

# SCHOOL ADMINISTRATIVE UNIT NO. 41

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
FINANCIAL REPORT  
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JUNE 30, 2010**

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# Roberts, Greene & Drolet, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Members of the School Administrative Unit Board  
School Administrative Unit No. 41  
Hollis, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the School Administrative Unit No. 41 as of and for the fiscal year ended June 30, 2010, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Administrative Unit No. 41's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, each major fund and the remaining fund information of the School Administrative Unit No. 41 as of June 30, 2010, 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.

The budgetary comparison information on page 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The School Administrative Unit No. 41 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 School Administrative Unit No. 41's basic financial statements. The individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 8, 2010

*Roberts, Greene & Drolet, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 136,681
Intergovernmental receivables	850
Other receivables	962
Prepaid items	750
Capital assets, net of accumulated amortization	25,655
Total assets	164,898
<b>LIABILITIES</b>	
Accounts payable	1,883
Accrued salaries and benefits	4,757
Intergovernmental payable	16,652
Accrued interest payable	897
Unearned revenue	1,898
Noncurrent obligations:	
Due within one year:	
Capital lease	12,638
Total liabilities	38,725
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,017
Unrestricted	113,156
Total net assets	\$ 126,173

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

**EXHIBIT 2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets
<b>Governmental activities:</b>			
Instruction	\$ 208,801	\$ -	\$ (208,801)
Support services:			
Instructional staff	96,656	-	(96,656)
General administration	1,472	-	(1,472)
Executive administration	245,600	-	(245,600)
Business	280,943	-	(280,943)
Operation and maintenance of plant	31,840	-	(31,840)
Student transportation	154,029	154,029	-
Other	381,426	1,576	(379,850)
Interest on long-term debt	897	-	(897)
Total governmental activities	<u>\$ 1,401,664</u>	<u>\$ 155,605</u>	<u>(1,246,059)</u>
General revenues:			
School districts' assessments			1,262,882
Miscellaneous			99
Total general revenues			<u>1,262,981</u>
Change in net assets			16,922
Net assets, beginning			<u>109,251</u>
Net assets, ending			<u>\$ 126,173</u>

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

**EXHIBIT 3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Other Governmental Fund (Other Special Revenue)	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 134,112	\$ 2,569	\$ 136,681
Receivables:			
Accounts	962	-	962
Intergovernmental	850	-	850
Prepaid items	750	-	750
Total assets	<u>\$ 136,674</u>	<u>\$ 2,569</u>	<u>\$ 139,243</u>
<b>LIABILITIES</b>			
Accounts payable	1,883	-	1,883
Accrued salaries and benefits	4,757	-	4,757
Intergovernmental payable	16,652	-	16,652
Deferred revenue	1,898	-	1,898
Total liabilities	<u>25,190</u>	<u>-</u>	<u>25,190</u>
<b>FUND BALANCES</b>			
Reserved for encumbrances	15,413	-	15,413
Unreserved, undesignated, reported in:			
General fund	96,071	-	96,071
Special revenue fund	-	2,569	2,569
Total fund balances	<u>111,484</u>	<u>2,569</u>	<u>114,053</u>
Total liabilities and fund balances	<u>\$ 136,674</u>	<u>\$ 2,569</u>	<u>\$ 139,243</u>

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

**EXHIBIT 4**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**June 30, 2010**

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Total fund balances of governmental funds (Exhibit 3)	\$	114,053
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	\$	59,862
Less accumulated amortization		<u>(34,207)</u>
		25,655
Interest on long-term debt is not accrued in governmental funds.		(897)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital lease		<u>(12,638)</u>
Net assets of governmental activities (Exhibit 1)	\$	<u><u>126,173</u></u>

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



**EXHIBIT 5**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	General	Grants	Other Governmental Fund (Other Special Revenue)	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 1,262,882	\$ -	\$ -	\$ 1,262,882
Other local	99	-	1,576	1,675
Federal	-	154,029	-	154,029
Total revenues	<u>1,262,981</u>	<u>154,029</u>	<u>1,576</u>	<u>1,418,586</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	208,801	-	-	208,801
Support services:				
Instructional staff	96,656	-	-	96,656
General administration	1,472	-	-	1,472
Executive administration	245,600	-	-	245,600
Business	272,391	-	-	272,391
Operation and maintenance of plant	31,840	-	-	31,840
Student transportation	-	154,029	-	154,029
Other	395,267	-	-	395,267
Total expenditures	<u>1,252,027</u>	<u>154,029</u>	<u>-</u>	<u>1,406,056</u>
Net change in fund balances	10,954	-	1,576	12,530
Fund balances, beginning	100,530	-	993	101,523
Fund balances, ending	<u>\$ 111,484</u>	<u>\$ -</u>	<u>\$ 2,569</u>	<u>\$ 114,053</u>

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

**EXHIBIT 6**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

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Net change in fund balances of total governmental funds (Exhibit 5)	\$	12,530
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 amortization expense. This is the amount by which amortization expense exceeded capital outlay in the current period.		
Capital outlay	\$	-
Amortization expense		<u>(8,552)</u>
		(8,552)
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	\$	(897)
Decrease in prepaid expense		<u>13,841</u>
		12,944
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>16,922</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the School Administrative Unit No. 41 (the School Administrative Unit) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School Administrative Unit's financial activities for the fiscal year ended June 30, 2010.

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

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

The School Administrative Unit No. 41 is a municipal corporation governed by a school administrative unit board consisting of members elected by the member school boards. The School Administrative Unit No. 41 is incorporated in accordance with New Hampshire law and provides centralized administrative services for the Brookline, Hollis, and Hollis-Brookline Cooperative School Districts. 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 Administrative Unit'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 Administrative Unit as a whole. 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 consist of operating grants and contributions, which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. The school districts' assessments and revenue from other sources not properly included with program revenues are reported as general revenues.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

*Fund Financial Statements*

Fund financial statements are provided for governmental funds. The major governmental funds are reported in separate columns with another column for the nonmajor fund.

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

The financial statements of the School Administrative Unit are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School Administrative Unit's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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. Grants are recognized when grantor eligibility requirements are met.

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 Administrative Unit 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 capital lease principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school districts' assessments, investment income, and federal and state grants. In general, any other revenues are recognized when cash is received.

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

*Governmental Funds*

The School Administrative Unit reports the following major governmental funds:

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

*Grants Fund* – Reports as a special revenue fund and accounts for the School Administrative Unit's federal grant programs.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
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The School Administrative Unit also reports a nonmajor fund: the other special revenue fund.

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

**I.C.1. *Cash and Cash Equivalents***

The laws of the State of New Hampshire require that the School Administrative Unit's treasurer have custody of all monies belonging to the School Administrative Unit and pay out the same only upon orders of the School Administrative Unit Board.

**I.C.2. *Prepays***

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

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

The School Administrative Unit has no capital assets, other than intangible assets with useful lives of more than one year, which are stated at historical cost and reported in the government-wide financial statements. The School Administrative Unit generally capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more. The intangible assets are being amortized using the straight-line method over seven years.

**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.

**I.C.5. *Fund Equity***

The governmental activities report net assets in two components: invested in capital assets, net of related debt which is computed as the capital assets less accumulated depreciation (\$25,655) less the outstanding capital lease amount related to capital acquisitions (\$12,638) for a total of \$13,017; and unrestricted, which represents the balance of the net assets.

The governmental fund financial statements report reserved fund balance for encumbrances, which represent unexpended balances of appropriations.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**II. Stewardship, Compliance and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Unless encumbered, all appropriations lapse at year-end. The School Administrative Unit is allowed to use beginning fund balance to balance the budget. In the fiscal year 2010, none of the unreserved fund balance from the fiscal year 2009 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of 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, instructional staff, general administration, executive administration, business, operation and maintenance of plant, student transportation, and other support services.

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Capital Assets**

*Changes in Capital Assets*

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

	Balance, beginning	Changes	Balance, ending
Governmental activities:			
At cost:			
Intangible assets	\$ 59,862	\$ -	\$ 59,862
Less accumulated amortization	(25,655)	(8,552)	(34,207)
Net book value	<u>\$ 34,207</u>	<u>\$ (8,552)</u>	<u>\$ 25,655</u>

*Amortization Expense*

Amortization expense of \$8,552 was charged to the business function of the School Administrative Unit.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2010	Current Portion
Capital lease payable:						
Accounting system	\$ 59,862	2007	2011	7.2	\$ 12,638	\$ 12,638

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities (capital lease) for the fiscal year ended June 30, 2010:

Balance, beginning	\$ 12,638
Additions	-
Reductions	-
Balance, ending	<u>\$ 12,638</u>

*Debt Service Requirements to Maturity*

The debt service requirements to amortize the capital lease payable as of year-end of \$13,840 is made up of \$12,638 in principal and \$1,202 of interest. The final payment is due during the fiscal year ending June 30, 2011.

**IV. Other Information**

**IV.A. Risk Management**

The School Administrative Unit's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School Administrative Unit 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 Administrative Unit shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk



**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
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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.

Contributions paid for fiscal year ended June 30, 2010 to be recorded as workers' compensation expenditure/expense totaled \$3,478. The School Administrative Unit also paid \$679 for unemployment compensation for the fiscal year. There were no unpaid contributions for the year ended June 30, 2010. Property/liability coverage was provided through the member school districts. 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 the 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 Administrative Unit 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 5% of gross earnings for all employees. During fiscal year 2010, the rate of contribution from the School Administrative Unit was 9.16% for employees. Employer contributions from the School Administrative Unit during the fiscal years 2008, 2009 and 2010 were \$62,751, \$64,427 and \$71,657, respectively. The amounts are paid on a monthly basis as due.

**IV.C. Contingent Liabilities**

The School Administrative Unit has received federal 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 Administrative Unit does not feel the chance of disallowance is likely, and if it should occur, the amount would not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 7**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance*  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 1,262,882	\$ 1,262,882	\$ -
Other local	10,100	99	(10,001)
Total revenues	<u>1,272,982</u>	<u>1,262,981</u>	<u>(10,001)</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	177,021	174,345	2,676
Support services:			
Instructional staff	96,754	96,656	98
General administration	1,500	1,472	28
Executive administration	243,424	246,309	(2,885)
Business	274,125	269,150	4,975
Operation and maintenance of plant	32,429	31,840	589
Other	447,729	392,612	55,117
Total expenditures	<u>1,272,982</u>	<u>1,212,384</u>	<u>60,598</u>
Net change in fund balance	<u>\$ -</u>	50,597	<u>\$ 50,597</u>
Unreserved fund balance, beginning		45,474	
Unreserved fund balance, ending		<u>\$ 96,071</u>	

The note to the required supplementary information is an integral part of this statement.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**Reconciliation of Budgetary Basis to GAAP**

General Fund:

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,212,384
Adjustments:	
Basis difference:	
Encumbrances, beginning	55,056
Encumbrances, ending	<u>(15,413)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 1,252,027</u></u>

The major grants fund is not budgeted.

**INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 8**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Estimated and Actual Revenues**  
**For the Fiscal Year Ended June 30, 2010**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 1,262,882	\$ 1,262,882	\$ -
Other local sources:			
Investment earnings	10,100	99	(10,001)
Total revenues	<u>1,272,982</u>	<u>\$ 1,262,981</u>	<u>\$ (10,001)</u>

**EXHIBIT 9**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Special programs	34,631	177,021	208,801	175	2,676
Support services:					
Instructional staff	-	96,754	96,656	-	98
General administration	-	1,500	1,472	-	28
Executive administration	2,095	243,424	245,600	2,804	(2,885)
Business	14,375	274,125	272,391	11,134	4,975
Operation and maintenance of plant	-	32,429	31,840	-	589
Other	3,955	447,729	395,267	1,300	55,117
Total support services	20,425	1,095,961	1,043,226	15,238	57,922
Total encumbrances, appropriations, and expenditures	\$ 55,056	\$ 1,272,982	\$ 1,252,027	\$ 15,413	\$ 60,598

**EXHIBIT 10**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

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Unreserved, undesignated fund balance, beginning	\$	45,474
Changes:		
Budget summary:		
Revenue shortfall (Exhibit 8)	\$	(10,001)
Unexpended balance of appropriations (Exhibit 9)		60,598
Budget surplus		50,597
Unreserved, undesignated fund balance, ending	\$	96,071





# Roberts, Greene & Drolet, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

To the Members of the School Administrative Unit Board  
School Administrative Unit No. 41  
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 School Administrative Unit No. 41 (SAU) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the SAU's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SAU's internal control. Accordingly, we do not express an opinion on the effectiveness of the SAU'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 significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

October 8, 2010

*Roberts, Greene & Drolet, PLLC*