

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**

**Financial Statements**

**June 30, 2011**

**and**

**Independent Auditor's Report**

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Souhegan Cooperative School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Souhegan Cooperative School District, as of and for the year ended June 30, 2011, which collectively comprise the Souhegan Cooperative School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Souhegan Cooperative School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Souhegan Cooperative 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.

The management's discussion and analysis, budgetary comparison information and the schedule of funding progress for other post-employment benefits on pages i-vi and 20-23, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vachon Clukay & Company PC*

November 28, 2011

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

Presented herewith please find the Management Discussion & Analysis Report for the Souhegan Cooperative School District (the District) for the fiscal year ending June 30, 2011. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the District's financial position, including the results of operations of all the funds of the District. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the District's financial activities have been included.

The District is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The basic financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to most private-sector companies.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All the funds of the District are included in two categories, governmental and fiduciary funds.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Assets and Statement of Activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Federal Projects Fund, which are considered major funds. Data for the other governmental funds such as the Food Service Fund are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget. Budgetary information has not been included in these financial statements for the Federal Projects Fund, as it is neither practical nor meaningful.

During the year ended June 30, 2011, the District implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement 54 establishes new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the District has segregated fund balances into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. Complete descriptions of the above mentioned classifications may be found on Page 11 of the Notes to the Financial Statements.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the general School District's operating budget. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

**Financial Highlights**

As of the close of the fiscal year, total assets exceeded liabilities by \$8,352,259 (i.e., net assets), a change of \$231,213 from the previous year.

Governmental funds reported combined ending fund balances of \$979,154, a change of \$244,059 from the previous year.

The General Fund shows a fund balance of \$979,154 a change of \$243,469 from the previous year.

The Nonmajor Governmental Fund shows a fund balance of \$0, a change of \$590 from the previous year.

Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$1,252,846, a decrease of (\$692,670) from the previous year.

***Comparative Analysis***

The financial statements of the District have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34. Comparative financial analysis is provided in this statement to fiscal year ending June 30, 2010.

**Government-Wide Financial Analysis**

**Statement of Net Assets for the fiscal years ending June 30, 2011 and 2010:**

	<u>FY 2011</u>	<u>FY 2010</u>
Capital and other assets:		
Capital assets, net	\$ 10,012,822	\$ 10,449,066
Other assets	1,211,272	996,014
Total Assets	<u>\$ 11,224,094</u>	<u>\$ 11,445,080</u>
Long-term and other liabilities:		
Bonds payable	\$ 1,252,846	\$ 1,945,516
Compensated absences	796,528	593,142
Other post-employment benefits	325,208	221,247
Other liabilities	497,253	564,129
Total Liabilities	<u>\$ 2,871,835</u>	<u>\$ 3,324,034</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 8,759,976	\$ 8,503,550
Restricted	2,535	271,101
Unrestricted (deficit)	(410,252)	(653,605)
Total Net Assets	<u>\$ 8,352,259</u>	<u>\$ 8,121,046</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

**Statement of Activities for the fiscal years ending June 30, 2011 and 2010:**

	<u>FY 2011</u>	<u>FY 2010</u>
Program revenues:		
Charges for services	\$ 474,127	\$ 415,391
Operating grants and contributions	<u>1,649,552</u>	<u>1,803,124</u>
Total Program revenues	<u>2,123,679</u>	<u>2,218,515</u>
General revenues:		
Property taxes	14,083,278	13,318,166
State adequacy grant	2,085,444	1,510,165
State fiscal stabilization funding		579,404
Interest income	34,691	27,047
Miscellaneous	<u>161,998</u>	<u>195,700</u>
Total General revenues	<u>16,365,411</u>	<u>15,630,482</u>
Total Revenues	<u>18,489,090</u>	<u>17,848,997</u>
Expenses:		
Instruction	11,735,358	11,252,053
Supporting services	1,005,407	1,006,694
Instructional staff services	532,233	509,663
General administration	1,900,009	1,944,925
Operation and maintenance of plant	1,710,937	1,721,034
Pupil transportation	500,718	443,719
Food service	455,347	419,327
Other miscellaneous	11,353	18,863
Debt service	<u>406,515</u>	<u>748,510</u>
Total Expenses	<u>18,257,877</u>	<u>18,064,788</u>
Change in net assets	231,213	(215,791)
Net assets, beginning of year	<u>8,121,046</u>	<u>8,336,837</u>
Net assets, end of year	<u>\$ 8,352,259</u>	<u>\$ 8,121,046</u>

***Financial Analysis***

**Government-Wide**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$8,352,259, a change of \$231,213 from the previous year. See page 4 of the Basic Financial Statements for a detailed reconciliation.

The largest portion of net assets \$8,759,976 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets represents resources that are subject to external restrictions on how they may be used. The remaining amount is what is available to meet the government's ongoing obligations to its citizens and creditors.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances for all fund types of \$979,154, an increase of \$244,059 when compared to last year, including a \$243,469 increase in the total General Fund balance. The General Fund is the chief operating fund of the District.

Note that this year the School District has implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement will cause the components of the Fund Balance to be presented differently when compared to prior years. A major example of this is that the Expendable Trust balances are now reported as part of the General Fund.

The current Fund Balances for the District fall into four of the available five classifications - Non-spendable, Restricted, Committed and Assigned. The District is not reporting any Unassigned Fund Balance component in the current year.

Assigned Fund Balances account for the largest percentage of the total Fund Balance and includes \$421,983 designated to offset the subsequent fiscal year tax rate, \$105,042 for encumbrances, and \$5,876 of other student funds. The Restricted Fund Balance includes a restricted donation of \$2,535. The Committed Fund Balance includes the Expendable Trust balance of \$438,117. The Non-spendable Fund Balance represents \$5,601 in pre-paid expenses. Please see Note 12, Components of Fund Balance, on page 18.

**General Fund Budgetary Highlights**

Budgetary information for the major governmental funds (the General Fund) is included in the "Required Supplementary Information" section. The budgetary information is not presented for the Federal Projects Fund, as it is neither practical nor meaningful.

The final budget was \$1,574 higher than the original budget due to contributions and donations received during the fiscal year. Actual revenues on the budgetary basis exceeded the budgeted amount by \$200,682. A significant portion of this difference is due to additional funds received for special education Catastrophic Aid, Medicaid reimbursements, and tuition from other districts. Actual expenditures on the budgetary basis were \$277,886 lower than expected. Savings were realized in Instruction, Supporting Services, Instructional Staff Services, General Administration, and Operation and Maintenance of Plant. See Schedule on page 20 for additional information.



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

**Capital Assets**

The District considers a capital asset to be an asset whose cost equals or exceeds \$5,000 and has a useful life of greater than two years. Assets are depreciated using the straight-line method over the course of their useful life. See Note 6 in the Notes to the Basic Financial Statements for additional information on the capital assets activity.

**Long-Term Obligations**

During fiscal year 2011 the District showed a decrease in general obligations bonds of \$692,670 due to scheduled payments made during the fiscal year. Other post-employment benefits and compensated absences had net increases in potential future payments of \$103,961 and \$203,386, respectively. See Note 9 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations activity.

**Contacting District's Financial Management**

This financial report serves to provide our citizens and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the SAU #39 Business Office at PO Box 849-1 School Street, Amherst, NH 03031-0849.

EXHIBIT A  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 710,438
Accounts receivable	2,489
Due from other governments	492,744
Prepaid expenses	<u>5,601</u>
Total current assets	<u>1,211,272</u>
Noncurrent assets:	
Non-depreciable capital assets	2,002,084
Depreciable capital assets, net	<u>8,010,738</u>
Total noncurrent assets	<u>10,012,822</u>
Total assets	<u>\$ 11,224,094</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 186,500
Accrued expenses	268,646
Deferred revenue	37,277
Due to other governments	4,830
Current portion of bonds payable	<u>672,846</u>
Total current liabilities	<u>1,170,099</u>
Noncurrent liabilities:	
Bonds payable	580,000
Compensated absences	796,528
Other-post employment benefits	<u>325,208</u>
Total noncurrent liabilities	<u>1,701,736</u>
Total liabilities	<u>2,871,835</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,759,976
Restricted	2,535
Unrestricted (deficit)	<u>(410,252)</u>
Total net assets	<u>8,352,259</u>
Total liabilities and net assets	<u>\$ 11,224,094</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$11,735,358	\$ 78,360	\$ 1,225,556	\$(10,431,442)
Supporting services	1,005,407		26,176	(979,231)
Instructional staff services	532,233		39,264	(492,969)
General administration	1,900,009		10,026	(1,889,983)
Operation and maintenance of plant	1,710,937			(1,710,937)
Pupil transportation	500,718		1,159	(499,559)
Food service	455,347	395,767	35,791	(23,789)
Other miscellaneous	11,353			(11,353)
Debt service	406,515		311,580	(94,935)
Total governmental activities	<u>\$18,257,877</u>	<u>\$ 474,127</u>	<u>\$ 1,649,552</u>	<u>(16,134,198)</u>
General revenues:				
				14,083,278
				2,085,444
				34,691
				161,998
			Total general revenues	<u>16,365,411</u>
			Change in net assets	231,213
			Net assets - beginning	<u>8,121,046</u>
			Net assets - ending	<u>\$ 8,352,259</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2011

	General <u>Fund</u>	Federal Projects <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Assets:				
Cash and cash equivalents	\$ 710,438			\$ 710,438
Accounts receivable	1,826		\$ 663	2,489
Due from other governments	383,267	\$ 92,126	17,351	492,744
Due from other funds	85,146			85,146
Prepaid expenses	5,601			5,601
Total assets	<u>\$ 1,186,278</u>	<u>\$ 92,126</u>	<u>\$ 18,014</u>	<u>\$ 1,296,418</u>
Liabilities:				
Accounts payable	\$ 186,257		\$ 243	\$ 186,500
Accrued expenses	3,511			3,511
Deferred revenue	12,526	\$ 16,480	8,271	37,277
Due to other governments	4,830			4,830
Due to other funds		75,646	9,500	85,146
Total liabilities	<u>207,124</u>	<u>92,126</u>	<u>18,014</u>	<u>317,264</u>
Fund balances:				
Nonspendable	5,601			5,601
Restricted	2,535			2,535
Committed	438,117			438,117
Assigned	532,901			532,901
Total fund balances	<u>979,154</u>	<u>-</u>	<u>-</u>	<u>979,154</u>
Total liabilities and fund balances	<u>\$ 1,186,278</u>	<u>\$ 92,126</u>	<u>\$ 18,014</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 10,012,822

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable (1,252,846)  
Compensated absences (796,528)  
Other post-employment benefits (325,208)  
Accrued interest on long-term obligations (265,135)

Net assets of governmental activities \$ 8,352,259

*See accompanying notes to the basic financial statements*

## EXHIBIT D

## SOUHEGAN COOPERATIVE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2011

SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

For the Year Ended June 30, 2011

	General Fund	Federal Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds	
Revenues:					
Taxes	\$ 14,083,278			\$ 14,083,278	
Intergovernmental	3,413,776	\$ 285,429	\$ 35,791	3,734,996	
Charges for services	78,360		395,767	474,127	
Interest income	34,691			34,691	
Miscellaneous	155,678	5,885	3,784	165,347	
Total Revenues	<u>17,765,783</u>	<u>291,314</u>	<u>435,342</u>	<u>18,492,439</u>	Change in Fund Balances - Total Governmental Funds \$ 244,059
Expenditures:					
Current:					
Instruction		235,789		11,561,135	
Supporting services	11,325,346	17,047		993,369	
Instructional staff services	976,322	37,928		531,515	
General administration	493,587	550		1,807,473	
Operation and maintenance of plant	1,806,923			1,262,853	
Pupil transportation	1,262,853			500,718	
Food service	500,718		440,842	440,842	
Other miscellaneous				11,353	
Capital outlay	11,353			1,862	
Debt service:					
Principal retirement	692,670			692,670	
Interest and fiscal charges	444,590			444,590	
Total Expenditures	<u>17,516,224</u>	<u>291,314</u>	<u>440,842</u>	<u>18,248,380</u>	692,670
Excess of revenues over (under) expenditures	<u>249,559</u>	<u>-</u>	<u>(5,500)</u>	<u>244,059</u>	
Other financing sources (uses):					
Transfers in			6,090	6,090	
Transfers out	(6,090)			(6,090)	
Total other financing sources (uses)	<u>(6,090)</u>	<u>-</u>	<u>6,090</u>	<u>-</u>	(307,347)
Net change in fund balances	243,469	-	590	244,059	
Fund balances (deficit) at beginning of year, as restated	735,685	-	(590)	735,095	
Fund balances at end of year	<u>\$ 979,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 979,154</u>	Change in Net Assets of Governmental Activities \$ 231,213

See accompanying notes to the basic financial statements

EXHIBIT E  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
June 30, 2011

		Student Activities <u>Agency Funds</u>
	ASSETS	
Cash and cash equivalents		\$ 149,220
Total assets		<u>\$ 149,220</u>
	LIABILITIES	
Due to student groups		\$ 149,220
Total liabilities		<u>\$ 149,220</u>

*See accompanying notes to the basic financial statements*

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Souhegan Cooperative School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Souhegan Cooperative School District (the District) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Towns of Mont Vernon and Amherst, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the District and is governed by an elected School Board. Administrative services are provided to the District by School Administrative Unit #39. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**2. Fund Financial Statements:**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

The *General Fund* is the main operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The *Federal Projects Fund* is used to account for the financial transactions related to various state and federal grants and the related expenditures.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains one fiduciary fund, an agency fund known as the Student Activities Agency Funds. The fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Assets.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, and student fees.

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories, as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2011, the District applied \$262,590 of its unappropriated fund balance to reduce taxes.

***Encumbrance Accounting***

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year-end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-30
Machinery, equipment and furnishings	5-20
Land improvements	20

***Compensated Absences***

Employees earn vacation and sick leave as they provide services. Pursuant to the District's personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation and sick pay earned and upon severance of employment, will be compensated for such amounts at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absences liability is reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions of law, enabling legislation, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Fund Balance Policy***

During the year ended June 30, 2011, the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 establishes new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the District

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- Non-spendable Fund Balance: Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted Fund Balance: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- Committed Fund Balance: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund.

The fund balance of the District may only be committed for specific purposes pursuant to formal action of the School Board. The School Board delegates to the Superintendent of Schools the authority to assign amounts to be used for specific purposes. The School Board will return to the Towns, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate.

The District's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the liability for other post-employment benefits.

**NOTE 2--PROPERTY TAXES**

Property taxes levied to support the Souhegan Cooperative School District are based on the assessed valuation of the prior April 1<sup>st</sup> for all taxable real property.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2011

Under state statutes, the Towns of Mont Vernon and Amherst, New Hampshire (both independent governmental units) collect School District taxes as part of local property tax assessments. As collection agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2011, School District taxes were \$12,518,288 and State of New Hampshire Education taxes were \$1,564,990.

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an "accounts receivable" since the revenue is both measurable and available.

**NOTE 3--RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the District was a member of the Local Government Center (LGC). The District currently reports all of its risk management activities in its General Fund. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2011.

***Property and Liability Insurance***

The LGC provides certain property and liability insurance coverage to member school districts and school administrative units within New Hampshire. As a member of the LGC, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended June 30, 2011, the Trust retained \$500,000 of each loss, up to an aggregate of \$2,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

The LGC provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**NOTE 4--DEPOSITS**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 710,438
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	149,220
	<u>\$ 859,658</u>

Deposits at June 30, 2011 consist of the following:

Deposits with financial institutions	<u>\$ 859,658</u>
--------------------------------------	-------------------

The School District's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The District's deposits with financial institutions consist of demand deposits and savings accounts. Deposits for Student Activities Agency Funds are at the discretion of the School Principals and Superintendent of Schools.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy stipulates that all deposits and investments be covered by federal depository insurance, with all balances in excess of FDIC insurance limits collateralized.

Of the District's deposits with financial institutions at year end, \$1,125,124 was collateralized by securities held by the bank in the bank's name.

**NOTE 5--DUE FROM OTHER GOVERNMENTS**

Receivables from other governments at June 30, 2011 consist of various federal and state funding, funds held by the Town of Amherst Trustees and reimbursements from other local governmental units. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

State of New Hampshire - Federal Projects grants	\$ 92,126
State of New Hampshire - School Lunch Program	13,411
Amherst, New Hampshire School District	12,129
Mont Vernon, New Hampshire School District	176
School Administrative Unit #39	1,421
Town of Amherst Trustees	373,481
	<u>\$ 492,744</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**NOTE 6--CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 1,949,231			\$ 1,949,231
Construction in progress	-	\$ 52,853		52,853
Total capital assets not being depreciated	<u>1,949,231</u>	<u>52,853</u>	<u>\$ -</u>	<u>2,002,084</u>
Other capital assets:				
Land improvements	47,820			47,820
Buildings and improvements	15,654,994	34,300		15,689,294
Machinery, equipment and furnishings	353,798	43,112	(8,624)	388,286
Total other capital assets at historical cost	<u>16,056,612</u>	<u>77,412</u>	<u>(8,624)</u>	<u>16,125,400</u>
Less accumulated depreciation for:				
Land improvements	(5,663)	(2,391)		(8,054)
Buildings and improvements	(7,398,096)	(522,737)		(7,920,833)
Machinery, equipment and furnishings	(153,018)	(36,782)	4,025	(185,775)
Total accumulated depreciation	<u>(7,556,777)</u>	<u>(561,910)</u>	<u>4,025</u>	<u>(8,114,662)</u>
Total other capital assets, net	<u>8,499,835</u>	<u>(484,498)</u>	<u>(4,599)</u>	<u>8,010,738</u>
Total capital assets, net	<u>\$ 10,449,066</u>	<u>\$ (431,645)</u>	<u>\$ (4,599)</u>	<u>\$ 10,012,822</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 7,507
General administration	12,209
Operation and maintenance of plant	542,194
	<u>\$ 561,910</u>

**NOTE 7--DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The District contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

***Funding Policy***

Plan members are required to contribute 5.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the year ended June 30, 2011 were 8.02% and 9.16% of covered payroll to teachers and general employees, respectively. The District contributes 75% of the employer cost for teachers employed by the District and the State of New

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

Hampshire contributes the remaining 25% of the employer cost. The District contributes 100% of the employer cost for general employees of the District. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$184,086 and \$3,367 have been reported as a revenue and expenditure in the General Fund and Federal Projects Fund, respectively in these financial statements.

Under state law plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the years ending June 30, 2011, 2010, and 2009 were \$723,158, \$672,167, and \$530,061, respectively, equal to the required contributions for each year.

**NOTE 8--OTHER POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits, the District provides post-employment health care and life insurance benefits to its eligible retirees and their spouses. The District provides medical, prescription drug, mental health and substance abuse benefits, as well as life insurance, to retirees and their covered dependents. All active employees who retire from the District and meet eligibility requirements will receive these benefits. Retirees pay the full cost of the medical premium. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2008, the actuarial valuation date, approximately 8 retirees and 186 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

***Annual OPEB Costs***

The District's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The District's annual OPEB cost for the year ending June 30, 2011 including the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2008 is as follows:

Annual Required Contribution (ARC)	\$ 158,378
Interest on net OPEB obligation	8,850
Adjustment to ARC	<u>(9,475)</u>
Annual OPEB cost	157,753
Contributions made	<u>(53,792)</u>
Increase in net OPEB obligation	103,961
Net OPEB obligation - beginning of year	<u>221,247</u>
Net OPEB obligation - end of year	<u>\$ 325,208</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2011, 2010 and 2009 are as follows:



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

Fiscal Year	Annual	Percentage of	Net OPEB	Covered	OPEB Cost
<u>Ending</u>	<u>OPEB Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Obligation</u>	<u>Payroll</u>	<u>% of Pay</u>
6/30/2009	\$ 142,232	16.4%	\$ 118,883	\$ 8,760,256	1.60%
6/30/2010	\$ 150,143	31.8%	\$ 221,247	\$ 8,979,262	1.70%
6/30/2011	\$ 157,753	34.1%	\$ 325,208	\$ 9,203,744	1.70%

The District's net OPEB obligation as of June 30, 2011 is recognized as a liability in these financial statements.

***Funded Status and Funding Progress for OPEB***

The funded status of the plan as of July 1, 2008, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 942,912
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 942,912</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 8,760,256
UAAL as a percentage of covered payroll	10.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions for OPEB***

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2008 actuarial valuation the Entry Age Normal Method was used. The actuarial value of assets was not determined as the District has not advanced its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 10% which decreases to a 5.0% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**NOTE 9--LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the District's long-term obligations for the year ended June 30, 2011 are as follows:

<u>Type</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 1,945,516		\$ 692,670	\$ 1,252,846	\$ 672,846
Compensated absences	593,142	\$ 225,314	21,928	796,528	-
Total	<u>\$ 2,538,658</u>	<u>\$ 225,314</u>	<u>\$ 714,598</u>	<u>\$ 2,049,374</u>	<u>\$ 672,846</u>

Payments on the general obligation bonds are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

***General Obligation Bonds***

Bonds payable at June 30, 2011 is comprised of the following individual issues:

\$12,146,508 SCS Building and Renovation bonds due in annual installments ranging from \$92,846 to \$1,420,000 through October 2011 with varying interest rates from 6.00% to 7.45%	\$ 92,846
\$5,800,000 SHS Building Expansion bonds due in annual installments of \$580,000 through July 2012 with interest at 4.95%	1,160,000
	<u>\$ 1,252,846</u>

General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 672,846	\$ 380,219	\$ 1,053,065
2013	580,000	14,355	594,355
	<u>\$ 1,252,846</u>	<u>\$ 394,574</u>	<u>\$ 1,647,420</u>

As included on the Statement of Activities (Exhibit B), interest expense on the general obligation bonds of the governmental activities for the year ended June 30, 2011 was \$406,515.

**NOTE 10--INTERFUND BALANCES AND TRANSFERS**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2011 are as follows:

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

Due to	Due from		<u>Totals</u>
	Federal Projects <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	
General Fund	<u>\$ 75,646</u>	<u>\$ 9,500</u>	<u>\$ 85,146</u>

During the year, an interfund transaction occurred between funds. The transfer was made in accordance with budgetary authorization. Interfund transfers for the year ended June 30, 2011 are as follows:

Transfer to	Nonmajor Governmental Fund	Transfer from General <u>Fund</u>
		<u>\$ 6,090</u>

**NOTE 11--RESTRICTED NET ASSETS**

Net assets are restricted for specific purposes as follows:

School Maintenance Trust Fund	\$ 148,519
School Unfunded Liabilities Trust Fund	51,207
Souhegan Cooperative Trust Fund	238,391
Special Education Van	<u>2,535</u>
	<u>\$ 440,652</u>

**NOTE 12--COMPONENTS OF FUND BALANCE**

The components of the District's fund balance for its governmental funds at June 30, 2011 are as follows:

	General <u>Fund</u>
Nonspendable:	
Prepaid expenses	\$ 5,601
Restricted for:	
Special education van contribution	2,535
Committed for:	
Expendable trusts	438,117
Assigned for:	
Encumbrances	105,042
Other student funds	5,876
Designated to offset subsequent fiscal year tax rate	<u>421,983</u>
	<u>\$ 979,154</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**NOTE 13--COMMITMENTS**

*Transportation*

The District entered into long-term contracts with independent bus companies during April 2009 and May 2009 to provide pupil transportation services and special education transportation services, respectively, through June 30, 2014. For the year ended June 30, 2011, the District expended \$305,411 for pupil transportation and \$184,443 for special education transportation, under the terms of the agreements.

**NOTE 14--CONTINGENT LIABILITIES**

*Federal Grants*

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

*Litigation*

There are various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of legal counsel and District management, the potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

**NOTE 15--RESTATEMENT OF EQUITY**

*Governmental Funds*

Effective July 1, 2010, the District retroactively changed its method of financial reporting to conform to a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 54). This new standard changes how fund balance is reported and changes the definition of the governmental fund types. As a result, the Expendable Trust Funds and Other Student Funds, previously reported as nonmajor governmental funds of the District, have been reclassified into the general fund for reporting purposes. The impact of the restatements on the governmental funds is as follows:

	General Fund	Expendable Trust Funds	Nonmajor Governmental Funds
Fund Balance - July 1, 2010 (as previously reported)	\$ 460,566	\$ 271,101	\$ 3,428
Amount of restatement due to:			
Reclassification of Expendable Trust Funds	271,101	(271,101)	
Reclassification of Other Student Funds	4,018		(4,018)
Fund Balance - July 1, 2010, as restated	<u>\$ 735,685</u>	<u>\$ -</u>	<u>\$ (590)</u>

SCHEDULE 1  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 14,083,278	\$ 14,083,278	\$ 14,083,278	\$ -
Intergovernmental	3,050,524	3,050,524	3,229,690	179,166
Charges for services	25,000	25,000	78,360	53,360
Interest income	20,000	20,000	5,813	(14,187)
Miscellaneous	158,550	160,124	142,467	(17,657)
Total Revenues	<u>17,337,352</u>	<u>17,338,926</u>	<u>17,539,608</u>	<u>200,682</u>
Expenditures:				
Current:				
Instruction	11,390,476	11,314,424	11,140,026	174,398
Supporting services	1,007,205	1,007,205	958,686	48,519
Instructional staff services	505,410	505,410	481,868	23,542
General administration	1,756,631	1,813,166	1,806,998	6,168
Operation and maintenance of plant	1,199,114	1,219,720	1,202,776	16,944
Pupil transportation	514,331	514,331	506,016	8,315
Debt service:				
Principal retirement	692,670	692,670	692,670	-
Interest and fiscal charges	444,105	444,590	444,590	-
Total Expenditures	<u>17,509,942</u>	<u>17,511,516</u>	<u>17,233,630</u>	<u>277,886</u>
Excess of revenues over (under) expenditures	<u>(172,590)</u>	<u>(172,590)</u>	<u>305,978</u>	<u>478,568</u>
Other financing uses:				
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(81,090)</u>	<u>8,910</u>
Total other financing uses	<u>(90,000)</u>	<u>(90,000)</u>	<u>(81,090)</u>	<u>8,910</u>
Net change in fund balance	(262,590)	(262,590)	224,888	487,478
Fund balances at beginning of year				
- Budgetary Basis	<u>270,231</u>	<u>270,231</u>	<u>270,231</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 7,641</u>	<u>\$ 7,641</u>	<u>\$ 495,119</u>	<u>\$ 487,478</u>

See accompanying notes to the required supplementary information

SCHEDULE 2  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Post-Employment Benefits**  
For the Year Ended June 30, 2011

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) <u>Liability (AAL)</u>	Unfunded AAL (UAAL) <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
7/1/2008	\$ -	\$ 942,912	\$ 942,912	0%	\$ 8,760,256	10.8%

*See accompanying notes to the required supplementary information*

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2011

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

***General Fund***

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and expenditures were adjusted for non-budgetary revenues and expenditures, budgetary transfers out, encumbrances and on-behalf payments for fringe benefits as follows:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Per Exhibit D	\$ 17,765,783	\$ 17,522,314
Non-budgetary revenues and expenditures	(42,089)	(13,215)
Budgetary transfers out		75,000
Encumbrances - June 30, 2011		105,042
Encumbrances - June 30, 2010		(190,335)
On-behalf fringe benefits	<u>(184,086)</u>	<u>(184,086)</u>
Per Schedule 1	<u>\$ 17,539,608</u>	<u>\$ 17,314,720</u>

***Major Special Revenue Fund***

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

**NOTE 2—ENCUMBRANCES**

Functional encumbrances in the General Fund at June 30, 2011 are as follows:

Instruction	\$ 22,386
Supporting services	438
Instructional staff services	5,011
General administration	22,453
Operation and maintenance of plant	45,895
Pupil transportation	<u>8,859</u>
	<u>\$ 105,042</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
June 30, 2011

**NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the District is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The District implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has only been presented for the most recent actuarial valuation report. Additional disclosures will be made as the information becomes available.