

SCHOOL ADMINISTRATIVE UNIT NO. 41
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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PLODZIK & SANDERSON

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193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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, 2007, which collectively comprise the School Administrative Unit No. 41'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, 2007, 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 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.

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.

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.

*Plodzik & Sanderson
Professional Association*

April 4, 2008

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 107,548
Intergovernmental receivable	33,651
Other receivable	15
Total assets	<u>141,214</u>
LIABILITIES	
Accounts payable	11,743
Intergovernmental payable	35,727
Noncurrent obligations:	
Due within one year:	
Compensated absences	<u>22,500</u>
Total liabilities	<u>69,970</u>
NET ASSETS	
Unrestricted	<u>\$ 71,244</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, 2007

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Change in Net Assets
Governmental activities:			
Instruction	\$ 129,796	\$ -	\$ (129,796)
Support services:			
Instructional staff	104,997	25,000	(79,997)
Executive administration	268,649	-	(268,649)
Business	259,940	-	(259,940)
Operation and maintenance of plant	27,945	-	(27,945)
Other	228,939	-	(228,939)
Non-instructional services	97,655	-	(97,655)
Total governmental activities	\$ 1,117,921	\$ 25,000	(1,092,921)
General revenues:			
School districts' assessments			1,080,220
Miscellaneous			860
Total general revenues			1,081,080
Change in net assets			(11,841)
Net assets, beginning			83,085
Net assets, ending			\$ 71,244

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, 2007

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 107,548
Accounts receivable	15
Intergovernmental receivable	<u>33,651</u>
Total assets	<u>\$ 141,214</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 11,743
Intergovernmental payable	<u>35,727</u>
Total liabilities	<u>47,470</u>
Fund balance:	
Reserved for encumbrances	27,654
Reserved for special purposes	8,685
Unreserved, undesignated	<u>57,405</u>
Total fund balance	<u>93,744</u>
Total liabilities and fund balance	<u>\$ 141,214</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, 2007

Total fund balances of governmental funds (Exhibit C-1)	\$ 93,744
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Compensated absences payable	<u>(22,500)</u>
Total net assets of governmental activities (Exhibit A)	<u>\$ 71,244</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, 2007

	General	Other Governmental Fund (Grants)	Total Governmental Funds
Revenues:			
School districts' assessments	\$ 1,080,220	\$ -	\$ 1,080,220
Other local	25,860	-	25,860
Federal	-	1,479	1,479
Total revenues	<u>1,106,080</u>	<u>1,479</u>	<u>1,107,559</u>
Expenditures:			
Current:			
Instruction	129,796	1,479	131,275
Support services:			
Instructional staff	104,997	-	104,997
Executive administration	246,149	-	246,149
Business	259,940	-	259,940
Operation and maintenance of plant	27,945	-	27,945
Other	228,939	-	228,939
Non-instructional services	97,655	-	97,655
Total expenditures	<u>1,095,421</u>	<u>1,479</u>	<u>1,096,900</u>
Net change in fund balances	10,659	-	10,659
Fund balances, beginning	83,085	-	83,085
Fund balances, ending	<u>\$ 93,744</u>	<u>\$ -</u>	<u>\$ 93,744</u>

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, 2007

Net change in fund balances of governmental funds (Exhibit C-3)	\$ 10,659
Amounts reported for governmental activities in the statement of activities are different because:	
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 compensated absences payable	<u>(22,500)</u>
Changes in net assets of governmental activities (Exhibit B)	<u>\$ (11,841)</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
JUNE 30, 2007

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SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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

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 charges for services, which include tuition, fees, and other charges to users of the School Administrative Unit's services

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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. The School District 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 the other 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 the other fund.

The School Administrative Unit also reports one nonmajor governmental 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.

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.

Revenues - Non-exchange 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 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.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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. The treasurer shall deposit all such moneys 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 and 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.

1-E-2 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.

1-E-3 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the School Administrative Unit will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

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 District 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.

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.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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

2-A Receivables

Receivables at June 30, 2007, consisted of intergovernmental amounts arising from reimbursement of expenses incurred on behalf of the member school districts.

Receivables are recorded on the School Administrative Unit'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 collectibility.

2-B Long-Term Liabilities

Changes in the School Administrative Unit's long-term obligations consisted of the following for the year ended June 30, 2007.

	Compensated Absences Payable (vacation leave)
Balance, beginning	\$ -
Additions	22,500
Balances, ending	\$ 22,500
Current portion	\$ 22,500

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 earnable compensation. For fiscal year 2007, the School Administrative Unit contributed 6.81% for employees. The contribution requirements for the School Administrative Unit No. 41 for the fiscal years 2005, 2006 and 2007 were \$37,784, \$42,882 and \$46,641 respectively, which were paid in full in each year.

3-B Risk Management

The School District 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 2007, the School District 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.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

The estimated net contribution from the School Administrative Unit No. 41 billed and paid for the year ended June 30, 2007 was \$2,981 for workers' compensation. Property/liability coverage was provided through the agreements with the School Administrative Unit's 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.

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, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
School districts' assessments	\$ 1,080,220	\$ 1,080,220	\$ -
Other local	25,150	25,860	710
Total revenues	<u>1,105,370</u>	<u>1,106,080</u>	<u>710</u>
Expenditures:			
Current:			
Instruction	123,663	129,796	(6,133)
Support services:			
Instructional staff	88,763	109,895	(21,132)
Executive administration	241,365	257,327	(15,962)
Business	258,443	259,940	(1,497)
Operation and maintenance of plant	28,896	21,652	7,244
Other	283,789	224,681	59,108
Non-instructional services	80,451	97,655	(17,204)
Total expenditures	<u>1,105,370</u>	<u>1,100,946</u>	<u>4,424</u>
Net change in fund balances	<u>\$ -</u>	5,134	<u>\$ 5,134</u>
Increase in reserve for special purposes		(8,685)	
Unreserved fund balance, beginning		60,956	
Unreserved fund balance, ending		<u>\$ 57,405</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, 2007

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SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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 2007, none of the beginning 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)	\$ 1,100,946
Adjustments:	
Basis difference:	
Encumbrances, beginning	22,129
Encumbrances, ending	<u>(27,654)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,095,421</u>

INDIVIDUAL FUND STATEMENTS

SCHEDULE 1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Major General Fund
Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2007

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School districts' assessments:			
Brookline School District	\$ 201,554	\$ 201,554	\$ -
Hollis School District	365,845	365,845	-
Hollis-Brookline Cooperative School District	<u>512,821</u>	<u>512,821</u>	-
Total school districts' assessments	<u>1,080,220</u>	<u>1,080,220</u>	-
Other local sources:			
Investment earnings	150	715	565
Miscellaneous	<u>25,000</u>	<u>25,145</u>	145
Total other local sources	<u>25,150</u>	<u>25,860</u>	710
Total revenues	<u>\$ 1,105,370</u>	<u>\$ 1,106,080</u>	<u>\$ 710</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, 2007

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 123,663	\$ 129,796	\$ -	\$ (6,133)
Support services:					
Instructional staff	1,800	88,763	104,997	6,698	(21,132)
Executive administration	58	241,365	246,149	11,236	(15,962)
Business	9,000	258,443	259,940	9,000	(1,497)
Operation and maintenance of plant	7,013	28,896	27,945	720	7,244
Other	4,258	283,789	228,939	-	59,108
Total support services	<u>22,129</u>	<u>901,256</u>	<u>867,970</u>	<u>27,654</u>	<u>27,761</u>
Non-instructional services	-	80,451	97,655	-	(17,204)
Total appropriations, expenditures and encumbrances	<u>\$ 22,129</u>	<u>\$ 1,105,370</u>	<u>\$ 1,095,421</u>	<u>\$ 27,654</u>	<u>\$ 4,424</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, 2007

Unreserved, undesignated fund balance, beginning		\$ 60,956
Changes:		
2006-2007 Budget summary:		
Revenue surplus (Schedule 1)	\$ 710	
Unexpended balance of appropriations (Schedule 2)	<u>4,424</u>	
2006-2007 Budget surplus		5,134
Increase in reserve for special purposes		<u>(8,685)</u>
Unreserved, undesignated fund balance, ending		<u>\$ 57,405</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the School Administrative Unit No. 41'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 No. 41's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Administrative Unit No. 41's internal control.

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 No. 41'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 No. 41's financial statements that is more than inconsequential will not be prevented or detected by the School Administrative Unit No. 41's internal control.

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 No. 41's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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.

*Plodzik & Sanderson
Professional Association*

April 4, 2008