cluster</b>					
School Breakfast Program	<b>10.553</b>	N/A	21,247	21,247	
National School Lunch Program	<b>10.555</b>	N/A	60,994	60,994	3,028
				<b>82,241</b>	<b>3,028</b>
<b>U.S. Department of Education</b>					
<i>Passed through the State of New Hampshire - Department of Education (unless otherwise specified)</i>					
<b>Title I, Part A Cluster</b>					
<b>Title I Grants to Local Educational Agencies (Title I, Part A of ESEA)</b>	<b>84.010</b>				
Title I			83,570	83,570	
<b>Title I Grants to Local Educational Agencies (Title I, Part A of ESEA), Recovery Act</b>	<b>84.389</b>				
Title I ARRA		Federal Direct	54,113	6,617	
Title I ARRA			16,470	7,331	
				<b>97,518</b>	<b>-</b>
<b>Special Education Cluster</b>					
<b>Special Education - Grants to States (IDEA, Part B)</b>	<b>84.027</b>				
IDEA-B-FY11		02587	135,748	135,748	
<b>Special Education - Grants to States (IDEA, Part B), Recovery Act</b>	<b>84.391</b>				
IDEA-B ARRA		Federal Direct	159,101	19,587	
<b>Special Education - Preschool Grants (IDEA Preschool)</b>	<b>84.173</b>				
Preschool		02776	2,490	2,490	
				<b>157,825</b>	<b>-</b>
<b>Title II-A</b>	<b>84.367A</b>				
Title II-A		96260	64,987	64,894	
				<b>64,894</b>	<b>-</b>
<b>Education Jobs Fund*</b>	<b>84.410A</b>				
Fed Ed Jobs Fund - ARRA		Federal Direct	140,243	140,243	
				<b>140,243</b>	<b>-</b>
				<b>552,100</b>	<b>3,028</b>

\* Denotes a major grant

**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><b>Federal Support</b></u>
<i>Governmental Funds:</i>	
General Fund	\$ 51,556
<u>Special Revenue Fund</u>	
Food Service	91,620
Federal/State/Local Projects	<u>460,480</u>
Intergovernmental Revenues - <i>Exhibit B3</i>	603,656
Less:	
Medicaid reimbursements in General Fund not considered grants for compliance reporting	<u>(51,556)</u>
Federal Awards per Schedule of Federal Awards	<u><u>\$ 552,100</u></u>

**MOULTONBOROUGH SCHOOL DISTRICT**  
*Notes to the Schedule of Expenditures of Federal Awards*  
 For the Fiscal Year Ended June 30, 2011

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**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, 2011

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**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, 2011

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**CORRECTIVE ACTION PLAN**

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