

SCHOOL ADMINISTRATIVE UNIT NO. 41
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

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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 and the major fund of the School Administrative Unit No. 41 as of and for the year ended June 30, 2006, 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 and the major fund of the School Administrative Unit No. 41 as of June 30, 2006, 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.

As described in Note 2, as of July 1, 2005, the School Administrative Unit has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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'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.

August 4, 2006

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 63,764
Intergovernmental receivable	25,000
Total assets	<u>88,764</u>
LIABILITIES	
Accounts payable	3,597
Intergovernmental payable	2,082
Total liabilities	<u>5,679</u>
NET ASSETS	
Unrestricted	<u>\$ 83,085</u>

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

EXHIBIT B
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes In Net Assets
Governmental activities:			
Instruction	\$ 126,805	\$ -	\$ (126,805)
Support services:			
Instructional staff	87,957	25,000	(62,957)
Executive administration	247,603	-	(247,603)
Business	237,415	-	(237,415)
Operation and maintenance of plant	29,684	-	(29,684)
Other	205,611	-	(205,611)
	69,569	-	(69,569)
Non-instructional services			
Total governmental activities	<u>\$ 1,004,644</u>	<u>\$ 25,000</u>	<u>(979,644)</u>
General revenues:			1,024,928
School districts' assessments			4,491
Miscellaneous			<u>1,029,419</u>
Total general revenues			49,775
Change in net assets			33,310
Net assets, beginning			<u>\$ 83,085</u>
Net assets, ending			

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

EXHIBIT C-1
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Balance Sheet
Governmental Fund
June 30, 2006

	General Fund
ASSETS	
Cash and cash equivalents	\$ 63,764
Intergovernmental receivable	<u>25,000</u>
Total assets	<u>\$ 88,764</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 3,597
Intergovernmental payable	<u>2,082</u>
Total liabilities	<u>5,679</u>
 Fund balances:	
Reserved for encumbrances	22,129
Unreserved, undesignated	<u>60,956</u>
Total fund balances	<u>83,085</u>
Total liabilities and fund balances	<u>\$ 88,764</u>

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

EXHIBIT C-2
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Fiscal Year Ended June 30, 2006

	General Fund
Revenues:	
School districts' assessments	\$ 1,024,928
Other local	29,491
Total revenues	<u>1,054,419</u>
Expenditures:	
Current:	
Instruction	126,805
Support services:	
Instructional staff	87,957
Executive administration	247,603
Business	237,415
Operation and maintenance of plant	29,684
Other	205,611
Non-instructional services	69,569
Total expenditures	<u>1,004,644</u>
Net change in fund balance	49,775
Fund balance, beginning	33,310
Fund balance, ending	<u>\$ 83,085</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, 2006

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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, 2006

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

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. Fund financial statements are provided for the governmental fund.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Governmental Fund - 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 operating fund of the School Administrative Unit. All general tax revenues and other receipts are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and capital improvement costs.

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, 2006

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

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund 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-4 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 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the School District has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

GASB Statement No. 34 creates new basic financial statements for reporting the School Administrative Unit's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements. The government-wide financial statements present the School Administrative Unit's programs as governmental activities. As of July 1, 2005 and June 30 2006, there is no difference between the governmental fund's fund balance and the government-wide net assets.

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental amounts arising from reimbursements of expenses incurred on behalf of the member 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

NOTE 4 - OTHER MATTERS

4-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 State 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 2006, the School Administrative Unit contributed 6.81% for employees. The contribution requirements for the School Administrative Unit No. 41 for the fiscal years 2004, 2005 and 2006 were \$32,809, \$37,784 and \$42,882 respectively, which were paid in full in each year.

4-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 2006, 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. The estimated net contribution from the School Administrative Unit No. 41 billed and paid for the year ended June 30, 2006 was \$3,038 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 SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
School districts' assessments	\$ 1,024,928	\$ 1,024,928	\$ -
Other local	25,150	29,491	4,341
Total revenues	<u>1,050,078</u>	<u>1,054,419</u>	<u>4,341</u>
Expenditures:			
Current:			
Instruction	121,154	126,805	(5,651)
Support services:			
Instructional staff	87,562	89,757	(2,195)
Executive administration	242,426	247,661	(5,235)
Business	223,327	237,415	(14,088)
Operation and maintenance of plant	25,168	26,975	(1,807)
Other	271,761	209,869	61,892
Non-instructional services	78,680	69,569	9,111
Total expenditures	<u>1,050,078</u>	<u>1,008,051</u>	<u>42,027</u>
Net change in fund balance	<u>\$ -</u>	46,368	<u>\$ 46,368</u>
Unreserved fund balance, beginning		14,588	
Unreserved fund balance, ending		<u>\$ 60,956</u>	

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

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

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 2006, none of the beginning fund balance was applied for this purpose.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis expenditures to the GAAP basis:

Expenditures:	
Per Exhibit D (budgetary basis)	\$ 1,008,051
Adjustment:	
Basis difference:	
Encumbrances, beginning	18,722
Encumbrances, ending	(22,129)
Per Exhibit C-2 (GAAP basis)	<u>\$ 1,004,644</u>

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (GAAP Basis)
For the Fiscal Year Ended June 30, 2006

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Brookline School District	\$ 196,083	\$ 196,083	\$ -
Hollis School District	356,277	356,277	-
Hollis-Brookline Cooperative School District	472,568	472,568	-
Total school districts' assessments	<u>1,024,928</u>	<u>1,024,928</u>	<u>-</u>
Other local sources:			
Investment earnings	150	1,118	968
Miscellaneous	25,000	28,373	3,373
Total other local sources	<u>25,150</u>	<u>29,491</u>	<u>4,341</u>
Total revenues	<u>\$ 1,050,078</u>	<u>\$ 1,054,419</u>	<u>\$ 4,341</u>

SCHEDULE 2
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 121,154	\$ 126,805	\$ -	\$ (5,651)
Support services:					
Instructional staff	-	87,562	87,957	1,800	(2,195)
Executive administration	-	242,426	247,603	58	(5,235)
Business	9,000	223,327	237,415	9,000	(14,088)
Operation and maintenance of plant	9,722	25,168	29,684	7,013	(1,807)
Other	-	271,761	205,611	4,258	61,892
Total support services	18,722	850,244	808,270	22,129	38,567
Non-instructional services	-	78,680	69,569	-	9,111
Total appropriations, expenditures and encumbrances	\$ 18,722	\$ 1,050,078	\$ 1,004,644	\$ 22,129	\$ 42,027

SCHEDULE 3
SCHOOL ADMINISTRATIVE UNIT NO. 41 SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

Unreserved, undesignated fund balance, beginning		\$ 14,588
Changes:		
2005-2006 Budget summary:		
Revenue surplus (Schedule 1)	\$ 4,341	
Unexpended balance of appropriations (Schedule 2)	<u>42,027</u>	
2005-2006 Budget surplus		<u>46,368</u>
Unreserved, undesignated fund balance, ending		<u>\$ 60,956</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF REPORTABLE CONDITIONS AND OTHER MATTERS

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

In planning and performing our audit of the School Administrative Unit No. 41 for the year ended June 30, 2006, we considered the School District's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinions on the financial statements. Our review of these systems was not intended to provide assurance on the internal control structure and should not be relied on for that purpose.

Under the standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

During the course of our review of internal controls, no material weaknesses in the School Administrative Unit's accounting systems and records were identified. Minor weaknesses or other considerations coming to our attention were generally procedural in nature and dealt with administrative or recordkeeping practices. In these instances, we made specific recommendations or provided instruction to applicable individuals during the course of our audit fieldwork.

This report is intended solely for the information and use of management, the school administrative unit board, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

August 4, 2006

*Plodzik & Sanderson
Professional Association*