

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**

**Financial Statements**

**June 30, 2012**

**and**

**Independent Auditor's Report**

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2012**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-vi
<b>BASIC FINANCIAL STATEMENTS</b>	
EXHIBITS:	
A    Statement of Net Assets	1
B    Statement of Activities	2
C    Balance Sheet – Governmental Funds	3
D    Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E    Statement of Fiduciary Net Assets - Fiduciary Funds	5
NOTES TO BASIC FINANCIAL STATEMENTS	6-19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULES:	
1    Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	20
2    Schedule of Funding Progress for Other Post-Employment Benefits	21
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	22

## **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, 2012, 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 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that 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 20-22, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Vachon Clukay & Company PC*

November 30, 2012

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2012**

Presented herewith please find the Management Discussion & Analysis Report for the Souhegan Cooperative School District (the District) for the fiscal year ending June 30, 2012. 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, 2012**

**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.

**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, 2012**

**Financial Highlights**

As of the close of the fiscal year, total assets exceeded liabilities by \$8,341,728 (i.e., net assets), a decrease of \$10,531 from the previous year.

Governmental funds reported combined ending fund balances of \$651,558, a decrease of \$327,596 from the previous year.

The General Fund shows an ending fund balance of \$653,019, a decrease of \$326,135 from the previous year.

The Nonmajor Governmental Fund shows an ending fund balance of (\$1,461), a change of (\$1,461) from the previous year.

Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$580,000, a decrease of \$672,846 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, 2011.

**Government-Wide Financial Analysis**

**Statement of Net Assets for the fiscal years ending June 30, 2012 and 2011:**

	<b><u>FY 2012</u></b>	<b><u>FY 2011</u></b>
Capital and other assets:		
Capital assets, net	\$ 9,578,460	\$ 10,012,822
Other assets	990,381	1,211,272
Total Assets	<u>\$ 10,568,841</u>	<u>\$ 11,224,094</u>
Long-term and other liabilities:		
Bonds payable	\$ 580,000	\$ 1,252,846
Compensated absences	863,868	796,528
Other post-employment benefits	431,263	325,208
Other liabilities	351,982	497,253
Total Liabilities	<u>\$ 2,227,113</u>	<u>\$ 2,871,835</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 8,998,460	\$ 8,759,976
Restricted	59	2,535
Unrestricted (deficit)	(656,791)	(410,252)
Total Net Assets	<u>\$ 8,341,728</u>	<u>\$ 8,352,259</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2012**

**Statement of Activities for the fiscal years ending June 30, 2012 and 2011:**

	<u><b>FY 2012</b></u>	<u><b>FY 2011</b></u>
Program revenues:		
Charges for services	\$ 432,867	\$ 474,127
Operating grants and contributions	<u>1,135,987</u>	<u>1,649,552</u>
Total Program revenues	<u>1,568,854</u>	<u>2,123,679</u>
 General revenues:		
Property taxes	14,275,702	14,083,278
State adequacy grant	2,030,979	2,085,444
Interest income	10,324	34,691
Miscellaneous	<u>210,266</u>	<u>161,998</u>
Total General revenues	<u>16,527,271</u>	<u>16,365,411</u>
Total Revenues	<u>18,096,125</u>	<u>18,489,090</u>
 Expenses:		
Instruction	11,546,666	11,735,358
Supporting services	1,002,461	1,005,407
Instructional staff services	563,886	532,233
General administration	1,928,325	1,900,009
Operation and maintenance of plant	1,889,075	1,710,937
Pupil transportation	585,051	500,718
Food service	439,028	455,347
Other miscellaneous	23,422	11,353
Debt service	<u>128,742</u>	<u>406,515</u>
Total Expenses	<u>18,106,656</u>	<u>18,257,877</u>
 Change in net assets	(10,531)	231,213
Net assets, beginning of year	<u>8,352,259</u>	<u>8,121,046</u>
Net assets, end of year	<u><u>\$ 8,341,728</u></u>	<u><u>\$ 8,352,259</u></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 \$8,341,728, a decrease of \$10,531 from the previous year. See page 4 of the Basic Financial Statements for a detailed reconciliation.

The largest portion of net assets \$8,998,460 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, 2012**

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 of \$651,558, a decrease of \$327,596 when compared to last year. This overall decrease included a \$326,135 decrease in the total General Fund balance. The General Fund is the chief operating fund of the District.

In the prior fiscal year, the District implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement caused 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.

Fund Balances for the District may fall into one of the five following classifications - Non-spendable, Restricted, Committed, Assigned and Unassigned.

Assigned Fund Balances account for a significant percentage of the total Fund Balance and includes \$58,554 designated to offset the subsequent fiscal year tax rate, \$82,423 for encumbrances, and \$1,066 of other student funds. The Restricted Fund Balance includes a restricted donation of \$59. The Committed Fund Balance includes the Expendable Trust balance of \$510,227. The Non-spendable Fund Balance represents \$690 in prepaid expenses. Please see Note 12 in the Notes to the Basic Financial Statements, Components of Fund Balance, on page 18 for additional information.

**General Fund Budgetary Highlights**

Budgetary information for the District's 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.

Actual revenues on the budgetary basis exceeded the budgeted amount by \$48,338. A significant portion of this difference is due to additional funds received for special education Catastrophic Aid. Actual expenditures on the budgetary basis were \$83,430 lower than expected. Savings were realized in Instruction, Supporting Services, Instructional Staff Services, General Administration, and Operation and Maintenance of Plant. See Schedule 1 on page 20 for additional information.



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2012**

**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 estimated useful life. See Note 7 in the Notes to the Basic Financial Statements for additional information on the capital assets activity.

**Long-Term Obligations**

During fiscal year 2012 the District showed a decrease in general obligations bonds of \$672,846 due to scheduled payments made on existing obligations during the fiscal year. Other post-employment benefits (OPEB) and compensated absences liabilities had net increases in potential future payments of \$106,055 and \$67,340, respectively. See Notes 9 and 10 in the Notes to the Basic Financial Statements for additional information regarding OPEB and other outstanding long-term obligations.

**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, 2012

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 432,757
Accounts receivable	5,143
Due from other governments	551,791
Prepaid expenses	690
Total current assets	<u>990,381</u>
Noncurrent assets:	
Non-depreciable capital assets	1,968,724
Depreciable capital assets, net	7,609,736
Total noncurrent assets	<u>9,578,460</u>
Total assets	<u><u>\$ 10,568,841</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 238,652
Accrued expenses	35,425
Deferred revenue	64,710
Due to other governments	13,195
Current portion of bonds payable	580,000
Current portion of compensated absences payable	19,749
Total current liabilities	<u>951,731</u>
Noncurrent liabilities:	
Compensated absences payable	844,119
Other-post employment benefits payable	431,263
Total noncurrent liabilities	<u>1,275,382</u>
Total liabilities	<u>2,227,113</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,998,460
Restricted for:	
Special Education Van	59
Unrestricted (deficit)	<u>(656,791)</u>
Total net assets	<u>8,341,728</u>
Total liabilities and net assets	<u><u>\$ 10,568,841</u></u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2012

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	\$11,546,666	\$ 53,759	\$ 741,698	\$(10,751,209)
Supporting services	1,002,461			(1,002,461)
Instructional staff services	563,886		47,606	(516,280)
General administration	1,928,325			(1,928,325)
Operation and maintenance of plant	1,889,075			(1,889,075)
Pupil transportation	585,051		1,827	(583,224)
Food service	439,028	379,108	41,206	(18,714)
Other miscellaneous	23,422			(23,422)
Debt service	128,742		303,650	174,908
Total governmental activities	<u>\$18,106,656</u>	<u>\$ 432,867</u>	<u>\$ 1,135,987</u>	<u>(16,537,802)</u>
General revenues:				
				14,275,702
				2,030,979
				10,324
				210,266
				<u>16,527,271</u>
				(10,531)
				<u>8,352,259</u>
				<u>\$ 8,341,728</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2012

	General Fund	Federal Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 432,757			\$ 432,757
Accounts receivable	750		\$ 4,393	5,143
Due from other governments	458,691	\$ 91,450	1,650	551,791
Due from other funds	66,622		3,118	69,740
Prepaid expenses	690			690
Total assets	<u>\$ 959,510</u>	<u>\$ 91,450</u>	<u>\$ 9,161</u>	<u>\$ 1,060,121</u>
Liabilities:				
Accounts payable	\$ 234,063	\$ 4,300	\$ 289	\$ 238,652
Accrued expenses	22,266			22,266
Deferred revenue	36,967	17,410	10,333	64,710
Due to other governments	13,195			13,195
Due to other funds		69,740		69,740
Total liabilities	<u>306,491</u>	<u>91,450</u>	<u>10,622</u>	<u>408,563</u>
Fund balances:				
Nonspendable	690			690
Restricted	59			59
Committed	510,227			510,227
Assigned	142,043			142,043
Unassigned (deficit)			(1,461)	(1,461)
Total fund balances	<u>653,019</u>	<u>-</u>	<u>(1,461)</u>	<u>651,558</u>
Total liabilities and fund balances	<u>\$ 959,510</u>	<u>\$ 91,450</u>	<u>\$ 9,161</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 9,578,460

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 (580,000)  
Compensated absences (863,868)  
Other post-employment benefits (431,263)  
Accrued interest on long-term obligations (13,159)

Net assets of governmental activities \$ 8,341,728

*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, 2012

	General Fund	Federal Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 14,275,702			\$ 14,275,702
Intergovernmental	2,863,356	\$ 262,404	\$ 41,206	3,166,966
Charges for services	53,759		379,108	432,867
Interest income	10,324			10,324
Miscellaneous	197,696	6,570	6,000	210,266
Total Revenues	<u>17,400,837</u>	<u>268,974</u>	<u>426,314</u>	<u>18,096,125</u>
Expenditures:				
Current:				
Instruction	11,286,417	217,798		11,504,215
Supporting services	995,969	1,570		997,539
Instructional staff services	502,488	49,606		552,094
General administration	1,856,022			1,856,022
Operation and maintenance of plant	1,409,039			1,409,039
Pupil transportation	585,051			585,051
Food service			442,775	442,775
Other miscellaneous	23,422			23,422
Debt service:				
Principal retirement	672,846			672,846
Interest and fiscal charges	380,718			380,718
Total Expenditures	<u>17,711,972</u>	<u>268,974</u>	<u>442,775</u>	<u>18,423,721</u>
Excess of revenues over (under) expenditures	<u>(311,135)</u>	<u>-</u>	<u>(16,461)</u>	<u>(327,596)</u>
Other financing sources (uses):				
Transfers in			15,000	15,000
Transfers out	(15,000)			(15,000)
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	(326,135)	-	(1,461)	(327,596)
Fund balances at beginning of year	<u>979,154</u>	<u>-</u>	<u>-</u>	<u>979,154</u>
Fund balances (deficit) at end of year	<u>\$ 653,019</u>	<u>\$ -</u>	<u>\$ (1,461)</u>	<u>\$ 651,558</u>

**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, 2012

Change in Fund Balances - Total Governmental Funds	\$ (327,596)
Amounts reported for governmental activities in the statement of activities 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 as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(434,362)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	672,846
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	251,976
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(173,395)
Change in Net Assets of Governmental Activities	<u>\$ (10,531)</u>

See accompanying notes to the basic financial statements

EXHIBIT E  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
June 30, 2012

		Student Activities <u>Agency Funds</u>
	ASSETS	
Cash and cash equivalents		\$ 141,884
Total assets		<u>\$ 141,884</u>
	LIABILITIES	
Due to student groups		\$ 141,884
Total liabilities		<u>\$ 141,884</u>

*See accompanying notes to the basic financial statements*

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**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, 2012

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 education 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, 2012

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.

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

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**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, 2012, the District applied \$437,584 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, 2012 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 or intangible assets. 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, 2012

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>
Land improvements	20
Buildings and improvements	20-30
Machinery, equipment and furnishings	5-20

***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***

The District has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of the governmental fund types. Under Statement 54, the District has segregated fund balance into five

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These 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 that can only be spent for specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- *Committed Fund Balance:* Amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision making authority (the Annual District Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- *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, with the exception of any deficit balance of another governmental fund.

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 in 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.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Deficit Fund Balance*

As of June 30, 2012, the Food Service Fund, a Nonmajor Governmental Fund, had a deficit fund balance of (\$1,461).

**NOTE 3--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.

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, 2012, School District taxes were \$12,690,940 and State of New Hampshire Education taxes were \$1,584,762. 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 4--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, 2012, 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, 2012.

*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, 2012, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***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.

**NOTE 5--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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 432,757
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	141,884
	<u>\$ 574,641</u>

Deposits at June 30, 2012 consist of the following:

Deposits with financial institutions	<u>\$ 574,641</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. 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, \$516,372 was collateralized by securities held by the bank in the bank's name.

**NOTE 6--DUE FROM OTHER GOVERNMENTS**

Receivables from other governments at June 30, 2012 consist of various federal and state funding, funds held by the Town of Amherst Trustees of Trust Funds 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:

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

State of New Hampshire - Federal Projects grants	\$ 91,450
State of New Hampshire - School Lunch Program	1,650
Other local education agencies	13,464
Town of Amherst Trustees of Trust Funds	<u>445,227</u>
	<u>\$ 551,791</u>

**NOTE 7--CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,949,231			\$ 1,949,231
Construction in progress	<u>52,853</u>	\$ 19,493	\$ (52,853)	<u>19,493</u>
Total capital assets not being depreciated	<u>2,002,084</u>	<u>19,493</u>	<u>(52,853)</u>	<u>1,968,724</u>
Other capital assets:				
Land improvements	47,820			47,820
Buildings and improvements	15,689,294	30,036		15,719,330
Machinery, equipment and furnishings	<u>388,286</u>	<u>146,048</u>		<u>534,334</u>
Total other capital assets at historical cost	<u>16,125,400</u>	<u>176,084</u>	<u>-</u>	<u>16,301,484</u>
Less accumulated depreciation for:				
Land improvements	(8,054)	(2,391)		(10,445)
Buildings and improvements	(7,920,833)	(523,716)		(8,444,549)
Machinery, equipment and furnishings	<u>(185,775)</u>	<u>(50,979)</u>		<u>(236,754)</u>
Total accumulated depreciation	<u>(8,114,662)</u>	<u>(577,086)</u>	<u>-</u>	<u>(8,691,748)</u>
Total other capital assets, net	<u>8,010,738</u>	<u>(401,002)</u>	<u>-</u>	<u>7,609,736</u>
Total capital assets, net	<u>\$ 10,012,822</u>	<u>\$ (381,509)</u>	<u>\$ (52,853)</u>	<u>\$ 9,578,460</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,529
General administration	22,525
Operation and maintenance of plant	542,882
Food service	<u>3,150</u>
	<u>\$ 577,086</u>

**NOTE 8--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.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***Funding Policy***

Plan members are required to contribute 7.0% 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, 2012 were 13.95% and 11.09% of covered payroll to teachers and general employees, respectively through July 31, 2011 and 11.30% and 8.80%, respectively, thereafter. The District contributes 100% of the employer cost for teachers and general employees of the District.

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, 2012, 2011, and 2010 were \$967,237, \$723,158, and \$672,167, respectively, equal to the required contributions for each year.

**NOTE 9--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, 2011, the actuarial valuation date, approximately 12 retirees and 166 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

***Annual OPEB Costs***

The District's fiscal 2012 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, 2012, 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, 2011 is as follows:

Annual Required Contribution (ARC)	\$ 128,413
Interest on net OPEB obligation	13,008
Adjustment to ARC	<u>(15,180)</u>
Annual OPEB cost	126,241
Contributions made	<u>(20,186)</u>
Increase in net OPEB obligation	106,055
Net OPEB obligation - beginning of year	<u>325,208</u>
Net OPEB obligation - end of year	<u><u>\$ 431,263</u></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, 2012, 2011 and 2010 are as follows:



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

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>
6/30/2012	\$ 126,241	16.0%	\$ 431,263	\$ 8,660,737	1.50%
6/30/2011	\$ 157,753	34.1%	\$ 325,208	\$ 9,203,744	1.70%
6/30/2010	\$ 150,143	31.8%	\$ 221,247	\$ 8,979,262	1.70%

The District's net OPEB obligation as of June 30, 2012 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, 2011, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 819,809
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 819,809</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 8,660,737
UAAL as a percentage of covered payroll	9.5%

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.

For the July 1, 2011 actuarial valuation the Entry Age Normal Method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual medical cost trend of 8.5% which decreases to a 5.0% long-term rate for all medical 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, 2012

**NOTE 10--LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the District's long-term obligations for the year ended June 30, 2012 are as follows:

<u>Type</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2011</u>			<u>June 30, 2012</u>	<u>Due Within</u>
Bonds payable	\$ 1,252,846		\$ (672,846)	\$ 580,000	\$ 580,000
Compensated absences	796,528	\$ 138,884	(71,544)	863,868	19,749
Total	<u>\$ 2,049,374</u>	<u>\$ 138,884</u>	<u>\$ (744,390)</u>	<u>\$ 1,443,868</u>	<u>\$ 599,749</u>

Payments on the general obligation bonds payable 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, 2012 is comprised of the following individual issue:

\$5,800,000 SHS Building Expansion bonds due in annual installments of \$580,000 through July 2012; interest at 4.95%	<u>\$ 580,000</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, 2012 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>June 30,</u> 2013	<u>\$ 580,000</u>	<u>\$ 14,355</u>	<u>\$ 594,355</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, 2012 was \$128,742.

**NOTE 11--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, 2012 are as follows:

<u>Due to:</u>	<u>Due from</u>	
	Federal	
	Projects	
	<u>Fund</u>	
General Fund	\$	66,622
Nonmajor Governmental Fund		<u>3,118</u>
	\$	<u>69,740</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

During the year, an interfund transaction occurred between funds. The General Fund, a Major Governmental Fund, transferred \$15,000 to the Food Service Fund, a Nonmajor Governmental Fund, in accordance with budgetary authorization.

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

The components of the District's fund balance for its governmental funds at June 30, 2012 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid expenses	\$ 690		\$ 690
<b>Restricted for:</b>			
Special Education Van	59		59
<b>Committed for:</b>			
Expendable trusts	510,227		510,227
<b>Assigned for:</b>			
Encumbrances	82,423		82,423
Other student funds	1,066		1,066
Designated to offset subsequent fiscal year tax rate	58,554		58,554
<b>Unassigned (deficit):</b>			
Food service operations		\$ (1,461)	(1,461)
	<u>\$ 653,019</u>	<u>\$ (1,461)</u>	<u>\$ 651,558</u>

**NOTE 13--COMMITMENTS**

***Transportation Contracts***

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, 2012, the District expended \$302,436 for pupil transportation and \$287,355 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.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***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.

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 14,275,702	\$ 14,275,702	\$ 14,275,702	\$ -
Intergovernmental	2,826,397	2,826,397	2,863,356	36,959
Charges for services	31,000	31,000	53,759	22,759
Interest income	6,000	6,000	3,214	(2,786)
Miscellaneous	187,678	187,678	179,084	(8,594)
Total Revenues	<u>17,326,777</u>	<u>17,326,777</u>	<u>17,375,115</u>	<u>48,338</u>
Expenditures:				
Current:				
Instruction	11,301,764	11,301,764	11,282,855	18,909
Supporting services	1,001,421	1,001,421	996,026	5,395
Instructional staff services	533,548	533,548	497,752	35,796
General administration	1,855,387	1,855,387	1,837,919	17,468
Operation and maintenance of plant	1,430,310	1,430,310	1,421,623	8,687
Pupil transportation	573,866	573,866	576,192	(2,326)
Debt service:				
Principal retirement	672,846	672,846	672,846	-
Interest and fiscal charges	380,219	380,219	380,718	(499)
Total Expenditures	<u>17,749,361</u>	<u>17,749,361</u>	<u>17,665,931</u>	<u>83,430</u>
Excess of revenues over (under) expenditures	<u>(422,584)</u>	<u>(422,584)</u>	<u>(290,816)</u>	<u>131,768</u>
Other financing uses:				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Total other financing uses	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net change in fund balance	(502,584)	(502,584)	(370,816)	131,768
Fund balances at beginning of year				
- Budgetary Basis	<u>495,119</u>	<u>495,119</u>	<u>495,119</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ (7,465)</u>	<u>\$ (7,465)</u>	<u>\$ 124,303</u>	<u>\$ 131,768</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, 2012

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <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%
7/1/2011	\$ -	\$ 819,809	\$ 819,809	0%	\$ 8,660,737	9.5%

*See accompanying notes to the required supplementary information*

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2012

**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 and encumbrances as follows:

	Revenues <u>and Transfers</u>	Expenditures <u>and Transfers</u>
Per Exhibit D	\$ 17,400,837	\$ 17,726,972
Non-budgetary revenues and expenditures	(25,722)	(23,422)
Budgetary transfers out		65,000
Encumbrances - June 30, 2012		82,423
Encumbrances - June 30, 2011		(105,042)
Per Schedule 1	<u>\$ 17,375,115</u>	<u>\$ 17,745,931</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—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 two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.