

SCHOOL ADMINISTRATIVE UNIT NO. 41

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

**SCHOOL ADMINISTRATIVE UNIT NO. 41
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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
PO Box 1588
Hollis, New Hampshire 03049

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the School Administrative Unit No. 41 as of and for the fiscal year ended June 30, 2009, 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, the major fund and the remaining fund information of the School Administrative Unit No. 41 as of June 30, 2009, 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 15 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.

September 15, 2009

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 112,691
Intergovernmental receivables	311
Other receivables	272
Prepaid items	869
Capital assets, net of accumulated amortization	34,207
Total assets	148,350
LIABILITIES	
Accounts payable	7,005
Accrued salaries and benefits	6,430
Intergovernmental payable	11,128
Unearned revenue	1,898
Noncurrent obligations:	
Due in more than one year:	
Capital leases	12,638
Total liabilities	39,099
NET ASSETS	
Invested in capital assets, net of related debt	21,569
Unrestricted	87,682
Total net assets	\$ 109,251

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, 2009

	<u>Expenses</u>	<u>Program Revenue</u> Operating Grants and Contributions	<u>Net (Expense)</u> Revenue and Changes In Net Assets
Governmental activities:			
Support services:			
Instructional staff	\$ 96,506	\$ -	\$ (96,506)
General administration	1,196	-	(1,196)
Executive administration	382,596	-	(382,596)
Business	277,829	-	(277,829)
Operation and maintenance of plant	31,837	-	(31,837)
Other	359,168	8,459	(350,709)
Total governmental activities	<u>\$ 1,149,132</u>	<u>\$ 8,459</u>	<u>(1,140,673)</u>
General revenues:			
School districts' assessments			1,208,405
Miscellaneous			535
Total general revenues			<u>1,208,940</u>
Change in net assets			68,267
Net assets, beginning, as restated (See Note III.C)			40,984
Net assets, ending			<u>\$ 109,251</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, 2009

	General	Other Governmental Fund (Grants)	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 111,698	\$ 993	\$ 112,691
Receivables:			
Accounts	272	-	272
Intergovernmental	27	284	311
Prepaid items	14,710	-	14,710
Total assets	<u>\$ 126,707</u>	<u>\$ 1,277</u>	<u>\$ 127,984</u>
LIABILITIES			
Accounts payable	\$ 6,721	\$ 284	\$ 7,005
Accrued salaries and benefits	6,430	-	6,430
Intergovernmental payable	11,128	-	11,128
Deferred revenue	1,898	-	1,898
Total liabilities	<u>26,177</u>	<u>284</u>	<u>26,461</u>
FUND BALANCES			
Reserved for encumbrances	55,056	-	55,056
Unreserved, undesignated, reported in:			
General fund	45,474	-	45,474
Special revenue fund	-	993	993
Total fund balances	<u>100,530</u>	<u>993</u>	<u>101,523</u>
Total liabilities and fund balances	<u>\$ 126,707</u>	<u>\$ 1,277</u>	<u>\$ 127,984</u>

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

EXHIBIT 4
SCHOOL ADMINISTRATIVE UNIT NO. 41
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets
June 30, 2009

Total fund balances of governmental funds (Exhibit 3)	\$	101,523
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>(25,655)</u>
		34,207
Payments of debt (principal and interest) not due until the subsequent year are recorded as prepaid in governmental funds.		(13,841)
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>109,251</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, 2009

	General	Other Governmental Fund (Grants)	Total Governmental Funds
REVENUES			
School districts' assessments	\$ 1,208,405	\$ -	\$ 1,208,405
Other local	94	441	535
Federal	-	8,459	8,459
Total revenues	<u>1,208,499</u>	<u>8,900</u>	<u>1,217,399</u>
EXPENDITURES			
Current:			
Support services:			
Instructional staff	96,506	-	96,506
General administration	1,196	-	1,196
Executive administration	382,596	-	382,596
Business	269,277	-	269,277
Operation and maintenance of plant	31,837	-	31,837
Other	362,554	8,459	371,013
Total expenditures	<u>1,143,966</u>	<u>8,459</u>	<u>1,152,425</u>
Net change in fund balances	64,533	441	64,974
Fund balances, beginning	35,997	552	36,549
Fund balances, ending	<u>\$ 100,530</u>	<u>\$ 993</u>	<u>\$ 101,523</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, 2009

Net change in fund balances of total governmental funds (Exhibit 5)		\$ 64,974
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlay	\$ -	
Amortization expense	<u>(8,552)</u>	(8,552)
<p>Payments of debt not due until the subsequent year are recorded as prepaid items in governmental funds.</p>		
Increase in prepaid debt		(113)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.</p>		
Principal repayment of capital lease		<u>11,958</u>
Change in net assets of governmental activities (Exhibit 2)		<u><u>\$ 68,267</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, 2009**

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, 2009.

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, 2009**

Fund Financial Statements

Fund financial statements are provided for governmental funds. The major governmental fund is reported in a separate column 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 Fund*

Governmental Funds

The School Administrative Unit reports the following major governmental fund:

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.

The School Administrative Unit also reports a nonmajor fund: the grants fund.

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

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, except for payments on capital leases which are only considered prepaid in governmental funds.

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 \$5,000 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 fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Administrative Unit is allowed to use beginning fund balance to balance the budget. In the fiscal year 2009, \$25,000 of the unreserved fund balance from the fiscal year 2008 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, school administration, operation and maintenance of plant, 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	(17,103)	(8,552)	(25,655)
Net book value	<u>\$ 42,759</u>	<u>\$ (8,552)</u>	<u>\$ 34,207</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, 2009**

III.B. Long-Term Debt

Long-term liabilities currently outstanding are as follow:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2009</u>	<u>Current Portion</u>
Capital lease payable:						
Accounting system	\$ 59,862	2007	2011	7.2	\$ 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, 2009:

Balance, beginning	\$ 24,596
Reductions	<u>(11,958)</u>
Balance, ending	<u><u>\$ 12,638</u></u>

Debt Service Requirements to Maturity

The annual debt service requirements to amortize the capital lease payable as of year-end are as follow:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 478	\$ 478
2011	<u>12,638</u>	<u>1,202</u>	<u>13,840</u>
Totals	<u><u>\$ 12,638</u></u>	<u><u>\$ 1,680</u></u>	<u><u>\$ 14,318</u></u>

III.C. Restatement of Net Assets

Net assets at July 1, 2008 were restated to record a previously unrecorded capital asset as follows:

To record intangible asset and accumulated amortization	\$ 42,759
Net assets, as previously reported	<u>(1,775)</u>
Net assets, as restated	<u><u>\$ 40,984</u></u>

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

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 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, 2009 to be recorded as workers' compensation expenditure/expense totaled \$3,071. There were no unpaid contributions for the year ended June 30, 2009. 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 2009, the rate of contribution from the School Administrative Unit was 8.74% for employees. Employer contributions from the School Administrative Unit during the fiscal years 2007, 2008 and 2009 were \$46,641, \$62,751 and \$64,427, respectively. The amounts are paid on a monthly basis as due.

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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
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, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School districts' assessments	\$ 1,208,405	\$ 1,208,405	\$ -
Other local	150	94	(56)
Total revenues	<u>1,208,555</u>	<u>1,208,499</u>	<u>(56)</u>
EXPENDITURES			
Current:			
Support services:			
Instructional staff	97,972	96,506	1,466
General administration	1,500	1,196	304
Executive administration	424,997	419,322	5,675
Business	282,777	277,427	5,350
Operation and maintenance of plant	29,848	31,837	(1,989)
Other	<u>396,461</u>	<u>366,509</u>	<u>29,952</u>
Total expenditures	<u>1,233,555</u>	<u>1,192,797</u>	<u>40,758</u>
Net change in fund balance	<u>\$ (25,000)</u>	15,702	<u>\$ 40,702</u>
Unreserved fund balance, beginning		<u>29,772</u>	
Unreserved fund balance, ending		<u>\$ 45,474</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, 2009**

Reconciliation of Budgetary Basis to GAAP

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,192,797
Adjustments:	
Basis difference:	
Encumbrances, beginning	6,225
Encumbrances, ending	<u>(55,056)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 1,143,966</u></u>

INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 8
SCHOOL ADMINISTRATIVE UNIT NO. 41
Major General Fund
Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2009

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	\$ 1,208,405	\$ 1,208,405	\$ -
Other local sources:			
Investment earnings	<u>150</u>	<u>94</u>	<u>(56)</u>
Total revenues	1,208,555	<u>\$ 1,208,499</u>	<u>\$ (56)</u>
Use of fund balance	25,000		
Total revenues and use of fund balance	<u>\$ 1,233,555</u>		

EXHIBIT 9
SCHOOL ADMINISTRATIVE UNIT NO. 41
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Support services:					
Instructional staff	\$ -	\$ 97,972	\$ 96,506	\$ -	\$ 1,466
General administration	-	1,500	1,196	-	304
Executive administration	-	424,997	382,596	36,726	5,675
Business	6,225	282,777	269,277	14,375	5,350
Operation and maintenance of plant	-	29,848	31,837	-	(1,989)
Other	-	396,461	362,554	3,955	29,952
Total encumbrances, appropriations, and expenditures	<u>\$ 6,225</u>	<u>\$ 1,233,555</u>	<u>\$ 1,143,966</u>	<u>\$ 55,056</u>	<u>\$ 40,758</u>

EXHIBIT 10
SCHOOL ADMINISTRATIVE UNIT NO. 41
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

Unreserved, undesignated fund balance, beginning		\$	29,772
Changes:			
Unreserved fund balance used to reduce school districts' assessments			(25,000)
Budget summary:			
Revenue shortfall (Schedule 1)		\$	(56)
Unexpended balance of appropriations (Schedule 2)			<u>40,758</u>
Budget surplus			<u>40,702</u>
Unreserved, undesignated fund balance, ending		\$	<u><u>45,474</u></u>