

SANBORN REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes of Fiduciary Net Assets	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress	34
------------------------------	----

SUPPLEMENTARY STATEMENTS AND SCHEDULES:

Combining Balance Sheet - Nonmajor Governmental Funds	35
-------------------------------------------------------	----

Statement of Revenues, Expenses, and Changes in Fund Balances - Nonmajor Governmental Funds	36
------------------------------------------------------------------------------------------------	----

Combining Statement of Changes in Assets and Liabilities - Agency Funds	37
----------------------------------------------------------------------------	----



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the School Board
Sanborn Regional School District
Kingston, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sanborn Regional School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Sanborn Regional School District's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of the Sanborn Regional School District, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

The management's discussion and analysis, appearing on the following pages, and the supplementary information appearing on page 34 are not a required part of the basic financial statements, but are 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.

In addition, the Schedules of Nonmajor and Agency funds appearing on pages 35 through 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Sanborn Regional School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sanborn Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 15,432,219 (i.e., net assets), a change of \$ 1,358,585 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,650,557, a change of \$ 3,914 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 481,077, a change of \$ (17,900) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 17,114,197, a change of \$ (1,761,505) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental <u>Activities</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 2,025,097	\$ 2,124,845
Capital assets	<u>33,316,735</u>	<u>33,864,139</u>
Total assets	35,341,832	35,988,984
Long-term liabilities	17,250,147	19,062,292
Other liabilities	<u>2,659,466</u>	<u>2,853,058</u>
Total liabilities	19,909,613	21,915,350
Net assets:		
Invested in capital assets, net	16,202,538	14,988,437
Restricted	278,844	277,689
Unrestricted	<u>(1,049,163)</u>	<u>(1,192,492)</u>
Total net assets	\$ <u>15,432,219</u>	\$ <u>14,073,634</u>

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 491,468	\$ 539,065
Operating grants and contributions	4,800,413	4,898,215
General revenues:		
School district assessments	17,477,147	16,924,270
Grants and contributions not restricted to specific programs	7,270,487	7,376,539
Investment income	6,816	11,654
Miscellaneous	<u>98,909</u>	<u>100,990</u>
Total revenues	30,145,240	29,850,733

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	
	<u>2011</u>	<u>2010</u>
Expenses:		
Instruction	17,329,475	17,916,039
Student services	1,852,505	1,890,206
Instructional staff	455,419	512,401
General administration	96,612	116,215
Executive administration	584,110	547,428
School administration	1,547,777	1,530,938
Business	424,701	365,208
Operations and maintenance	3,575,563	3,317,671
Transportation	1,117,601	1,024,302
Other	617,926	612,098
Non-instructional services	618,628	634,767
Interest	566,338	477,240
Total expenses	<u>28,786,655</u>	<u>28,944,513</u>
Change in net assets	1,358,585	906,220
Net assets - beginning of year	<u>14,073,634</u>	<u>13,167,414</u>
Net assets - end of year	<u>\$ 15,432,219</u>	<u>\$ 14,073,634</u>

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net assets were \$ 15,432,219, a change of \$ 1,358,585 from the prior year.

The largest portion of net assets \$ 16,202,538 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and vehicles); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 278,844 represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets deficit of \$ (1,049,163) primarily results from the use of fund balance in fiscal year 2011 and the recognition of the District's OPEB Liability. (See Note 12).

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,358,585. Key elements of this change are as follows:

Revenues in excess of budget	\$ 164,987
Expenditures less than budget	247,808
Debt service principal paydowns in excess of depreciation	1,042,643
Other	<u>(96,853)</u>
Total	<u>\$ 1,358,585</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,650,557, a change of \$ 3,914 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 7,744
Special revenue fund expenditures over revenues	(4,985)
Trust fund revenues over expenditures	<u>1,155</u>
Total	<u>\$ 3,914</u>

In fiscal year 2011, the District implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in capital reserve funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 481,077, while total fund balance was \$ 1,176,453. As a measure of the general fund’s liquidity, it may be

useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 481,077	\$ 498,977	\$ (17,900)	1.68%
Total fund balance	1,176,453	1,168,709	7,744	4.11%

The total fund balance of the general fund changed by \$ 7,744 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance	\$ (496,852)
Revenues in excess of budget	164,987
Expenditures less than budget	247,808
Change in encumbrances	<u>91,801</u>
Total	<u>\$ 7,744</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the original General fund budget. However, Management did transfer appropriations between operating categories, as allowable per District policies.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$ 33,316,735 (net of accumulated depreciation), a change of \$ (547,404) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonds payable outstanding was \$ 17,114,197, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Sanborn Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sanborn Regional School District
178 Main Street
Kingston, New Hampshire 03848

SANBORN REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,037,461
Accounts receivable	804,629
Intergovernmental receivable	177,802
Other assets	5,205
Noncurrent:	
Capital assets:	
Land and construction in progress	1,158,291
Other assets, net of accumulated depreciation	<u>32,158,444</u>
TOTAL ASSETS	35,341,832
 LIABILITIES	
Current:	
Accounts payable	340,903
Accrued liabilities	325,006
Current portion of long-term liabilities:	
Bonds payable	1,666,458
Compensated absences	327,099
Noncurrent:	
Bonds payable, net of current portion	15,447,739
Compensated absences, net of current portion	714,075
Net OPEB obligation	<u>1,088,333</u>
TOTAL LIABILITIES	19,909,613
 NET ASSETS	
Invested in capital assets, net of related debt	16,202,538
Restricted for:	
Expendable permanent funds	278,844
Unrestricted	<u>(1,049,163)</u>
TOTAL NET ASSETS	<u>\$ 15,432,219</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net(Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 17,329,475	\$ 14,116	\$ 4,652,054	\$ (12,663,305)
Support services:				
Student	1,852,505	-	-	(1,852,505)
Instructional staff	455,419	-	-	(455,419)
General administration	96,612	-	-	(96,612)
Executive administration	584,110	-	-	(584,110)
School administration	1,547,777	-	-	(1,547,777)
Business	424,701	-	-	(424,701)
Operation and maintenance of plant	3,575,563	70,445	-	(3,505,118)
Student transportation	1,117,601	-	-	(1,117,601)
Other	617,926	-	-	(617,926)
Non-instructional services	618,628	406,907	148,359	(63,362)
Interest on long-term debt	<u>566,338</u>	<u>-</u>	<u>-</u>	<u>(566,338)</u>
 Total Governmental Activities	 <u>\$ 28,786,655</u>	 <u>\$ 491,468</u>	 <u>\$ 4,800,413</u>	 (23,494,774)
		General Revenues:		
				17,477,147
				7,270,487
				6,816
				<u>98,909</u>
				Total general revenues <u>24,853,359</u>
				Change in Net Assets 1,358,585
		Net Assets:		
				<u>14,073,634</u>
				\$ <u>15,432,219</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	<u>General</u>	Special Education Expendable <u>Trust Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and cash equivalents	\$ 605,033	\$ 225,680	\$ 206,748	\$ 1,037,461
Receivables:				
Accounts receivable	802,101	-	2,528	804,629
Intergovernmental	-	-	177,802	177,802
Interfund receivable	161,546	-	34,463	196,009
Other assets	<u>5,205</u>	<u>-</u>	<u>-</u>	<u>5,205</u>
TOTAL ASSETS	\$ <u>1,573,885</u>	\$ <u>225,680</u>	\$ <u>421,541</u>	\$ <u>2,221,106</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 338,388	\$ -	\$ 2,515	\$ 340,903
Accrued liabilities	24,581	-	-	24,581
Interfund payable	34,463	-	161,546	196,009
Unearned revenue	<u>-</u>	<u>-</u>	<u>9,056</u>	<u>9,056</u>
TOTAL LIABILITIES	397,432	-	173,117	570,549
Fund Balances:				
Restricted	1,000	-	42,394	43,394
Committed	-	225,680	206,030	431,710
Assigned	694,376	-	-	694,376
Unassigned	<u>481,077</u>	<u>-</u>	<u>-</u>	<u>481,077</u>
TOTAL FUND BALANCES	<u>1,176,453</u>	<u>225,680</u>	<u>248,424</u>	<u>1,650,557</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,573,885</u>	\$ <u>225,680</u>	\$ <u>421,541</u>	\$ <u>2,221,106</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total governmental fund balances	\$ 1,650,557
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,316,735
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(291,369)
• Long-term liabilities, including bonds payable, compensated absences, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(19,243,704)</u>
Net assets of governmental activities	<u><u>\$ 15,432,219</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	Special Education Expendable <u>Trust Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
School District assessment	\$ 17,477,147	\$ -	\$ -	\$ 17,477,147
Intergovernmental:				
Local	3,583,095	-	-	3,583,095
State	7,336,256	-	7,864	7,344,120
Federal	278,053	-	978,656	1,256,709
Charges for services	-	-	477,353	477,353
Investment income	<u>5,339</u>	<u>900</u>	<u>576</u>	<u>6,815</u>
Total Revenues	28,679,890	900	1,464,449	30,145,239
Expenditures:				
Current:				
Instruction	16,035,947	-	635,323	16,671,270
Support services:				
Student services	1,680,200	-	250,067	1,930,267
Instructional staff	482,816	-	17,701	500,517
General administration	90,984	-	-	90,984
Executive administration	583,760	-	-	583,760
School administration	1,548,633	-	-	1,548,633
Business	425,384	-	-	425,384
Operation and maintenance of plant	3,684,011	-	-	3,684,011
Student transportation	1,117,601	-	-	1,117,601
Other	617,926	-	-	617,926
Non-instructional services	21,577	-	595,752	617,329
Debt service	2,343,337	-	-	2,343,337
Facilities acquisition and construction	<u>10,306</u>	<u>-</u>	<u>-</u>	<u>10,306</u>
Total Expenditures	<u>28,642,482</u>	<u>-</u>	<u>1,498,843</u>	<u>30,141,325</u>
Excess (deficiency) of revenues over expenditures	37,408	900	(34,394)	3,914
Other Financing Sources (Uses):				
Transfers in	-	-	29,664	29,664
Transfers out	<u>(29,664)</u>	<u>-</u>	<u>-</u>	<u>(29,664)</u>
Total Other Financing Sources (Uses)	<u>(29,664)</u>	<u>-</u>	<u>29,664</u>	<u>-</u>
Change in fund balance	7,744	900	(4,730)	3,914
Fund Equity, at Beginning of Year, as reclassified	<u>1,168,709</u>	<u>224,780</u>	<u>253,154</u>	<u>1,646,643</u>
Fund Equity, at End of Year	<u>\$ 1,176,453</u>	<u>\$ 225,680</u>	<u>\$ 248,424</u>	<u>\$ 1,650,557</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	3,914																					
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital outlay purchases, net of disposals</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">157,205</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(704,609)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Repayments of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">1,747,252</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding reported until due. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">29,747</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital lease</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">14,253</td> </tr> <tr> <td>Compensated absences</td> <td></td> <td style="text-align: right;">44,681</td> </tr> <tr> <td>Net OPEB obligation</td> <td></td> <td style="text-align: right;"><u>66,142</u></td> </tr> </table> 			Capital outlay purchases, net of disposals		157,205	Depreciation		(704,609)	Repayments of debt		1,747,252			29,747	Capital lease		14,253	Compensated absences		44,681	Net OPEB obligation		<u>66,142</u>
Capital outlay purchases, net of disposals		157,205																					
Depreciation		(704,609)																					
Repayments of debt		1,747,252																					
		29,747																					
Capital lease		14,253																					
Compensated absences		44,681																					
Net OPEB obligation		<u>66,142</u>																					
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,358,585</u></u>																					

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
School District Assessment	\$ 19,996,852	\$ 19,996,852	\$ 19,996,852	\$ -
Intergovernmental:				
Local	3,126,585	3,126,585	3,232,770	106,185
State	4,884,141	4,884,141	4,816,551	(67,590)
Federal	150,000	150,000	278,053	128,053
Investment income	7,000	7,000	5,339	(1,661)
Other financing sources:				
Use of fund balance	<u>496,852</u>	<u>496,852</u>	<u>496,852</u>	<u>-</u>
Total Revenues	28,661,430	28,661,430	28,826,417	164,987
Expenditures and other uses:				
Current:				
Instruction	15,898,497	15,785,172	15,658,699	126,473
Support services:				
Student services	1,770,460	1,705,827	1,680,200	25,627
Instructional staff	539,228	514,423	487,436	26,987
General administration	413,367	94,436	88,741	5,695
Executive administration	583,981	576,501	572,229	4,272
School administration	1,567,301	1,560,559	1,548,441	12,118
Business	408,082	418,153	415,126	3,027
Operation and maintenance of plant	3,238,415	3,846,294	3,822,763	23,531
Student transportation	1,082,039	1,136,307	1,117,601	18,706
Other	799,223	618,282	617,926	356
Non-instructional services	2,500	22,070	21,577	493
Debt service	2,343,337	2,343,337	2,343,337	-
Facilities acquisition and construction	-	10,405	9,882	523
Other financing uses:				
Transfers out	<u>15,000</u>	<u>29,664</u>	<u>29,664</u>	<u>-</u>
Total Expenditures	<u>28,661,430</u>	<u>28,661,430</u>	<u>28,413,622</u>	<u>247,808</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>412,795</u>	\$ <u>412,795</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>9,126</u>	\$ <u>125,268</u>
Total Assets	9,126	125,268
 <u>LIABILITIES</u>		
Due to student groups	<u>-</u>	<u>125,268</u>
Total Liabilities	<u>-</u>	<u>125,268</u>
 <u>NET ASSETS</u>		
Total net assets	\$ <u><u>9,126</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ <u>24,616</u>
Total additions	<u>24,616</u>
 Deductions:	
Scholarships	<u>15,490</u>
Total deductions	<u>15,490</u>
Net increase	9,126
 Net assets:	
Beginning of year	<u>-</u>
End of year	\$ <u><u>9,126</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Sanborn Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School District assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-

wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include District assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *special education trust fund* is used to account for payments of unanticipated expenses incurred by the needs of Special Education students.

The *private-purpose trust fund* is used to account for trust arrangements, under which principal revenue exclusively benefits individual scholarship recipients.

The *agency fund* is used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	5 - 75
Land improvements	50
Machinery equipment and vehicles	7 - 25

G. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. All vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

I. 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 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. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District's fund balance classification policies and procedures are as follows:

- 1) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 2) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the School Board).

- 3) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.
- 4) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 28,679,890	\$ 28,642,482
Other financing sources/uses (GAAP basis)	-	29,664
Subtotal (GAAP Basis)	28,679,890	28,672,146
Reverse beginning of year appropriation carryforwards from expenditures	-	(552,575)
Add end of year appropriation carryforwards to expenditures	-	644,376
Reverse NHRS on behalf contribution	(350,325)	(350,325)
Recognize use of fund balance as funding source	496,852	-
Budgetary basis	<u>\$ 28,826,417</u>	<u>\$ 28,413,622</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The District does not have a deposit policy for custodial credit risk.

As of June 30, 2011, \$ 28,844 of the District's bank balance of \$ 1,818,799 was exposed to custodial credit risk as uninsured or uncollateralized. Of the District's \$ 1,118,122 deposit in repurchase agreements, all of the underlying securities are held by the investment's counterparty, not in the name of the District.

4. Receivables

Receivables consist of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal 2011.

5. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 161,546	\$ 34,463
Special Revenue Funds:		
Grants Fund	-	159,668
Food Service Fund	34,463	-
Facilities Revolving Fund	-	1,878
Total	<u>\$ 196,009</u>	<u>\$ 196,009</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,007	\$ 55	\$ (23)	\$ 36,039
Machinery, equipment, and vehicles	1,033	83	-	1,116
Land improvements	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>
Total capital assets, being depreciated	37,402	138	(23)	37,517
Less accumulated depreciation for:				
Buildings and improvements	(4,105)	(580)	20	(4,665)
Machinery, equipment, and vehicles	(494)	(98)	-	(592)
Land improvements	<u>(75)</u>	<u>(26)</u>	<u>-</u>	<u>(101)</u>
Total accumulated depreciation	<u>(4,674)</u>	<u>(704)</u>	<u>20</u>	<u>(5,358)</u>
Total capital assets, being depreciated, net	32,728	(566)	(3)	32,159
Capital assets, not being depreciated:				
Land	1,101	-	-	1,101
Construction in progress	<u>35</u>	<u>57</u>	<u>(35)</u>	<u>57</u>
Total capital assets, not being depreciated	<u>1,136</u>	<u>57</u>	<u>(35)</u>	<u>1,158</u>
Governmental activities capital assets, net	<u>\$ 33,864</u>	<u>\$ (509)</u>	<u>\$ (38)</u>	<u>\$ 33,317</u>

Depreciation expense was charged to functions of the District as follows (in thousands):

Governmental Activities:	
Instruction	\$ 673
Support services:	
Executive administration	2
Operation and maintenance of plant	28
Non-Instructional	<u>1</u>
Total depreciation expense - governmental activities	<u>\$ 704</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent additional 2011 expenditures paid in the next fiscal year.

8. Unearned Revenue

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

9. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
High School	08/15/24	4.54%	\$ <u>17,114,197</u>
Total Governmental Activities:			\$ <u><u>17,114,197</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,666,458	\$ 650,061	\$ 2,316,519
2013	1,576,010	739,006	2,315,016
2014	1,495,516	819,875	2,315,391
2015	1,420,200	897,191	2,317,391
2016	1,351,421	964,470	2,315,891
2017-2021	5,851,318	5,729,375	11,580,693
2022-2025	<u>3,753,274</u>	<u>5,628,851</u>	<u>9,382,125</u>
Total	\$ <u><u>17,114,197</u></u>	\$ <u><u>15,428,829</u></u>	\$ <u><u>32,543,026</u></u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2011.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total			Total		
	Balance			Balance	Less	Equals
	<u>7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11</u>	<u>Current</u>	<u>Long-Term</u>
					<u>Portion</u>	<u>Portion</u>
						<u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 18,861	\$ -	\$ (1,747)	\$ 17,114	\$ (1,666)	\$ 15,448
Other:						
Lease payable	14	-	(14)	-	-	-
Compensated absences	1,086	16	(61)	1,041	(327)	714
Net OPEB obligation	1,154	-	(66)	1,088	-	1,088
Totals	\$ <u>21,115</u>	\$ <u>16</u>	\$ <u>(1,888)</u>	\$ <u>19,243</u>	\$ <u>(1,993)</u>	\$ <u>17,250</u>

10. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

11. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the District is involved. The District's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

12. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment

benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the District provides post-employment healthcare and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2010, the actuarial valuation date, approximately 29 retirees and 289 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan; however, the retirees' cost is blended with active employees' rates.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 627,126
Interest on net OPEB obligation	22,684
Adjustment to ARC	<u>(32,158)</u>
Annual OPEB cost	617,652
Contributions made	<u>(683,794)</u>
Change in net OPEB obligation	(66,142)
Net OPEB obligation - beginning of year	<u>1,154,475</u>
Net OPEB obligation - end of year	<u>\$ 1,088,333</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 617,652	110.7%	\$ 1,088,333
2010	\$ 960,320	38.8%	\$ 1,154,475
2009	\$ 922,366	38.5%	\$ 567,096

The District's net OPEB obligation as of June 30, 2011 is recorded as a component of the "noncurrent liabilities".

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 5,723,906
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,723,906</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 12,114,076</u>
UAAL as a percentage of covered payroll	<u>47.25%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual health-care cost trend rate of (12.8%) which increases to a 5.0% long-term rate. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open amortization period. This has been calculated assuming the amortization payment increases at a rate of 4%.

13. Retirement System

The District follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to

participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute 5% of their gross earnings to the pension plan. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 5.8% for teachers and 8.74% for all other covered employees. The District's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 1,078,146, \$ 1,013,908, and \$ 832,312, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2011, was \$ 13,071,827. Contribution requirements for the year ended June 30, 2011, were as follows:

State of New Hampshire	\$ 350,325
School District	1,078,146
Employees' contributions	<u>651,137</u>
Total	<u>\$ 2,079,608</u>

14. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

15. Beginning Fund Balance Reclassification

The District's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
Nonmajor Funds	\$ 477,934	\$ (224,780)	\$ 253,154
Special Education Expendable Trust	<u>-</u>	<u>224,780</u>	<u>224,780</u>
Total	<u>\$ 477,934</u>	<u>\$ -</u>	<u>\$ 477,934</u>

**SANBORN REGIONAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 6,717,411	\$ 6,717,411	0.0%	\$ 12,330,808	54.48%
07/01/10	\$ -	\$ 5,723,906	\$ 5,723,906	0.0%	\$ 12,114,076	47.25%

See Independent Auditors' Report.

SANBORN REGIONAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011

	Special Revenue Funds			Facilities Expendable Trust Fund	Total
ASSETS	<u>Grants Fund</u>	<u>Food Service</u>	<u>Facilities Revolving</u>	<u>Facilities Expendable Trust Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 120	\$ 153,464	\$ 53,164	\$ 206,748
Receivables:					
Accounts receivable	-	208	2,320	-	2,528
Intergovernmental	163,394	14,408	-	-	177,802
Interfund receivable	-	34,463	-	-	34,463
TOTAL ASSETS	<u>\$ 163,394</u>	<u>\$ 49,199</u>	<u>\$ 155,784</u>	<u>\$ 53,164</u>	<u>\$ 421,541</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 1,475	\$ 1,040	\$ -	\$ 2,515
Interfund payable	159,668	-	1,878	-	161,546
Deferred revenue	3,726	5,330	-	-	9,056
TOTAL LIABILITIES	163,394	6,805	2,918	-	173,117
Fund Balances:					
Restricted	-	42,394	-	-	42,394
Committed	-	-	152,866	53,164	206,030
TOTAL FUND BALANCES	-	42,394	152,866	53,164	248,424
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,394</u>	<u>\$ 49,199</u>	<u>\$ 155,784</u>	<u>\$ 53,164</u>	<u>\$ 421,541</u>

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>			<u>Facilities Expendable Trust Fund</u>	<u>Total</u>
	<u>Grants Fund</u>	<u>Food Service</u>	<u>Facilities Revolving</u>		
Revenues:					
Intergovernmental:					
State	\$ 283	\$ 7,581	\$ -	\$ -	\$ 7,864
Federal	837,878	140,778	-	-	978,656
Charges for services	-	406,908	70,445	-	477,353
Investment income	<u>-</u>	<u>55</u>	<u>266</u>	<u>255</u>	<u>576</u>
Total Revenues	838,161	555,322	70,711	255	1,464,449
Expenditures:					
Instruction	635,323	-	-	-	635,323
Support services:					
Student services	185,137	-	64,930	-	250,067
Instructional staff	17,701	-	-	-	17,701
Non-instructional services	<u>-</u>	<u>595,752</u>	<u>-</u>	<u>-</u>	<u>595,752</u>
Total Expenditures	<u>838,161</u>	<u>595,752</u>	<u>64,930</u>	<u>-</u>	<u>1,498,843</u>
Excess (deficiency) of revenues over expenditures	-	(40,430)	5,781	255	(34,394)
Other Financing Sources (Uses):					
Transfers in	<u>-</u>	<u>29,664</u>	<u>-</u>	<u>-</u>	<u>29,664</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>29,664</u>	<u>-</u>	<u>-</u>	<u>29,664</u>
Change in fund balance	-	(10,766)	5,781	255	(4,730)
Fund Equity, at Beginning of Year, as reclassified	<u>-</u>	<u>53,160</u>	<u>147,085</u>	<u>52,909</u>	<u>253,154</u>
Fund Equity, at End of Year	<u>\$ -</u>	<u>\$ 42,394</u>	<u>\$ 152,866</u>	<u>\$ 53,164</u>	<u>\$ 248,424</u>

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2011

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2011</u>
Assets:				
Cash and cash equivalents:				
Athletic account	\$ -	\$ 89,742	\$ 89,742	\$ -
High School	58,557	122,761	131,078	50,240
Middle School	34,207	49,330	52,578	30,959
Memorial School	25,100	25,319	25,139	25,280
Daniel Bakie School	17,725	22,368	21,304	18,789
Total Assets	<u>\$ 135,589</u>	<u>\$ 309,520</u>	<u>\$ 319,841</u>	<u>\$ 125,268</u>
Liabilities:				
Due to student groups	<u>\$ 135,589</u>	<u>\$ 309,520</u>	<u>\$ 319,841</u>	<u>\$ 125,268</u>
Total liabilities	<u>\$ 135,589</u>	<u>\$ 309,520</u>	<u>\$ 319,841</u>	<u>\$ 125,268</u>

See Independent Auditors' report.