

SCHOOL ADMINISTRATIVE UNIT NO. 41
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

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· **· PLODZIK & SANDERSON**

Professional Association/Accountants & Auditors

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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, the major fund and the remaining fund information of the School Administrative Unit No. 41 as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining fund information of the School Administrative Unit No. 41 as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School Administrative Unit No. 41 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information 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.

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 fund schedules are presented for the 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.

July 8, 2009

Plodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 72,159
Prepaid items	613
Total assets	<u>72,772</u>
LIABILITIES	
Accounts payable	1,366
Accrued salaries and benefits	24,153
Intergovernmental payable	24,432
Noncurrent obligations:	
Due in more than one year:	
Capital lease	24,596
Total liabilities	<u>74,547</u>
NET ASSETS	
Unrestricted	<u>\$ (1,775)</u>

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

EXHIBIT B
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change In Net Assets</u>
Governmental activities:			
Support services:			
Instructional staff	\$ 99,716	\$ -	\$ (99,716)
General administration	1,039	-	(1,039)
Executive administration	388,922	-	(388,922)
Business	269,364	-	(269,364)
Operation and maintenance of plant	36,397	-	(36,397)
Other	355,248	4,024	(351,224)
Total governmental activities	<u>\$ 1,150,686</u>	<u>\$ 4,024</u>	<u>(1,146,662)</u>
General revenues:			
School districts' assessments			1,122,896
Miscellaneous			146
Total general revenues			<u>1,123,042</u>
Change in net assets			(23,620)
Net assets, beginning			21,845
Net assets, ending			<u>\$ (1,775)</u>

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

EXHIBIT C-1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental Fund (Grants)	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 71,607	\$ 552	\$ 72,159
Prepaid items	14,341	-	14,341
Total assets	<u>\$ 85,948</u>	<u>\$ 552</u>	<u>\$ 86,500</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,366	\$ -	\$ 1,366
Accrued salaries and benefits	24,153	-	24,153
Intergovernmental payable	24,432	-	24,432
Total liabilities	<u>49,951</u>	<u>-</u>	<u>49,951</u>
Fund balances:			
Reserved for encumbrances	6,225	-	6,225
Unreserved, undesignated, reported in:			
General fund	29,772	-	29,772
Special revenue fund	-	552	552
Total fund balances	<u>35,997</u>	<u>552</u>	<u>36,549</u>
Total liabilities and fund balances	<u>\$ 85,948</u>	<u>\$ 552</u>	<u>\$ 86,500</u>

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

EXHIBIT C-2
SCHOOL ADMINISTRATIVE UNIT NO. 41
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2008

Total fund balances of governmental funds (Exhibit C-1)	\$ 36,549
Amounts reported for governmental activities in the statement of net assets are different because:	
Payments of debt (principal and interest) not due until the subsequent year are recorded as prepaid items in governmental funds.	
Prepaid debt payment	(13,728)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Capital lease	<u>(24,596)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ (1,775)</u>

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

EXHIBIT C-3
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Fund (Grants)	Total Governmental Funds
Revenues:			
School districts' assessments	\$ 1,122,896	\$ -	\$ 1,122,896
Other local	146	4,024	4,170
Total revenues	1,123,042	4,024	1,127,066
Expenditures:			
Current:			
Support services:			
Instructional staff	99,716	-	99,716
General administration	1,039	-	1,039
Executive administration	422,497	-	422,497
Business	269,364	-	269,364
Operation and maintenance of plant	36,397	-	36,397
Other	351,776	3,472	355,248
Total expenditures	1,180,789	3,472	1,184,261
Net change in fund balances	(57,747)	552	(57,195)
Fund balances, beginning	93,744	-	93,744
Fund balances, ending	\$ 35,997	\$ 552	\$ 36,549

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

EXHIBIT C-4
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, 2008

Net change in fund balances of total governmental funds (Exhibit C-3)		\$	(57,195)
Amounts reported for governmental activities in the statement of activities are different because:			
Payments of debt not due until the subsequent year are recorded as prepaid items in governmental funds.			
Increase in prepaid debt			(13,728)
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 capital lease			21,426
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.			
Decrease in accrued interest expense	\$	3,377	
Decrease in compensated absences payable		<u>22,500</u>	
			<u>25,877</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(23,620)</u></u>

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

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School Administrative Unit No. 41 (School Administrative Unit) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The more significant of the School Administrative Unit's accounting policies are described below.

1-A Reporting Entity

The School Administrative Unit No. 41 is incorporated in accordance with RSA 186:11-1, and provides centralized administrative services for the Brookline, Hollis and Hollis-Brookline Cooperative School Districts. The School Administrative Unit is governed by an elected board. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the School Administrative Unit is financially accountable. The School Administrative Unit is financially accountable for an organization if the School Administrative Unit appoints a voting majority of the organization's governing board and (1) the School Administrative Unit is able to significantly influence the programs or services performed or provided by the organization; or (2) the School Administrative Unit is legally entitled to or can otherwise access the organization's resources; the School Administrative Unit is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School Administrative Unit is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the School Administrative Unit's financial reporting entity.

1-B Basis of Presentation

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

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 at this reporting level as all individual governmental funds are consolidated.

The statement of net assets presents the financial position of the governmental activities of the School Administrative Unit at year-end. This statement includes all of the School Administrative Unit's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Administrative Unit's governmental activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function. The School Administrative Unit does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly related to 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 the distinct functional activity. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School Administrative Unit. Program revenues consist of operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions to the program uses.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
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For identifying to which function program revenue pertains, the determining factor for *grants and contributions* is to which functions the revenues are *restricted*. The school districts' assessments, unrestricted state aid and other revenue sources not properly included among program revenues are reported as general revenues of the School Administrative Unit.

Fund Financial Statements - A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the School Administrative Unit at this more detailed level.

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

General Fund - The general fund is the primary operating fund of the School Administrative Unit. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

The School Administrative Unit also reports one nonmajor governmental fund, the grants fund.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School Administrative Unit are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

Governmental Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

1-D Basis of Accounting

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

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

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Revenues - Nonexchange Transactions - Nonexchange transactions, in which the School Administrative Unit receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School Administrative Unit must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School Administrative Unit on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized, generally within sixty days of year-end.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: the school districts' assessments, tuition, interest, and federal and state grants.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E Assets, Liabilities and Net Assets or Fund Equity

1-E-1 Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the School Administrative Unit. New Hampshire statutes require that the School Administrative Unit treasurer have custody of all moneys belonging to the School Administrative Unit and pay out the same only upon orders of the School Administrative Unit Board.

1-E-2 Prepaid Items

Payments for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

1-E-3 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

1-E-4 Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The School Administrative Unit reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

Net Assets - Net assets represent the difference between assets and liabilities. All net assets are reported as unrestricted.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

1-E-5 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.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

2-A Long-Term Liabilities

Changes in the School Administrative Unit's long-term obligations consisted of the following for the year ended June 30, 2008:

	Capital Lease Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 46,022	\$ 22,500	\$ 68,522
Reductions	(21,426)	(22,500)	(43,926)
Balance, ending	<u>\$ 24,596</u>	<u>\$ -</u>	<u>\$ 24,596</u>

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2008	Current Portion
Capital lease payable: Accounting system	\$ 59,862	2007	2011	7.2	\$ 24,596	\$ -

The annual requirements to amortize the capital lease payable as of June 30, 2008, including interest payments, are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 112	\$ 112
2010	11,958	1,882	13,840
2011	12,638	1,202	13,840
Totals	<u>\$ 24,596</u>	<u>\$ 3,196</u>	<u>\$ 27,792</u>

2-B Restatement of Beginning Net Assets

Net assets of the governmental activities at June 30, 2007 were restated as follow:

To record capital lease not previously reported	\$ (46,022)
To record accrued interest on lease	(3,377)
Net assets, as previously reported	71,244
Net assets, as restated	<u>\$ 21,845</u>

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 3 - OTHER MATTERS

3-A Pensions

The School Administrative Unit participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the School Administrative Unit. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 5% of gross earnings. For fiscal year 2008, the School Administrative Unit contributed 8.74% for employees. The contribution requirements for the School Administrative Unit No. 41 for the fiscal years 2006, 2007 and 2008 were \$42,882, \$46,641 and \$62,751 respectively, which were paid in full in each year.

3-B Risk Management

The School Administrative Unit is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2008, the School Administrative Unit was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each workers' compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from July 1 through June 30. The estimated net contribution from the School Administrative Unit No. 41 billed and paid for the year ended June 30, 2008 was \$7,108 for workers' compensation. Property/liability coverage was provided through the member school districts. The member participation agreements permit Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

3-C Contingent Liabilities

The School Administrative Unit has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School Administrative Unit believes such disallowances, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT D
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, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
School districts' assessments	\$ 1,122,897	\$ 1,122,896	\$ (1)
Other local	150	146	(4)
Total revenues	<u>1,123,047</u>	<u>1,123,042</u>	<u>(5)</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	95,836	93,018	2,818
General administration	1,500	1,039	461
Executive administration	379,557	411,261	(31,704)
Business	275,309	266,589	8,720
Operation and maintenance of plant	26,978	35,677	(8,699)
Other	379,823	351,776	28,047
Total expenditures	<u>1,159,003</u>	<u>1,159,360</u>	<u>(357)</u>
Net change in fund balance	<u>\$ (35,956)</u>	<u>(36,318)</u>	<u>\$ (362)</u>
Decrease in reserve for special purposes		8,685	
Unreserved fund balance, beginning		<u>57,405</u>	
Unreserved fund balance, ending		<u>\$ 29,772</u>	

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

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

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SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School Administrative Unit's operations. At its annual meeting, the School Administrative Unit adopts a budget for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2008, \$35,956 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis.

Expenditures:

Per Exhibit D (budgetary basis)	\$ 1,159,360
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Adjustments:

Basis difference:

Encumbrances, beginning	27,654
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Encumbrances, ending	(6,225)
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Per Exhibit C-2 (GAAP basis)	<u>\$ 1,180,789</u>
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Major General Fund
Schedule of Estimated and Actual Revenues (GAAP Basis)
For the Fiscal Year Ended June 30, 2008

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Hollis-Brookline Cooperative	\$ 545,362	\$ 545,362	\$ -
Brookline	210,467	210,467	-
Hollis	367,068	367,067	(1)
Total school districts' assessments	<u>1,122,897</u>	<u>1,122,896</u>	<u>(1)</u>
Other local sources:			
Investment earnings	<u>150</u>	<u>146</u>	<u>(4)</u>
Total revenues	1,123,047	<u>\$ 1,123,042</u>	<u>\$ (5)</u>
Use of fund balance to reduce school districts' assessments	<u>35,956</u>		
Total revenues and use of fund balance	<u>\$ 1,159,003</u>		

SCHEDULE 2
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, 2008

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Support services:					
Instructional staff	\$ 6,698	\$ 95,836	\$ 99,716	\$ -	\$ 2,818
General administration	-	1,500	1,039	-	461
Executive administration	11,236	379,557	422,497	-	(31,704)
Business	9,000	275,309	269,364	6,225	8,720
Operation and maintenance of plant	720	26,978	36,397	-	(8,699)
Other	-	379,823	351,776	-	28,047
Total appropriations, expenditures and encumbrances	<u>\$ 27,654</u>	<u>\$ 1,159,003</u>	<u>\$ 1,180,789</u>	<u>\$ 6,225</u>	<u>\$ (357)</u>

SCHEDULE 3
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, 2008

Unreserved, undesignated fund balance, beginning		\$	57,405
Changes:			
Unreserved fund balance used to reduce school districts' assessments			(35,956)
2007-2008 Budget summary:			
Revenue shortfall (Schedule 1)	\$	(5)	
Overexpenditure of appropriations (Schedule 2)		<u>(357)</u>	
2007-2008 Budget deficit			(362)
Decrease in reserve for special purposes			<u>8,685</u>
Unreserved, undesignated fund balance, ending		\$	<u>29,772</u>



PLODZIK & SANDERSON

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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 reporting our audit of the financial statements of the School Administrative Unit No. 41 as of and for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the School Administrative Unit'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 School Administrative Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Administrative Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School Administrative Unit'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 School Administrative Unit's financial statements that is more than inconsequential will not be prevented or detected by the School Administrative Unit's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Preparation of Financial Statements

Due to limited resources (time and personnel) available in the School Administrative Unit, management has requested that our firm prepare the financial statements and footnote disclosures for them to review and approve. This does not violate professional independence standards as the Business Administrator takes responsibility for the statements and it is the most cost effective option for the School Administrative Unit.

Since there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected in a timely manner by the Business Administrator's review of the financial statements, we consider this to be a significant deficiency in internal control. We recommend that management annually evaluate whether it is cost effective to allocate resources to prepare the financial statements and disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School Administrative Unit's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the school administrative unit board, others within the organization, and state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

July 8, 2009

*Plodzik & Sanderson
Professional Association*