

# HOLLIS SCHOOL DISTRICT

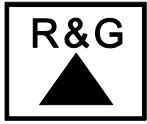
## FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

**HOLLIS SCHOOL DISTRICT  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollis School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matters noted in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the financial position of the governmental activities of the Hollis School District as of June 30, 2012, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Hollis School District as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 and 22 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 or economic 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.

The Hollis School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollis School District's basic financial statements. The combining nonmajor and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 4, 2013

*Roberts & Allen, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

|                                                  | Governmental<br>Activities |
|--------------------------------------------------|----------------------------|
| <b>ASSETS</b>                                    |                            |
| Cash and cash equivalents                        | \$ 697,054                 |
| Investments                                      | 469                        |
| Intergovernmental receivables                    | 257,507                    |
| Other receivables                                | 4,794                      |
| Inventory                                        | 4,759                      |
| Prepaid items                                    | 15,827                     |
| Capital assets, net of accumulated depreciation: |                            |
| Land improvements                                | 72,387                     |
| Buildings and building improvements              | 1,282,905                  |
| Machinery, equipment and vehicles                | 86,229                     |
| Total assets                                     | <u>2,421,931</u>           |
| <b>LIABILITIES</b>                               |                            |
| Accounts payable                                 | 75,977                     |
| Accrued salaries and benefits                    | 31,507                     |
| Contract payable                                 | 10,250                     |
| Intergovernmental payable                        | 6,441                      |
| Accrued interest payable                         | 172,669                    |
| Unearned revenue                                 | 13,760                     |
| Noncurrent obligations:                          |                            |
| Due within one year:                             |                            |
| Bonds                                            | 169,870                    |
| Compensated absences                             | 10,605                     |
| Termination benefits                             | 18,033                     |
| Due in more than one year:                       |                            |
| Bonds                                            | 324,848                    |
| Termination benefits                             | 118,808                    |
| Total liabilities                                | <u>952,768</u>             |
| <b>NET ASSETS</b>                                |                            |
| Invested in capital assets, net of related debt  | 946,783                    |
| Restricted for special purposes                  | 6,656                      |
| Unrestricted                                     | 515,724                    |
| Total net assets                                 | <u>\$ 1,469,163</u>        |

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

**EXHIBIT 2**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

|                                                              |                      | Program Revenues  |                   |                  | Net (Expense)       |
|--------------------------------------------------------------|----------------------|-------------------|-------------------|------------------|---------------------|
|                                                              |                      |                   | Operating         | Capital          | Revenue and         |
|                                                              | Expenses             | Charges for       | Grants and        | Grants and       | Changes In          |
|                                                              |                      | Services          | Contributions     | Contributions    | Net Assets          |
| <b>Governmental activities:</b>                              |                      |                   |                   |                  |                     |
| Instruction                                                  | \$ 4,566,119         | \$ 45,053         | \$ 270,109        | \$ -             | \$ (4,250,957)      |
| Support services:                                            |                      |                   |                   |                  |                     |
| Student                                                      | 720,768              | -                 | 91                | -                | (720,677)           |
| Instructional staff                                          | 295,683              | -                 | 13,162            | -                | (282,521)           |
| General administration                                       | 49,518               | -                 | -                 | -                | (49,518)            |
| Executive administration                                     | 401,172              | -                 | -                 | -                | (401,172)           |
| School administration                                        | 483,018              | -                 | -                 | -                | (483,018)           |
| Operation and maintenance of plant                           | 908,217              | 8,000             | -                 | -                | (900,217)           |
| Student transportation                                       | 419,014              | -                 | -                 | -                | (419,014)           |
| Central                                                      | 3,516                | -                 | -                 | -                | (3,516)             |
| Other                                                        | 1,715,273            | -                 | -                 | -                | (1,715,273)         |
| Non-instructional services                                   | 228,561              | 206,411           | 48,965            | -                | 26,815              |
| Facilities acquisition and construction                      | 9,297                | -                 | -                 | -                | (9,297)             |
| Interest on long-term debt                                   | 207,612              | -                 | -                 | 61,928           | (145,684)           |
| Total governmental activities                                | <u>\$ 10,007,768</u> | <u>\$ 259,464</u> | <u>\$ 332,327</u> | <u>\$ 61,928</u> | <u>(9,354,049)</u>  |
|                                                              |                      |                   |                   |                  |                     |
| General revenues:                                            |                      |                   |                   |                  |                     |
| School district assessment                                   |                      |                   |                   |                  | 7,329,865           |
| Grants and contributions not restricted to specific programs |                      |                   |                   |                  | 2,223,323           |
| Miscellaneous                                                |                      |                   |                   |                  | 6,637               |
| Total general revenues                                       |                      |                   |                   |                  | <u>9,559,825</u>    |
| Change in net assets                                         |                      |                   |                   |                  | 205,776             |
| Net assets, beginning                                        |                      |                   |                   |                  | <u>1,263,387</u>    |
| Net assets, ending                                           |                      |                   |                   |                  | <u>\$ 1,469,163</u> |

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

**EXHIBIT 3**  
**HOLLIS SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

|                                      | General           | Food<br>Service  | Grants           | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|-------------------|------------------|------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                        |                   |                  |                  |                                |                                |
| Cash and cash equivalents            | \$ 636,563        | \$ 41,651        | \$ -             | \$ 18,840                      | \$ 697,054                     |
| Investments                          | 469               | -                | -                | -                              | 469                            |
| Receivables:                         |                   |                  |                  |                                |                                |
| Accounts                             | 4,238             | -                | -                | 556                            | 4,794                          |
| Intergovernmental                    | 213,059           | 1,926            | 35,866           | 6,656                          | 257,507                        |
| Interfund receivable                 | 33,457            | -                | -                | -                              | 33,457                         |
| Inventory                            | -                 | 4,759            | -                | -                              | 4,759                          |
| Prepaid items                        | 15,827            | -                | -                | -                              | 15,827                         |
| Total assets                         | <u>\$ 903,613</u> | <u>\$ 48,336</u> | <u>\$ 35,866</u> | <u>\$ 26,052</u>               | <u>\$ 1,013,867</u>            |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |                  |                  |                                |                                |
| Liabilities:                         |                   |                  |                  |                                |                                |
| Accounts payable                     | \$ 67,771         | \$ 6,406         | \$ 1,800         | \$ -                           | \$ 75,977                      |
| Accrued salaries and benefits        | 31,507            | -                | -                | -                              | 31,507                         |
| Intergovernmental payable            | 5,832             | -                | 609              | -                              | 6,441                          |
| Interfund payable                    | -                 | -                | 33,457           | -                              | 33,457                         |
| Deferred revenue                     | 1,972             | 11,788           | -                | -                              | 13,760                         |
| Total liabilities                    | <u>107,082</u>    | <u>18,194</u>    | <u>35,866</u>    | <u>-</u>                       | <u>161,142</u>                 |
| Fund balances:                       |                   |                  |                  |                                |                                |
| Nonspendable                         | 15,827            | 4,759            | -                | 4,982                          | 25,568                         |
| Restricted                           | 327,249           | -                | -                | 1,674                          | 328,923                        |
| Committed                            | 402,630           | 25,383           | -                | 19,396                         | 447,409                        |
| Assigned                             | 50,825            | -                | -                | -                              | 50,825                         |
| Total fund balances                  | <u>796,531</u>    | <u>30,142</u>    | <u>-</u>         | <u>26,052</u>                  | <u>852,725</u>                 |
| Total liabilities and fund balances  | <u>\$ 903,613</u> | <u>\$ 48,336</u> | <u>\$ 35,866</u> | <u>\$ 26,052</u>               | <u>\$ 1,013,867</u>            |

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

**EXHIBIT 4**  
**HOLLIS SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**June 30, 2012**

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|                                                                                                                           |    |                    |                         |
|---------------------------------------------------------------------------------------------------------------------------|----|--------------------|-------------------------|
| Total fund balances of governmental funds (Exhibit 3)                                                                     |    | \$                 | 852,725                 |
| Amounts reported for governmental activities in the statement of net assets are different because:                        |    |                    |                         |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. |    |                    |                         |
| Cost                                                                                                                      | \$ | 6,270,967          |                         |
| Less accumulated depreciation                                                                                             |    | <u>(4,829,446)</u> |                         |
|                                                                                                                           |    |                    | 1,441,521               |
| Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.              |    |                    |                         |
| Receivables                                                                                                               | \$ | (33,457)           |                         |
| Payables                                                                                                                  |    | <u>33,457</u>      |                         |
|                                                                                                                           |    |                    | -                       |
| Interest on long-term debt is not accrued in governmental funds.                                                          |    |                    |                         |
| Accrued interest payable                                                                                                  |    |                    | (172,669)               |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.        |    |                    |                         |
| Contract                                                                                                                  | \$ | 10,250             |                         |
| Bonds                                                                                                                     |    | 494,718            |                         |
| Compensated absences                                                                                                      |    | 10,605             |                         |
| Termination benefits                                                                                                      |    | <u>136,841</u>     |                         |
|                                                                                                                           |    |                    | (652,414)               |
| Net assets of governmental activities (Exhibit 1)                                                                         |    | \$                 | <u><u>1,469,163</u></u> |

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

**EXHIBIT 5**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

|                                         | General           | Food<br>Service  | Grants         | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------|-------------------|------------------|----------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                         |                   |                  |                |                                |                                |
| School district assessment              | \$ 7,329,865      | \$ -             | \$ -           | \$ -                           | \$ 7,329,865                   |
| Other local                             | 46,615            | 193,397          | -              | 17,436                         | 257,448                        |
| State                                   | 2,362,525         | 2,527            | -              | -                              | 2,365,052                      |
| Federal                                 | 8,653             | 34,876           | 217,650        | -                              | 261,179                        |
| Total revenues                          | <u>9,747,658</u>  | <u>230,800</u>   | <u>217,650</u> | <u>17,436</u>                  | <u>10,213,544</u>              |
| <b>EXPENDITURES</b>                     |                   |                  |                |                                |                                |
| Current:                                |                   |                  |                |                                |                                |
| Instruction                             | 4,256,813         | -                | 201,599        | 6,621                          | 4,465,033                      |
| Support services:                       |                   |                  |                |                                |                                |
| Student                                 | 718,757           | -                | 91             | 1,920                          | 720,768                        |
| Instructional staff                     | 282,521           | -                | 13,162         | -                              | 295,683                        |
| General administration                  | 49,518            | -                | -              | -                              | 49,518                         |
| Executive administration                | 399,934           | -                | -              | -                              | 399,934                        |
| School administration                   | 483,969           | -                | -              | -                              | 483,969                        |
| Operation and maintenance of plant      | 917,059           | -                | -              | -                              | 917,059                        |
| Student transportation                  | 419,014           | -                | -              | -                              | 419,014                        |
| Central                                 | -                 | -                | -              | 3,516                          | 3,516                          |
| Other                                   | 1,712,475         | -                | 2,798          | -                              | 1,715,273                      |
| Non-instructional services              | -                 | 228,322          | -              | -                              | 228,322                        |
| Debt service:                           |                   |                  |                |                                |                                |
| Principal                               | 175,322           | -                | -              | -                              | 175,322                        |
| Interest                                | 205,009           | -                | -              | -                              | 205,009                        |
| Facilities acquisition and construction | 7,507             | -                | -              | 1,790                          | 9,297                          |
| Total expenditures                      | <u>9,627,898</u>  | <u>228,322</u>   | <u>217,650</u> | <u>13,847</u>                  | <u>10,087,717</u>              |
| Excess of revenues over expenditures    | <u>119,760</u>    | <u>2,478</u>     | <u>-</u>       | <u>3,589</u>                   | <u>125,827</u>                 |
| Other financing sources (uses):         |                   |                  |                |                                |                                |
| Transfers in                            | 131               | -                | -              | -                              | 131                            |
| Transfers out                           | -                 | -                | -              | (131)                          | (131)                          |
| Total other financing sources and uses  | <u>131</u>        | <u>-</u>         | <u>-</u>       | <u>(131)</u>                   | <u>-</u>                       |
| Net change in fund balances             | 119,891           | 2,478            | -              | 3,458                          | 125,827                        |
| Fund balances, beginning                | 676,640           | 27,664           | -              | 22,594                         | 726,898                        |
| Fund balances, ending                   | <u>\$ 796,531</u> | <u>\$ 30,142</u> | <u>\$ -</u>    | <u>\$ 26,052</u>               | <u>\$ 852,725</u>              |

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

**EXHIBIT 6**  
**HOLLIS SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

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|                                                                                                                                                                                                                                                                                             |               |                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------|
| Net change in fund balances of total governmental funds (Exhibit 5)                                                                                                                                                                                                                         |               | \$ 125,827               |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                          |               |                          |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. |               | (135,835)                |
| Transfers in and out between governmental funds are eliminated on the operating statement.                                                                                                                                                                                                  |               |                          |
| Transfers in                                                                                                                                                                                                                                                                                | \$ (131)      |                          |
| Transfers out                                                                                                                                                                                                                                                                               | <u>131</u>    | -                        |
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.                                                                                                                                           |               |                          |
| Principal repayment of bonds                                                                                                                                                                                                                                                                |               | 175,322                  |
| Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.                                                                                                         |               |                          |
| Increase in accrued interest expense                                                                                                                                                                                                                                                        | \$ (2,603)    |                          |
| Decrease in long-term contract payable                                                                                                                                                                                                                                                      | 20,000        |                          |
| Decrease in compensated absences payable                                                                                                                                                                                                                                                    | 1,755         |                          |
| Decrease in termination benefits payable                                                                                                                                                                                                                                                    | <u>21,310</u> |                          |
|                                                                                                                                                                                                                                                                                             |               | <u>40,462</u>            |
| Change in net assets of governmental activities (Exhibit 2)                                                                                                                                                                                                                                 |               | <u><u>\$ 205,776</u></u> |

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

**EXHIBIT 7**  
**HOLLIS SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

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|                           | <u>Agency</u>                |
|---------------------------|------------------------------|
| <b>ASSETS</b>             |                              |
| Cash and cash equivalents | \$       4,650               |
| <b>LIABILITIES</b>        |                              |
| Due to student groups     | <u>4,650</u>                 |
| <b>NET ASSETS</b>         | <u><u>\$           -</u></u> |

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2012.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

The Hollis School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

**I.B.2. *Government-Wide and Fund Financial Statements***

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

***I.B.3. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except that the School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, as required by GASB Statement No. 45.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met. Fiduciary fund financial statements also report using this same basis of accounting. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income, and federal and state grants. In general, other revenues are recognized when cash is received.

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**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The School District reports the following major governmental funds:

*General Fund* – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

*Food Service Fund* – Reports as a special revenue fund and accounts for the food service program.

*Grants Fund* – Reports as a special revenue fund and accounts for the revenues and expenditures of the School District's federal grant programs.

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

*Fiduciary Funds*

The School District reports the following types of fiduciary fund:

*Agency Funds* – Account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency funds are used to account for student activities of the schools.

**I.C. *Assets, Liabilities, and Net Assets or Fund Equity***

**I.C.1. *Cash and Investments***

The laws of the State of New Hampshire require that the School District's treasurer have custody of all monies belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank

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deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**I.C.2. *Prepaid Items***

Prepaid items are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

**I.C.3. *Capital Assets and Depreciation***

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

|                                     | <u>Years</u> |
|-------------------------------------|--------------|
| Land improvements                   | 20           |
| Buildings and building improvements | 50-115       |
| Machinery, equipment and vehicles   | 15-20        |

**I.C.4. *Long-Term Debt***

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

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NOTES TO THE FINANCIAL STATEMENTS  
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**I.C.5. *Compensated Absences***

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees to specified maximums. Support staff employees are entitled to a portion of their sick and vacation leave upon termination.

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

**I.C.6. *Termination Benefits***

Teachers are entitled to a retirement incentive after meeting certain employment requirements. Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.7. *Fund Equity***

The government-wide statement of net assets reports net assets in the following components:

- Invested in capital assets, net of related debt, which is normally computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the expendable and nonexpendable portions of endowments held by the Town of Hollis Trustees of Trust Funds for school district purposes.
- Unrestricted, which consists of the remaining balance of net assets.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the balance of the School District's inventory, which can not be spent because of its form, and the principal amount of endowments held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements.
- Restricted, which represents the expendable portion of the endowments for school purposes held by the Town of Hollis Trustees of Trust Funds. The amount can only be spent for instruction in accordance with the legal restrictions established by the contributors.

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- Committed, which represents the balance of the expendable trust funds, established by the School District Meeting to be used for support services; and the balance of unspent bond proceeds reported in the capital project fund, to be used for capital outlay.
- Assigned, which represents encumbrances for instruction, support services, and non-instructional services, assigned by a vote of the school board or by management through the use of approved purchase orders; balances of revenues from grants to be used for instruction and support services; and balances of revenues from charges for services to be used for non-instructional services (food service).

**I.C.8 *Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning fund balance to reduce the district assessment of the following year. In the fiscal year 2012, \$471,878 of the fund balance from the fiscal year 2011 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, central, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Education.

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NOTES TO THE FINANCIAL STATEMENTS  
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**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. *Receivables***

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, reimbursements from other school districts for shared services and the trust funds being in the custody of the Town of Hollis Trustees of Trust Funds.

Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

**III.A.2. *Capital Assets***

*Changes in Capital Assets*

The following table provides a summary of changes in capital assets:

|                                     | Balance,<br>beginning | Changes             | Balance,<br>ending  |
|-------------------------------------|-----------------------|---------------------|---------------------|
| Governmental activities:            |                       |                     |                     |
| At cost:                            |                       |                     |                     |
| Land improvements                   | \$ 233,700            | \$ -                | \$ 233,700          |
| Buildings and building improvements | 5,891,604             | -                   | 5,891,604           |
| Machinery, equipment and vehicles   | 145,663               | -                   | 145,663             |
| Total all capital assets            | <u>6,270,967</u>      | <u>-</u>            | <u>6,270,967</u>    |
| Less accumulated depreciation:      |                       |                     |                     |
| Land improvements                   | (149,628)             | (11,685)            | (161,313)           |
| Buildings and building improvements | (4,497,026)           | (111,673)           | (4,608,699)         |
| Machinery, equipment and vehicles   | (46,957)              | (12,477)            | (59,434)            |
| Total accumulated depreciation      | <u>(4,693,611)</u>    | <u>(135,835)</u>    | <u>(4,829,446)</u>  |
| Net book value, all capital assets  | <u>\$ 1,577,356</u>   | <u>\$ (135,835)</u> | <u>\$ 1,441,521</u> |

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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*Depreciation Expense*

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

|                                    |                   |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Instruction                        | \$ 121,670        |
| Support services:                  |                   |
| Executive administration           | 1,238             |
| Operation and maintenance of plant | 11,761            |
| Non-instructional services         | 1,166             |
| Total depreciation expense         | <u>\$ 135,835</u> |

**III.B. Long-Term Debt**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term debt currently outstanding is as follows:

|                                   | Original<br>Amount | Issue<br>Date | Maturity<br>Date | Interest<br>Rate % | Outstanding<br>at<br>June 30, 2012 | Current<br>Portion |
|-----------------------------------|--------------------|---------------|------------------|--------------------|------------------------------------|--------------------|
| General obligation bonds payable: |                    |               |                  |                    |                                    |                    |
| School addition                   | \$ 1,960,000       | 1995          | 2015             | 7.00 -6.12         | \$ 285,000                         | \$ 67,982          |
| School addition                   | 2,937,516          | 1995          | 2015             | 4.25-7.15          | 209,718                            | 101,888            |
|                                   |                    |               |                  |                    | <u>494,718</u>                     | <u>169,870</u>     |
| Compensated absences payable:     |                    |               |                  |                    |                                    |                    |
| Vested sick leave                 |                    |               |                  |                    | 8,047                              | 8,047              |
| Accrued vacation leave            |                    |               |                  |                    | 2,558                              | 2,558              |
|                                   |                    |               |                  |                    | <u>10,605</u>                      | <u>10,605</u>      |
| Termination benefits payable      |                    |               |                  |                    | 136,841                            | 18,033             |
|                                   |                    |               |                  |                    | <u>\$ 642,164</u>                  | <u>\$ 198,508</u>  |

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2012:

|                    | General<br>Obligation<br>Bonds Payable | Compensated<br>Absences<br>Payable | Termination<br>Benefits<br>Payable | Total             |
|--------------------|----------------------------------------|------------------------------------|------------------------------------|-------------------|
| Balance, beginning | \$ 670,040                             | \$ 12,360                          | \$ 158,151                         | \$ 840,551        |
| Additions          | -                                      | -                                  | -                                  | -                 |
| Reductions         | (175,322)                              | (1,755)                            | (21,310)                           | (198,387)         |
| Balance, ending    | <u>\$ 494,718</u>                      | <u>\$ 10,605</u>                   | <u>\$ 136,841</u>                  | <u>\$ 642,164</u> |

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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*Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

| Fiscal Year Ending<br>June 30, | Principal         | Interest          | Total               |
|--------------------------------|-------------------|-------------------|---------------------|
| 2013                           | \$ 169,870        | \$ 204,665        | \$ 374,535          |
| 2014                           | 164,793           | 203,935           | 368,728             |
| 2015                           | 160,055           | 202,853           | 362,908             |
| Totals                         | <u>\$ 494,718</u> | <u>\$ 611,453</u> | <u>\$ 1,106,171</u> |

**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. *Receivables and Payables***

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The amount due to the General Fund from the Grants Fund of \$33,457 represents an overdraft of pooled cash.

**III.C.2. *Transfers***

Transfers within the reporting entity are for the purposes of adding to capital reserve accounts and distributing income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns. The \$131 transferred from the nonmajor funds to the General Fund represents the distribution of income earned on permanent fund endowments.

**HOLLIS SCHOOL DISTRICT  
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**III.D. Components of Fund Equity**

The components of fund balance, as described in Note I.C.7, are classified for the following purposes:

|                            | General<br>Fund          | Food<br>Service<br>Fund | Nonmajor<br>Funds       | Total<br>Governmental<br>Funds |
|----------------------------|--------------------------|-------------------------|-------------------------|--------------------------------|
| Nonspendable:              |                          |                         |                         |                                |
| Endowment                  | \$ -                     | \$ -                    | \$ 4,982                | \$ 4,982                       |
| Inventory                  | -                        | 4,759                   | -                       | 4,759                          |
| Prepaid items              | 15,827                   | -                       | -                       | 15,827                         |
| Total nonspendable         | <u>15,827</u>            | <u>4,759</u>            | <u>4,982</u>            | <u>25,568</u>                  |
| Restricted for:            |                          |                         |                         |                                |
| Instruction                | -                        | -                       | 1,674                   | 1,674                          |
| To reduce assessment       | 327,249                  | -                       | -                       | 327,249                        |
| Total restricted           | <u>327,249</u>           | <u>-</u>                | <u>1,674</u>            | <u>328,923</u>                 |
| Committed for:             |                          |                         |                         |                                |
| Instruction                | 402,630                  | -                       | 12,558                  | 415,188                        |
| Non-instructional services | -                        | 25,383                  | -                       | 25,383                         |
| Capital outlay             | -                        | -                       | 6,838                   | 6,838                          |
| Total committed            | <u>402,630</u>           | <u>25,383</u>           | <u>19,396</u>           | <u>447,409</u>                 |
| Assigned to:               |                          |                         |                         |                                |
| Instruction                | 7,135                    | -                       | -                       | 7,135                          |
| Support services           | 43,690                   | -                       | -                       | 43,690                         |
| Total assigned             | <u>50,825</u>            | <u>-</u>                | <u>-</u>                | <u>50,825</u>                  |
| Total fund balances        | <u><u>\$ 796,531</u></u> | <u><u>\$ 30,142</u></u> | <u><u>\$ 26,052</u></u> | <u><u>\$ 852,725</u></u>       |

**IV. Other Information**

**IV.A. Risk Management**

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

**Local Government Center Property-Liability Trust, Inc. (the Trust)** – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School District shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

**HOLLIS SCHOOL DISTRICT  
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Contributions paid for fiscal year 2012 to be recorded as an insurance expenditure/expense totaled \$31,906. There were no unpaid contributions for the year ended June 30, 2012. The School District also paid \$33,687 for workers' compensation and \$15,538 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

**IV.B. Retirement Pensions**

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. For July 2011, the rates of contribution from the School District were 13.95% for teachers, and 11.09% for other employees. For the remainder of fiscal year 2012, the rates of contribution from the School District were 11.30% for teachers, and 8.80% for other employees. Employer contributions from the School District during the fiscal years 2010, 2011 and 2012 were \$363,692, \$369,700 and \$494,605, respectively. The amounts are paid on a monthly basis as due.

**IV.C. Contingent Liabilities**

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District feels that the chance of disallowance is unlikely, and if it should occur, that the amount would not be material.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 8**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2012**

|                                                           | Original<br>and Final<br>Budget | Actual            | Variance<br>Positive<br>(Negative) |
|-----------------------------------------------------------|---------------------------------|-------------------|------------------------------------|
| <b>REVENUES</b>                                           |                                 |                   |                                    |
| School district assessment                                | \$ 7,329,801                    | \$ 7,329,865      | \$ 64                              |
| Other local                                               | 72,703                          | 46,447            | (26,256)                           |
| State                                                     | 2,348,747                       | 2,362,525         | 13,778                             |
| Federal                                                   | 99,024                          | 8,653             | (90,371)                           |
| Total revenues                                            | <u>9,850,275</u>                | <u>9,747,490</u>  | <u>(102,785)</u>                   |
| <b>EXPENDITURES</b>                                       |                                 |                   |                                    |
| Current:                                                  |                                 |                   |                                    |
| Instruction                                               | 4,507,510                       | 4,235,173         | 272,337                            |
| Support services:                                         |                                 |                   |                                    |
| Student                                                   | 825,964                         | 717,403           | 108,561                            |
| Instructional staff                                       | 338,324                         | 280,604           | 57,720                             |
| General administration                                    | 131,449                         | 49,518            | 81,931                             |
| Executive administration                                  | 399,934                         | 399,934           | -                                  |
| School administration                                     | 499,358                         | 482,502           | 16,856                             |
| Operation and maintenance of plant                        | 891,327                         | 876,836           | 14,491                             |
| Student transportation                                    | 437,788                         | 419,014           | 18,774                             |
| Other                                                     | 1,898,169                       | 1,712,475         | 185,694                            |
| Debt service:                                             |                                 |                   |                                    |
| Principal                                                 | 175,322                         | 175,322           | -                                  |
| Interest                                                  | 205,008                         | 205,009           | (1)                                |
| Facilities acquisition and construction                   | -                               | 350               | (350)                              |
| Total expenditures                                        | <u>10,310,153</u>               | <u>9,554,140</u>  | <u>756,013</u>                     |
| Excess (deficiency) of revenues over (under) expenditures | (459,878)                       | 193,350           | 653,228                            |
| Other financing sources (uses):                           |                                 |                   |                                    |
| Transfers in                                              | -                               | 131               | 131                                |
| Transfers out                                             | (12,000)                        | (12,000)          | -                                  |
| Total other financing sources and uses                    | <u>(12,000)</u>                 | <u>(11,869)</u>   | <u>131</u>                         |
| Net change in fund balance                                | <u>\$ (471,878)</u>             | 181,481           | <u>\$ 653,359</u>                  |
| Increase in nonspendable fund balance                     |                                 | (15,827)          |                                    |
| Increase in committed fund balance                        |                                 | (286,483)         |                                    |
| Restricted fund balance, beginning                        |                                 | 448,078           |                                    |
| Restricted fund balance, ending                           |                                 | <u>\$ 327,249</u> |                                    |

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

**EXHIBIT 9**  
**HOLLIS SCHOOL DISTRICT**  
**Food Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2012**

|                            | Original<br>and Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|----------------------------|---------------------------------|------------|------------------------------------|
| <b>REVENUES</b>            |                                 |            |                                    |
| Local:                     |                                 |            |                                    |
| Sales                      | \$ 178,177                      | \$ 193,397 | \$ 15,220                          |
| State:                     |                                 |            |                                    |
| Lunch reimbursement        | 2,275                           | 2,527      | 252                                |
| Federal:                   |                                 |            |                                    |
| Lunch reimbursement        | 23,548                          | 23,271     | (277)                              |
| USDA commodities           | -                               | 11,605     | 11,605                             |
| Total revenues             | 204,000                         | 230,800    | 26,800                             |
| <b>EXPENDITURES</b>        |                                 |            |                                    |
| Current:                   |                                 |            |                                    |
| Non-instructional services | 204,000                         | 228,322    | (24,322)                           |
| Net change in fund balance | \$ -                            | 2,478      | \$ 2,478                           |
| Fund balance, beginning    |                                 | 27,664     |                                    |
| Fund balance, ending       |                                 | \$ 30,142  |                                    |

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

**EXHIBIT 10**  
**HOLLIS SCHOOL DISTRICT**  
**Grants Fund**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance*  
*Budget and Actual (GAAP Basis)*  
*For the Fiscal Year Ended June 30, 2012*

|                            | Original<br>and Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|----------------------------|---------------------------------|------------|------------------------------------|
| <b>REVENUES</b>            |                                 |            |                                    |
| Federal                    | \$ 163,525                      | \$ 217,650 | \$ 54,125                          |
| <b>EXPENDITURES</b>        |                                 |            |                                    |
| Current:                   |                                 |            |                                    |
| Instruction                | 163,525                         | 201,599    | (38,074)                           |
| Support services:          |                                 |            |                                    |
| Student                    | -                               | 91         | (91)                               |
| Instructional staff        | -                               | 13,162     | (13,162)                           |
| Other                      | -                               | 2,798      | (2,798)                            |
| Total expenditures         | 163,525                         | 217,650    | (54,125)                           |
| Net change in fund balance | \$ -                            | -          | \$ -                               |
| Fund balance, beginning    |                                 | -          |                                    |
| Fund balance, ending       |                                 | \$ -       |                                    |

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

**HOLLIS SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**Reconciliation of Budgetary Basis to GAAP**

**General Fund**

Revenues and other financing sources:

Per Exhibit 8 (budgetary basis) \$ 9,747,621

Adjustment:

Perspective difference:

Expendable trust fund revenue that is included  
on the GAAP basis, but not on the budgetary basis 168

Per Exhibit 5 (GAAP basis) \$ 9,747,789

Expenditures and other financing uses:

Per Exhibit 8 (budgetary basis) \$ 9,566,140

Adjustments:

Perspective difference:

Expendable trust fund expenditure that is included  
on the GAAP basis, but not on the budgetary basis 20,000

Transfer to the expendable trust fund (12,000)

Basis difference:

Encumbrances, beginning 104,582

Encumbrances, ending (50,824)

Per Exhibit 5 (GAAP basis) \$ 9,627,898

For the Food Service and Grants Funds, there is no difference between the budgetary basis and GAAP.

**Excess of Expenditures Over Appropriations**

The food service fund and grants fund had an excess of expenditures over appropriations of \$24,322 and \$54,125, respectively, for the fiscal year ended June 30, 2012. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

## **COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 11**  
**HOLLIS SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**For the Fiscal Year Ended June 30, 2012**

|                           | Other Special<br>Revenue<br>Fund | Capital<br>Project Fund | Permanent<br>Fund | Total            |
|---------------------------|----------------------------------|-------------------------|-------------------|------------------|
| <b>ASSETS</b>             |                                  |                         |                   |                  |
| Cash and cash equivalents | \$ 12,002                        | \$ 6,838                | \$ -              | \$ 18,840        |
| Receivables:              |                                  |                         |                   |                  |
| Accounts                  | 556                              | -                       | -                 | 556              |
| Intergovernmental         | -                                | -                       | 6,656             | 6,656            |
| Total assets              | <u>\$ 12,558</u>                 | <u>\$ 6,838</u>         | <u>\$ 6,656</u>   | <u>\$ 26,052</u> |
| <b>FUND BALANCES</b>      |                                  |                         |                   |                  |
| Nonspendable              | \$ -                             | \$ -                    | \$ 4,982          | \$ 4,982         |
| Restricted                | -                                | -                       | 1,674             | 1,674            |
| Committed                 | 12,558                           | 6,838                   | -                 | 19,396           |
| Total fund balances       | <u>\$ 12,558</u>                 | <u>\$ 6,838</u>         | <u>\$ 6,656</u>   | <u>\$ 26,052</u> |

**EXHIBIT 12**  
**HOLLIS SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2012**

|                                                              | Other<br>Special<br>Revenue<br>Fund | Capital<br>Projects Fund | Permanent<br>Fund | Total     |
|--------------------------------------------------------------|-------------------------------------|--------------------------|-------------------|-----------|
| <b>REVENUES</b>                                              |                                     |                          |                   |           |
| Local                                                        | \$ 17,064                           | \$ -                     | \$ 372            | \$ 17,436 |
| <b>EXPENDITURES</b>                                          |                                     |                          |                   |           |
| Current:                                                     |                                     |                          |                   |           |
| Instruction                                                  | 6,590                               | -                        | 31                | 6,621     |
| Support services:                                            |                                     |                          |                   |           |
| Student                                                      | 1,920                               | -                        | -                 | 1,920     |
| Central                                                      | 3,516                               | -                        | -                 | 3,516     |
| Facilities acquisition and construction                      | -                                   | 1,790                    | -                 | 1,790     |
| Total expenditures                                           | 12,026                              | 1,790                    | 31                | 13,847    |
| Excess (deficiency) of revenues<br>over (under) expenditures | 5,038                               | (1,790)                  | 341               | 3,589     |
| Other financing uses:                                        |                                     |                          |                   |           |
| Transfers out                                                | -                                   | -                        | (131)             | (131)     |
| Net change in fund balances                                  | 5,038                               | (1,790)                  | 210               | 3,458     |
| Fund balances, beginning                                     | 7,520                               | 8,628                    | 6,446             | 22,594    |
| Fund balances, ending                                        | \$ 12,558                           | \$ 6,838                 | \$ 6,656          | \$ 26,052 |

**EXHIBIT 13**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2012**

|                                                                    | Estimated     | Actual       | Variance<br>Positive<br>(Negative) |
|--------------------------------------------------------------------|---------------|--------------|------------------------------------|
| School district assessment:                                        |               |              |                                    |
| Current appropriation                                              | \$ 7,329,801  | \$ 7,329,865 | \$ 64                              |
| Other local sources:                                               |               |              |                                    |
| Tuition                                                            | 31,380        | 27,965       | (3,415)                            |
| Investment earnings                                                | 1,500         | 6,097        | 4,597                              |
| Rentals                                                            | 8,000         | 8,000        | -                                  |
| Services provided to others                                        | 31,823        | -            | (31,823)                           |
| Miscellaneous                                                      | -             | 4,385        | 4,385                              |
| Total from other local sources                                     | 72,703        | 46,447       | (26,256)                           |
| State sources:                                                     |               |              |                                    |
| Adequacy aid (grant)                                               | 926,469       | 926,469      | -                                  |
| Adequacy aid (tax)                                                 | 1,296,854     | 1,296,854    | -                                  |
| School building aid                                                | 61,928        | 61,928       | -                                  |
| Catastrophic aid                                                   | 54,732        | 68,510       | 13,778                             |
| Other                                                              | 8,764         | 8,764        | -                                  |
| Total from state sources                                           | 2,348,747     | 2,362,525    | 13,778                             |
| Federal sources:                                                   |               |              |                                    |
| Medicaid                                                           | 40,000        | 8,653        | (31,347)                           |
| Other                                                              | 59,024        | -            | (59,024)                           |
| Total from federal sources                                         | 99,024        | 8,653        | (90,371)                           |
| Other financing sources:                                           |               |              |                                    |
| Transfers in                                                       | -             | 131          | 131                                |
| Total revenues and other financing sources                         | 9,850,275     | \$ 9,747,621 | \$ (102,654)                       |
| Use of fund balance to reduce school district assessment           | 471,878       |              |                                    |
| Total revenues, other financing sources<br>and use of fund balance | \$ 10,322,153 |              |                                    |

**EXHIBIT 14**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2012**

|                                                                              | Encumbered<br>from<br>Prior<br>Year | Appropriations       | Expenditures        | Encumbered<br>to<br>Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|------------------------------------------------------------------------------|-------------------------------------|----------------------|---------------------|----------------------------------------|------------------------------------|
| Current:                                                                     |                                     |                      |                     |                                        |                                    |
| Instruction:                                                                 |                                     |                      |                     |                                        |                                    |
| Regular programs                                                             | \$ 27,699                           | \$ 3,200,551         | \$ 3,032,104        | \$ 6,953                               | \$ 189,193                         |
| Special programs                                                             | 1,076                               | 1,306,959            | 1,224,709           | 182                                    | 83,144                             |
| Total instruction                                                            | <u>28,775</u>                       | <u>4,507,510</u>     | <u>4,256,813</u>    | <u>7,135</u>                           | <u>272,337</u>                     |
| Support services:                                                            |                                     |                      |                     |                                        |                                    |
| Student                                                                      | 1,580                               | 825,964              | 718,757             | 226                                    | 108,561                            |
| Instructional staff                                                          | 5,824                               | 338,324              | 282,521             | 3,907                                  | 57,720                             |
| General administration                                                       | -                                   | 131,449              | 49,518              | -                                      | 81,931                             |
| Executive administration                                                     | -                                   | 399,934              | 399,934             | -                                      | -                                  |
| School administration                                                        | 1,467                               | 499,358              | 483,969             | -                                      | 16,856                             |
| Operation and maintenance of plant                                           | 59,779                              | 891,327              | 897,059             | 39,556                                 | 14,491                             |
| Student transportation                                                       | -                                   | 437,788              | 419,014             | -                                      | 18,774                             |
| Other                                                                        | -                                   | 1,898,169            | 1,712,475           | -                                      | 185,694                            |
| Total support services                                                       | <u>68,650</u>                       | <u>5,422,313</u>     | <u>4,963,247</u>    | <u>43,689</u>                          | <u>484,027</u>                     |
| Debt service:                                                                |                                     |                      |                     |                                        |                                    |
| Principal                                                                    | -                                   | 175,322              | 175,322             | -                                      | -                                  |
| Interest                                                                     | -                                   | 205,008              | 205,009             | -                                      | (1)                                |
| Total debt service                                                           | <u>-</u>                            | <u>380,330</u>       | <u>380,331</u>      | <u>-</u>                               | <u>(1)</u>                         |
| Facilities acquisition and construction                                      | <u>7,157</u>                        | <u>-</u>             | <u>7,507</u>        | <u>-</u>                               | <u>(350)</u>                       |
| Other financing uses:                                                        |                                     |                      |                     |                                        |                                    |
| Transfers out                                                                | <u>-</u>                            | <u>12,000</u>        | <u>12,000</u>       | <u>-</u>                               | <u>-</u>                           |
| Total encumbrances, appropriations,<br>expenditures and other financing uses | <u>\$ 104,582</u>                   | <u>\$ 10,322,153</u> | <u>\$ 9,619,898</u> | <u>\$ 50,824</u>                       | <u>\$ 756,013</u>                  |

**EXHIBIT 15**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
***Schedule of Changes in Restricted Fund Balance (Non-GAAP Budgetary Basis)***  
***For the Fiscal Year Ended June 30, 2012***

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|                                                                                 |    |                |                       |
|---------------------------------------------------------------------------------|----|----------------|-----------------------|
| Fund balance, beginning, restricted to reduce<br>the school district assessment |    | \$             | 448,078               |
| Changes:                                                                        |    |                |                       |
| Fund balance used to reduce school district assessment                          |    |                | (471,878)             |
| Budget summary:                                                                 |    |                |                       |
| Revenue shortfall (Exhibit 13)                                                  | \$ | (102,654)      |                       |
| Unexpended balance of appropriations (Exhibit 14)                               |    | <u>756,013</u> |                       |
| Budget surplus                                                                  |    |                | 653,359               |
| Increase in nonspendable fund balance                                           |    |                | (15,827)              |
| Increase in committed fund balance                                              |    |                | <u>(286,483)</u>      |
| Fund balance, ending, restricted to reduce<br>the school district assessment    |    | \$             | <u><u>327,249</u></u> |

**EXHIBIT 16**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Funds**  
**Combining Schedule of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2012**

|                           | Balance,<br>beginning | Additions        | Deductions       | Balance,<br>ending |
|---------------------------|-----------------------|------------------|------------------|--------------------|
| Assets:                   |                       |                  |                  |                    |
| Cash and cash equivalents |                       |                  |                  |                    |
| Hollis Upper Elementary   | \$ 8,127              | \$ 41,098        | \$ 46,715        | 2,510              |
| Hollis Primary School     | 9,750                 | 18,704           | 26,314           | 2,140              |
| Total assets              | <u>\$ 17,877</u>      | <u>\$ 59,802</u> | <u>\$ 73,029</u> | <u>\$ 4,650</u>    |
| Liabilities:              |                       |                  |                  |                    |
| Due to student groups     | <u>\$ 17,877</u>      | <u>\$ 59,802</u> | <u>\$ 73,029</u> | <u>\$ 4,650</u>    |

**EXHIBIT 17**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - Hollis Upper Elementary School**  
**For the Fiscal Year Ended June 30, 2012**

|                     | Balance,<br>beginning | Additions        | Deductions       | Balance,<br>ending |
|---------------------|-----------------------|------------------|------------------|--------------------|
| Coke                | \$ -                  | \$ 471           | \$ 285           | \$ 186             |
| Cross Country       | 31                    | 1,340            | 1,238            | 133                |
| Field Trip          | 3,567                 | 11,665           | 13,196           | 2,036              |
| General             | 932                   | 4,847            | 5,779            | -                  |
| Library             | 1,289                 | 9,129            | 10,418           | -                  |
| Principal's Account | 98                    | 1,421            | 1,519            | -                  |
| School Pictures     | 474                   | 2,199            | 2,673            | -                  |
| Student Council     | -                     | 284              | 276              | 8                  |
| Yearbook            | 1,736                 | 9,410            | 10,999           | 147                |
| Water               | -                     | 332              | 332              | -                  |
| Total               | <u>\$ 8,127</u>       | <u>\$ 41,098</u> | <u>\$ 46,715</u> | <u>\$ 2,510</u>    |

**EXHIBIT 18**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - Hollis Primary School**  
**For the Fiscal Year Ended June 30, 2012**

|                   | Balance,<br>beginning | Additions        | Deductions       | Balance,<br>ending |
|-------------------|-----------------------|------------------|------------------|--------------------|
| Coke              | \$ 170                | \$ 1,673         | \$ 1,593         | \$ 250             |
| Field Trip        | 1,234                 | 6,260            | 5,899            | 1,595              |
| General           | 92                    | 2,694            | 2,786            | -                  |
| Library           | 4,106                 | 5,711            | 9,817            | -                  |
| School Pictures   | 2,364                 | 1,474            | 3,838            | -                  |
| 3rd Grade Musical | -                     | 460              | 165              | 295                |
| Water             | 1,784                 | 432              | 2,216            | -                  |
| Total             | <u>\$ 9,750</u>       | <u>\$ 18,704</u> | <u>\$ 26,314</u> | <u>\$ 2,140</u>    |



## Roberts & Greene, PLLC

### COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Hollis School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the School Board, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

March 4, 2013

*Roberts & Greene, PLLC*