

HOLLIS SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

**HOLLIS SCHOOL DISTRICT
FINANCIAL REPORT
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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets (Exhibit 4)	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	8
Fiduciary Funds – Statement of Fiduciary Net Assets (Exhibit 7)	9
NOTES TO THE FINANCIAL STATEMENT	10
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 8)	21
Grants Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) (Exhibit 9)	22
Notes to the Required Supplementary Information	23
COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 10)	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 11)	25
General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 12)	26
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 13)	27
Schedule of Changes in Unreserved – Undesignated Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 14)	28
Student Activities Funds	
Combining Schedule of Changes in Assets and Liabilities (Exhibit 15)	29
Summary of Activity – Hollis Primary School (Exhibit 16)	30
Summary of Activity – Hollis Upper Elementary School (Exhibit 17)	31
COMMUNICATION OF SIGNIFICANT DEFICIENCIES	32



Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hollis School District
Hollis, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollis School District'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.

As discussed in Note I.B.3 to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net assets, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters noted in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Hollis School District as of June 30, 2011, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of each major fund and the aggregate remaining fund information of the Hollis School District as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Hollis School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollis School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 28, 2011

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 547,290
Investments	469
Intergovernmental receivables	355,365
Other receivables	3,954
Inventory	3,981
Prepaid items	2,295
Capital assets, net of accumulated depreciation:	
Land improvements	84,072
Buildings and building improvements	1,394,578
Machinery, equipment and vehicles	98,706
Total assets	2,490,710
LIABILITIES	
Accounts payable	131,070
Accrued salaries and benefits	33,170
Contract payable	30,250
Intergovernmental payable	1,666
Accrued interest payable	170,066
Unearned revenue	20,550
Noncurrent obligations:	
Due within one year:	
Bonds	175,322
Compensated absences	12,360
Due in more than one year:	
Bonds	494,718
Termination benefits	158,151
Total liabilities	1,227,323
NET ASSETS	
Invested in capital assets, net of related debt	907,296
Restricted for special purposes	6,446
Unrestricted	349,645
Total net assets	\$ 1,263,387

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

EXHIBIT 2
HOLLIS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 5,010,217	\$ 40,275	\$ 415,683	\$ -	\$ (4,554,259)
Support services:					
Student	775,426	-	860	-	(774,566)
Instructional staff	412,847	-	20,725	-	(392,122)
General administration	55,772	-	-	-	(55,772)
Executive administration	415,580	-	-	-	(415,580)
School administration	483,510	-	-	-	(483,510)
Operation and maintenance of plant	1,258,242	8,000	-	-	(1,250,242)
Student transportation	456,754	-	-	-	(456,754)
Central	167	-	-	-	(167)
Other	1,694,921	-	-	-	(1,694,921)
Non-instructional services	217,465	203,108	32,982	-	18,625
Facilities acquisition and construction	7,644	-	-	-	(7,644)
Interest on long-term debt	207,894	-	-	63,681	(144,213)
Total governmental activities	<u>\$ 10,996,439</u>	<u>\$ 251,383</u>	<u>\$ 470,250</u>	<u>\$ 63,681</u>	<u>(10,211,125)</u>
General revenues:					
School district assessment					7,856,430
Grants and contributions not restricted to specific programs					2,398,504
Miscellaneous					3,070
Total general revenues					<u>10,258,004</u>
Change in net assets					46,879
Net assets, beginning,					<u>1,216,508</u>
Net assets, ending					<u>\$ 1,263,387</u>

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

EXHIBIT 3
HOLLIS SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 477,227	\$ -	\$ 70,063	\$ 547,290
Investments	469	-	-	469
Receivables:				
Accounts	2,156	-	1,798	3,954
Intergovernmental	225,925	120,483	8,957	355,365
Interfund receivable	125,742	-	-	125,742
Inventory	-	-	3,981	3,981
Prepaid items	2,295	-	-	2,295
Total assets	<u>\$ 833,814</u>	<u>\$ 120,483</u>	<u>\$ 84,799</u>	<u>\$ 1,039,096</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 122,498	\$ 8,345	\$ 227	\$ 131,070
Accrued salaries and benefits	33,170	-	-	33,170
Intergovernmental payable	1,506	-	160	1,666
Interfund payable	-	112,138	13,604	125,742
Deferred revenue	-	-	20,550	20,550
Total liabilities	<u>157,174</u>	<u>120,483</u>	<u>34,541</u>	<u>312,198</u>
FUND BALANCES				
Nonspendable:				
Endowment	-	-	4,982	4,982
Inventory	-	-	3,981	3,981
Restricted for:				
Instruction	-	-	1,464	1,464
Committed for:				
Support services	123,980	-	-	123,980
Capital outlay	-	-	8,628	8,628
Assigned to:				
Instruction	28,775	-	2,906	31,681
Support services	68,650	-	4,614	73,264
Non-instructional services	-	-	23,683	23,683
Capital outlay	7,157	-	-	7,157
Return to Town	448,078	-	-	448,078
Total fund balances	<u>676,640</u>	<u>-</u>	<u>50,258</u>	<u>726,898</u>
Total liabilities and fund balances	<u>\$ 833,814</u>	<u>\$ 120,483</u>	<u>\$ 84,799</u>	<u>\$ 1,039,096</u>

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

EXHIBIT 4
HOLLIS SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2011

Total fund balances of governmental funds (Exhibit 3)	\$	726,898
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost	\$	6,270,967
Less accumulated depreciation		<u>(4,693,611)</u>
		1,577,356
<p>Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.</p>		
Receivables	\$	(125,742)
Payables		<u>125,742</u>
		-
<p>Interest on long-term debt is not accrued in governmental funds.</p>		
		(170,066)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Contract	\$	30,250
Bonds and notes		670,040
Compensated absences		12,360
Termination benefits		<u>158,151</u>
		(870,801)
Net assets of governmental activities (Exhibit 1)	<u>\$</u>	<u>1,263,387</u>

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

EXHIBIT 5
HOLLIS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 7,856,430	\$ -	\$ -	\$ 7,856,430
Other local	41,444	-	218,014	259,458
State	2,643,273	-	5,650	2,648,923
Federal	79,381	168,424	30,702	278,507
Total revenues	<u>10,620,528</u>	<u>168,424</u>	<u>254,366</u>	<u>11,043,318</u>
EXPENDITURES				
Current:				
Instruction	4,688,197	146,839	13,290	4,848,326
Support services:				
Student	772,496	860	2,070	775,426
Instructional staff	392,122	20,725	-	412,847
General administration	55,772	-	-	55,772
Executive administration	414,342	-	-	414,342
School administration	482,581	-	-	482,581
Operation and maintenance of plant	1,251,495	-	-	1,251,495
Student transportation	456,754	-	-	456,754
Central	-	-	167	167
Other	1,694,921	-	-	1,694,921
Non-instructional services	-	-	215,718	215,718
Debt service:				
Principal	181,165	-	-	181,165
Interest	204,913	-	-	204,913
Facilities acquisition and construction	95,769	-	-	95,769
Total expenditures	<u>10,690,527</u>	<u>168,424</u>	<u>231,245</u>	<u>11,090,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,999)</u>	<u>-</u>	<u>23,121</u>	<u>(46,878)</u>
Other financing sources (uses):				
Transfers in	136	-	-	136
Transfers out	-	-	(136)	(136)
Total other financing sources and uses	<u>136</u>	<u>-</u>	<u>(136)</u>	<u>-</u>
Net change in fund balances	(69,863)	-	22,985	(46,878)
Fund balances, beginning, see Note III.C.	746,503	-	27,273	773,776
Fund balances, ending	<u>\$ 676,640</u>	<u>\$ -</u>	<u>\$ 50,258</u>	<u>\$ 726,898</u>

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

EXHIBIT 6
HOLLIS SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net change in fund balances of total governmental funds (Exhibit 5) \$ (46,878)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital outlay	\$	118,375	
Depreciation expense		(130,296)	
			(11,921)

Transfers in and out between governmental funds are eliminated on the operating statement.

Transfers in	\$	(136)	
Transfers out		136	
			-

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.

Principal repayment of bonds			181,165
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in accrued interest expense	\$	(2,981)	
Increase in long-term contract payable		(30,250)	
Increase in compensated absences		(1,650)	
Increase in termination benefits		(40,606)	
			(75,487)

Change in net assets of governmental activities (Exhibit 2)	\$	46,879	
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The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
HOLLIS SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 17,877
LIABILITIES	
Due to student groups	<u>17,877</u>
NET ASSETS	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2011.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Hollis School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except that the School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, as required by GASB Statement No. 45.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met. Fiduciary fund financial statements also report using this same basis of accounting. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income and federal and state grants. In general, other revenues are recognized when cash is received.

The School District reports governmental fund balances in accordance with GASB Statement No. 54 for the fiscal year ended June 30, 2011. GASB Statement No. 54 changes the components of fund balance, but does not change the total fund balance from the previous year.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

I.B.4. Fund Types and Major Funds

Governmental Funds

The School District reports the following major governmental funds:

General Fund – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

Grants Fund – Reports as a special revenue fund and accounts for the revenues and expenditures of the School District’s state and federal grant programs.

The School District also reports four nonmajor governmental funds: food service, other special revenue, capital project, and permanent.

Fiduciary Funds

The School District reports the following fiduciary funds:

Agency Funds – Account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency funds are used to account for student activities.

I.C. Assets, Liabilities, and Net Assets or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the School District’s treasurer have custody of all monies belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all monies 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 or 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.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Prepays*

Prepays are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

I.C.3. *Capital Assets and Depreciation*

The School District’s capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	20
Buildings and building improvements	50-115
Machinery, equipment and vehicles	15-20

I.C.4. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

I.C.5. *Compensated Absences*

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees to specified maximums. Support staff employees are entitled to a portion of their sick and vacation leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.6. *Termination Benefits*

Teachers are entitled to a retirement incentive after meeting certain employment requirements.

Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.7. *Fund Equity*

The government-wide statement of net assets reports net assets in the following components:

- Invested in capital assets, net of related debt, which is normally computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the expendable and nonexpendable portions of endowments held by the Town of Hollis Trustees of Trust funds for school district purposes.
- Unrestricted, which consists of the remaining balance of net assets.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the balance of the School District's inventory, which can not be spent because of its form, and the principal amount of endowments held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements.
- Restricted, which represents the expendable portion of the endowments for school purposes held by the Town of Hollis Trustees of Trust Funds. The amount can only be spent for instruction in accordance with the legal restrictions established by the contributors.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

- Committed, which represents the balance of the expendable trust funds, established by the School District Meeting, whose purpose can only be changed by vote of the legislative body, to be used for support services, and the balance of unspent bond proceeds reported in the capital project fund, to be used for capital outlay.
- Assigned, which represents encumbrances for instruction, support services, and non-instructional services, assigned by a vote of the school board or by management through the use of approved purchase orders; balances of revenues from grants to be used for instruction and support services; and balances of revenues from charges for services and grants to be used for non-instructional services (food service).

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds except the Expendable Trust. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning fund balance assigned to be returned to the Town of Hollis to balance the budget. In the fiscal year 2011, \$280,407 of the assigned fund balance and \$79,000 of the committed fund balance for support services from the fiscal year 2010 were used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, central, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Education.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, reimbursements from other school districts for shared services and the trust funds being in the custody of the Town of Hollis Trustees of Trust Funds

Receivables are recorded on the School District’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 collectability.

III.A.2. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Land improvements	233,700	-	-	233,700
Buildings and building improvements	5,846,162	45,442	-	5,891,604
Machinery, equipment and vehicles	72,730	72,933	-	145,663
Total all capital assets	<u>6,152,592</u>	<u>118,375</u>	<u>-</u>	<u>6,270,967</u>
Less accumulated depreciation:				
Land improvements	(137,943)	(11,685)	-	(149,628)
Buildings and building improvements	(4,387,625)	(109,401)	-	(4,497,026)
Machinery, equipment and vehicles	(37,747)	(9,210)	-	(46,957)
Total accumulated depreciation	<u>(4,563,315)</u>	<u>(130,296)</u>	<u>-</u>	<u>(4,693,611)</u>
Net book value, all capital assets	<u>\$ 1,589,277</u>	<u>\$ (11,921)</u>	<u>\$ -</u>	<u>\$ 1,577,356</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Depreciation Expense

Depreciation expense was charged to functions of the School District as follows:

Governmental activities:		
Instruction	\$	121,670
Support services:		
Executive administration		1,238
Operation and maintenance of plant		6,221
Non-instructional services		1,167
Total depreciation expense	<u>\$</u>	<u>130,296</u>

III.B. Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term debt currently outstanding is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2011</u>	<u>Current Portion</u>
General obligation bonds payable:						
School addition	\$ 1,960,000	1995	2015	7.00-6.12	\$ 380,000	\$ 95,000
School addition	\$ 2,937,516	1995	2015	4.25-7.15	290,040	80,322
					<u>670,040</u>	<u>175,322</u>
Compensated absences payable:						
Vested sick leave					8,717	8,717
Accrued vacation leave					3,643	3,643
					<u>12,360</u>	<u>12,360</u>
Termination benefits payable					158,151	-
					<u>\$ 840,551</u>	<u>\$ 187,682</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2011:

	<u>General Obligation Bonds Payable</u>	<u>Compensated Absences Payable</u>	<u>Termination Benefits Payable</u>	<u>Total</u>
Balance, beginning	\$ 851,205	\$ 10,710	\$ 117,545	\$ 979,460
Additions	-	1,694	40,606	42,300
Reductions	(181,165)	(44)	-	(181,209)
Balance, ending	<u>\$ 670,040</u>	<u>\$ 12,360</u>	<u>\$ 158,151</u>	<u>\$ 840,551</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 175,322	\$ 205,009	\$ 380,331
2013	169,870	204,665	374,535
2014	164,793	203,935	368,728
2015	160,055	202,852	362,907
Totals	<u>\$ 670,040</u>	<u>\$ 816,461</u>	<u>\$ 1,486,501</u>

III.C. Restatement of Beginning Equity Balance

Fund balances at July 1, 2010 were restated as follow:

	General Fund	Expendable Trust Fund
To record the expendable trust fund as part of the general fund in accordance with GASB Statement No. 54	\$ 200,206	\$ (200,206)
Fund balance, as previously reported	546,297	200,206
Fund balance, as restated	<u>\$ 746,503</u>	<u>\$ -</u>

III.D. Balances and Transfers – Payments Within the Reporting Entity

III.D.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable fund	Payable fund	Amount
General	Grants	\$ 112,138
General	Nonmajor	13,604
		\$ 125,742

The amounts due to the General Fund from the Grants Fund represent overdrafts of pooled cash. The amount due from the Nonmajor funds represents reimbursements of June expenditures paid on behalf of the Food Service Fund.

III.D.2. Transfers

Transfers within the reporting entity are for the purposes of adding to capital reserve accounts and distribution of income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns. The \$136 transferred from the nonmajor funds to the General Fund represents the distribution of income earned on permanent fund endowments.

IV. Other Information

IV.A. Risk Management

The School District’s risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School District shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

Contributions paid for fiscal year 2011 to be recorded as an insurance expenditure/expense totaled \$31,129. There were no unpaid contributions for the year ended June 30, 2011. The School District also paid \$34,060 for workers’ compensation and \$12,999 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 5% of gross earnings for all employees. During fiscal year 2011, the rates of contribution from the School District were 8.02% for teachers, which represents 75% of the total employer cost, and 9.16% for other employees. The balance of the employer cost for teachers was paid by the State of New Hampshire. Employer contributions from the School District during the fiscal years 2009, 2010 and 2011 were \$278,527, \$363,692 and \$369,700, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2011 was \$110,852. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

IV.C. Contingent Liabilities

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District feels that the chance of disallowance is unlikely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
HOLLIS 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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 7,856,430	\$ 7,856,430	\$ -
Other local	77,928	41,047	(36,881)
State	2,510,117	2,532,421	22,304
Federal	63,839	79,381	15,542
Total revenues	<u>10,508,314</u>	<u>10,509,279</u>	<u>965</u>
EXPENDITURES			
Current:			
Instruction	4,765,564	4,533,593	231,971
Support services:			
Student	689,979	774,076	(84,097)
Instructional staff	349,154	315,959	33,195
General administration	131,449	55,772	75,677
Executive administration	414,342	414,342	-
School administration	478,603	478,693	(90)
Operation and maintenance of plant	797,498	1,212,398	(414,900)
Student transportation	490,323	456,754	33,569
Other	1,919,914	1,694,921	224,993
Debt service:			
Principal	181,165	181,165	-
Interest	204,911	204,913	(2)
Facilities acquisition and construction	365,819	7,157	358,662
Total expenditures	<u>10,788,721</u>	<u>10,329,743</u>	<u>458,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,407)</u>	<u>179,536</u>	<u>459,943</u>
Other financing sources (uses):			
Transfers in	-	136	136
Transfers out	(79,000)	(79,000)	-
Total other financing sources and uses	<u>(79,000)</u>	<u>(78,864)</u>	<u>136</u>
Net change in fund balance	<u>\$ (359,407)</u>	100,672	<u>\$ 460,079</u>
Decrease in committed fund balance		67,000	
Unreserved, to be returned to the Town, beginning		280,406	
Unreserved, to be returned to the Town, ending		<u>\$ 448,078</u>	

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

EXHIBIT 9
HOLLIS SCHOOL DISTRICT
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 148,768	\$ 168,424	\$ 19,656
EXPENDITURES			
Current:			
Instruction	148,768	146,839	1,929
Support services:			
Student	-	860	(860)
Instructional staff	-	20,725	(20,725)
Total expenditures	148,768	168,424	(19,656)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

**HOLLIS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 10,509,415
Adjustments:	
Perspective difference:	
Expendable trust fund revenue that is included on the GAAP basis, but not on the budgetary basis	397
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	110,852
Per Exhibit 5 (GAAP basis)	<u>\$ 10,620,664</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 10,408,743
Adjustments:	
Perspective difference:	
Expendable trust fund expenditures that are included on the GAAP basis, but not on the budgetary basis	167,623
Transfers to the expendable trust fund	(79,000)
Basis difference:	
Encumbrances, beginning	186,891
Encumbrances, ending	(104,582)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditure on the GAAP basis, but not on the budgetary basis	110,852
Per Exhibit 5 (GAAP basis)	<u>\$ 10,690,527</u>

For the Grants Funds, there is no difference between the budgetary basis and GAAP.

Excess of Expenditures Over Appropriations

The grants fund has an excess of expenditures over appropriations of \$19,656 for the fiscal year ended June 30, 2011. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		Capital Project Fund	Permanent Fund	Total
	Food Service	Other			
ASSETS					
Cash and cash equivalents	\$ 44,989	\$ 16,446	\$ 8,628	\$ -	\$ 70,063
Receivables:					
Accounts	1,798	-	-	-	1,798
Intergovernmental	2,511	-	-	6,446	8,957
Inventory	3,981	-	-	-	3,981
Total assets	<u>\$ 53,279</u>	<u>\$ 16,446</u>	<u>\$ 8,628</u>	<u>\$ 6,446</u>	<u>\$ 84,799</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 227	\$ -	\$ -	\$ -	\$ 227
Intergovernmental payable	-	160	-	-	160
Interfund payable	13,604	-	-	-	13,604
Deferred revenue	11,784	8,766	-	-	20,550
Total liabilities	<u>25,615</u>	<u>8,926</u>	<u>-</u>	<u>-</u>	<u>34,541</u>
FUND BALANCES					
Nonspendable:					
Endowment	-	-	-	4,982	4,982
Inventory	3,981	-	-	-	3,981
Restricted for:					
Instruction	-	-	-	1,464	1,464
Committed for:					
Capital outlay	-	-	8,628	-	8,628
Assigned to:					
Instruction	-	2,906	-	-	2,906
Support services	-	4,614	-	-	4,614
Non-instructional services	23,683	-	-	-	23,683
Total fund balances	<u>27,664</u>	<u>7,520</u>	<u>8,628</u>	<u>6,446</u>	<u>50,258</u>
Total liabilities and fund balances	<u>\$ 53,279</u>	<u>\$ 16,446</u>	<u>\$ 8,628</u>	<u>\$ 6,446</u>	<u>\$ 84,799</u>

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds		Capital Project Fund	Permanent Fund	Total
	Food Service	Other			
REVENUES					
Local	\$ 203,113	\$ 13,895	\$ -	\$ 1,006	\$ 218,014
State	2,275	3,375	-	-	5,650
Federal	30,702	-	-	-	30,702
Total revenues	<u>236,090</u>	<u>17,270</u>	<u>-</u>	<u>1,006</u>	<u>254,366</u>
EXPENDITURES					
Current:					
Instruction	-	13,290	-	-	13,290
Support services:					
Student	-	2,070	-	-	2,070
Central	-	167	-	-	167
Non-instructional services	215,718	-	-	-	215,718
Total expenditures	<u>215,718</u>	<u>15,527</u>	<u>-</u>	<u>-</u>	<u>231,245</u>
Excess of revenues over expenditures	<u>20,372</u>	<u>1,743</u>	<u>-</u>	<u>1,006</u>	<u>23,121</u>
Other financing uses:					
Transfers out	-	-	-	(136)	(136)
Net change in fund balances	20,372	1,743	-	870	22,985
Fund balances, beginning	7,292	5,777	8,628	5,576	27,273
Fund balances, ending	<u>\$ 27,664</u>	<u>\$ 7,520</u>	<u>\$ 8,628</u>	<u>\$ 6,446</u>	<u>\$ 50,258</u>

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,856,430	\$ 7,856,430	\$ -
Other local sources:			
Tuition	22,500	31,380	8,880
Investment earnings	2,884	1,667	(1,217)
Rentals	-	8,000	8,000
Miscellaneous	52,544	-	(52,544)
Total other local sources	<u>77,928</u>	<u>41,047</u>	<u>(36,881)</u>
State sources:			
Adequacy aid (grant)	963,193	963,193	-
Adequacy aid (tax)	1,400,376	1,400,376	-
School building aid	63,681	63,681	-
Catastrophic aid	82,867	105,171	22,304
Total state sources	<u>2,510,117</u>	<u>2,532,421</u>	<u>22,304</u>
Federal sources:			
Medicaid	28,904	44,446	15,542
Education Jobs grant	34,935	34,935	-
Total federal sources	<u>63,839</u>	<u>79,381</u>	<u>15,542</u>
Other financing sources:			
Transfers in	-	136	136
Total revenues and other financing sources	10,508,314	<u>\$ 10,509,415</u>	<u>\$ 1,101</u>
Use of fund balance to reduce school district assessment	<u>359,407</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 10,867,721</u>		

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 62,436	\$ 3,100,624	\$ 3,061,011	\$ 27,699	\$ 74,350
Special programs	10,091	1,664,940	1,516,334	1,076	157,621
Total instruction	<u>72,527</u>	<u>4,765,564</u>	<u>4,577,345</u>	<u>28,775</u>	<u>231,971</u>
Support services:					
Student	-	689,979	772,496	1,580	(84,097)
Instructional staff	81,987	349,154	392,122	5,824	33,195
General administration	-	131,449	55,772	-	75,677
Executive administration	-	414,342	414,342	-	-
School administration	5,355	478,603	482,581	1,467	(90)
Operation and maintenance of plant	27,022	797,498	1,179,641	59,779	(414,900)
Student transportation	-	490,323	456,754	-	33,569
Other	-	1,919,914	1,694,921	-	224,993
Total support services	<u>114,364</u>	<u>5,271,262</u>	<u>5,448,629</u>	<u>68,650</u>	<u>(131,653)</u>
Debt service:					
Principal	-	181,165	181,165	-	-
Interest	-	204,911	204,913	-	(2)
Total debt service	<u>-</u>	<u>386,076</u>	<u>386,078</u>	<u>-</u>	<u>(2)</u>
Facilities acquisition and construction	<u>-</u>	<u>365,819</u>	<u>-</u>	<u>7,157</u>	<u>358,662</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 186,891</u>	<u>\$ 10,867,721</u>	<u>\$ 10,491,052</u>	<u>\$ 104,582</u>	<u>\$ 458,978</u>

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Assigned, to be Returned to the Town Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

Unreserved, to be returned to the town, beginning		\$ 280,406
Changes:		
Unreserved fund balance used to reduce school district assessment		(359,407)
Budget summary:		
Revenue surplus (Exhibit 12)	\$ 1,101	
Unexpended balance of appropriations (Exhibit 13)	<u>458,978</u>	
Budget surplus		460,079
Decrease in committed fund balance		<u>67,000</u>
Unreserved, to be returned to the town, ending		<u><u>\$ 448,078</u></u>

EXHIBIT 15
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents				
Hollis Primary School	\$ 10,436	\$ 17,542	\$ 18,228	\$ 9,750
Hollis Upper Elementary	9,854	43,398	45,125	8,127
Total assets	<u>\$ 20,290</u>	<u>\$ 60,940</u>	<u>\$ 63,353</u>	<u>\$ 17,877</u>
Liabilities:				
Due to student groups	<u>\$ 20,290</u>	<u>\$ 60,940</u>	<u>\$ 63,353</u>	<u>\$ 17,877</u>

EXHIBIT 16
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Hollis Primary School
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Coke	\$ 70	\$ 2,538	\$ 2,438	\$ 170
Field Trip	1,410	5,943	6,119	1,234
General	1,081	515	1,504	92
Library	3,509	5,752	5,155	4,106
School Pictures	1,809	1,778	1,223	2,364
Water	2,557	1,016	1,789	1,784
Total	<u>\$ 10,436</u>	<u>\$ 17,542</u>	<u>\$ 18,228</u>	<u>\$ 9,750</u>

EXHIBIT 17
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Hollis Upper Elementary School
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Camp	\$ 298	\$ -	\$ 266	\$ 32
Field Trip	2,826	15,100	14,360	3,566
General	1,760	9,273	10,101	932
Library	1,478	6,699	6,889	1,288
Principal's Account	196	447	544	99
School Pictures	64	2,234	1,824	474
Yearbook	3,232	9,645	11,141	1,736
Total	<u>\$ 9,854</u>	<u>\$ 43,398</u>	<u>\$ 45,125</u>	<u>\$ 8,127</u>



COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To the Members of the School Board
Hollis School District
Hollis, NH

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the year ended June 30 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the School District's internal control to be significant deficiencies:

Student Activities Funds

Student Activities Funds have been reported as agency funds. Agency funds are used to account for situations where the School District's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals or private organizations. All assets are offset by a liability to the party on whose behalf they are held. We noted the following items:

Hollis Upper Elementary School – Multiple accounts within the student activity fund (General, Principal's Account and School Pictures) do not represent agency fund activity, and therefore, should be reported as part of general School District activity. Also, the Field Trip is carrying a large balance at year-end.

Hollis Primary School – Multiple accounts within the student activity fund (Coke, General, School Pictures and Water) do not represent agency fund activity, and therefore, should be reported as part of general School District activity. Also, of sixteen disbursements tested, one disbursement did not have supporting documentation, and one check was issued without the required two signatures.

Recommendation: We recommend that the School District report activity, that cannot be properly classified as agency fund activity, within the General Fund, and further consider establishing a revolving fund for student activities, in accordance with RSA 194:3-c, to be reported as a special revenue fund. Monthly activity reports, segregating school district activity from agency fund activity, should be provided by the school building office to the business office so that activity can be capture in the School District's financial statements. Furthermore, the school board should adopt a policy over student activity funds that would identify custodial controls over the agency funds, and allowable activities for the district's student activity funds.

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

October 28, 2011

Roberts, Greene & Drolet, PLLC