

**SHAKER REGIONAL SCHOOL DISTRICT**  
Belmont and Canterbury, New Hampshire

FINANCIAL STATEMENTS

June 30, 2006

# SHAKER REGIONAL SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

Members – American Institute of CPA's  
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### INDEPENDENT AUDITOR'S REPORT

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Regional School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Shaker 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 Shaker Regional School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2007, on our consideration of the Shaker Regional School 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 read in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4-19 and 44-47 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shaker Regional School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Shaker Regional School District. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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.

*Grzelak and Co., P.C.*

GRZELAK AND COMPANY, P.C., CPA's  
Laconia, New Hampshire  
April 25, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Superintendent of Schools and the Business Administrator, as “management” of the Shaker Regional School District (the “District”), a K-12 local education authority located in the Counties of Belknap and Merrimack, New Hampshire, submits this section of the District’s annual financial report in order to present our discussion and analysis of the District’s financial performance during the year ended June 30, 2006. Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District’s total combined net assets increased by \$333,213 or 4.69% between June 30, 2005 and 2006.
- The District’s total combined net assets amounted to \$7,439,983 at June 30, 2006. Net assets consisted of \$7,418,668 invested in capital assets net of related debts; restricted \$485,710 of other nonmajor funds for purposes of each established fund; and an unrestricted negative net asset balance of (\$464,395).
- The District has an \$899,061 liability for special termination benefits obligation that, under GASB 34, reduces net assets. In essence, the negative unrestricted net asset balance of the District is primarily the result of the recording of this early retirement obligation. This does not mean that the District has this entire amount as a payment requirement for the next year; rather, only \$123,945 of these obligations is due to be paid during the fiscal year July 1, 2006 to June 30, 2007.
- The District’s long-term liabilities, consisting of general obligation bonds, compensated absences and special termination benefits, decreased by \$498,879 during the year ended June 30, 2006.
- During the year, the District’s expenses were \$333,213 less than the \$16,187,539 in revenues generated for charges for services, operating grants and contributions and general revenues (consisting of the school district assessment and local, state and federal grants and contributions not restricted to specific purposes).
- In March of 1997 voters authorized the establishment of the School Facilities and Grounds Maintenance Expendable Trust Fund. In March of 2006 voters authorized the transfer of up to \$50,000 in that fund from the June 30, 2006 year-end undesignated fund balance, if available. The \$50,000 has been reserved from the June 30, 2006 year-end fund balance and will be disbursed to the School Facilities and Grounds Maintenance Expendable Trust Fund which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of seven primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, (6) other supplementary information, primarily combining non-major fund schedules, and (7) federal awards

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.



### Exhibit A-1

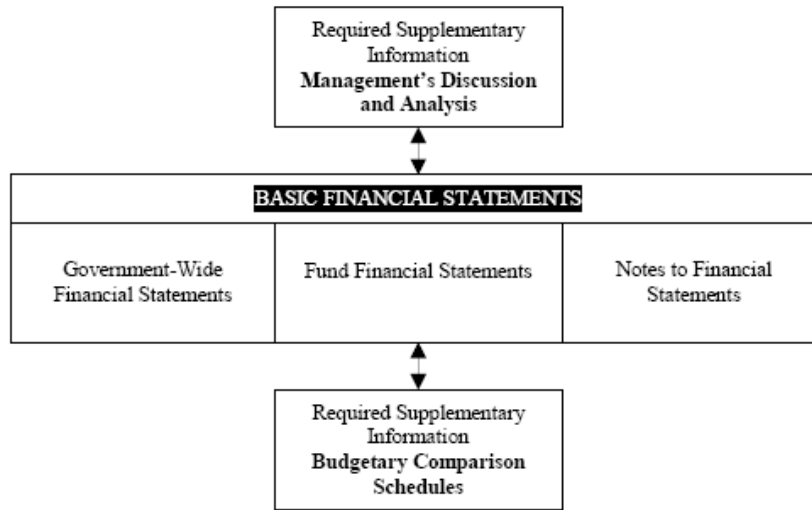


Exhibit A-2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain.

**Exhibit A-2**

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire District government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources.
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Assets	Balance Sheet	Statement of Fiduciary Assets
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Changes in Fiduciary Net Assets
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND LIABILITIES</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each statement.

## **District Wide Financial Statements:**

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status and report net assets and changes in them. Net assets are the difference between assets and liabilities and are one way to measure the District's financial health or financial position.

- Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the District other non-financial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

The government-wide financial statements of the District are included in the Governmental Activities category. Most of the District's basic services are included here, such as instruction, support services (including general and executive administration), and food services. General revenues, including the school district assessment, state aid, and federal and state grant programs, food service sales and federal reimbursements finance most of these activities.

## **Fund Financial Statements:**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The District has two kinds of funds:

Governmental Funds – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds – The District is the trustee or agent (fiduciary) for private purpose trust funds and agency (student activities) funds. It is responsible as the fiduciary for ensuring that these funds are used only for the intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these funds from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

Exhibit B-1 shows the composition of the District’s total combined net assets, which increased between June 30, 2005 and 2006 by \$333,213 or 4.69% to \$7,439,983.

**Exhibit B-1  
NET ASSETS**

	<b>Governmental Activities</b>		
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>Change</u></b>
<b>Assets</b>			
Current and other assets	\$ 1,849,843	\$ 2,650,966	\$ 801,123
Noncurrent assets	11,131,826	10,918,668	(213,158)
<b>Total assets</b>	<b>12,981,669</b>	<b>13,569,634</b>	<b>587,965</b>
<b>Liabilities</b>			
Current liabilities	1,600,904	2,354,535	753,631
Noncurrent liabilities	4,273,995	3,775,116	(498,879)
<b>Total liabilities</b>	<b>5,874,899</b>	<b>6,129,651</b>	<b>254,752</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	7,131,826	7,418,668	286,842
Restricted	427,975	485,710	57,735
Unrestricted	(453,031)	(464,395)	(11,364)
<b>Total net assets</b>	<b><u>\$ 7,106,770</u></b>	<b><u>\$ 7,439,983</u></b>	<b><u>\$ 333,213</u></b>

A portion of the net assets are either invested in capital assets or restricted as to the purposes they can be used for.

- The District’s investment in capital assets (land and land improvements, construction in progress, buildings, furniture and equipment and technology equipment, net of accumulated depreciation), net of related debt, is the largest component of the total combined net assets.
- Restricted net assets represent capital reserves and specific fund net asset amounts that are not available for discretionary spending.

Unrestricted net assets is a negative \$464,395; however that does not mean that the District has a significant payment requirement for next year. Rather, it is the result of having long-term commitments that are more than currently available resources. This is primarily due to the recording of the District’s \$899,061 long-term liability for special termination benefit obligations under the GASB 34 financial reporting model, or which only \$123,945 is due to be paid in the next fiscal year.

## Change in Net Assets

The District's total revenues were \$16,187,539 while total expenses were \$15,854,326 resulted in an increase in net assets of \$333,213.

Exhibit B-2 shows that a significant portion, 90.70% and 91.05%, for the fiscal years ended June 30, 2006 and 2005, respectively came from sources that are primarily derived from local and state-wide property taxes and other state aid programs. Significant increases or decreases in the percentage of total revenues or percentages and amounts over or under the prior year revenue amounts for the District's revenue categories are as follows:

- School district assessment, 49.30% and 50.15% for the fiscal years ended June 30, 2006 and 2005, respectively, a decrease in the percentage of total revenue of .85% but an increase of .84% (\$66,500) over the prior year.
- State of New Hampshire sources intergovernmental revenues, 41.41% and 40.90% for the fiscal years ended June 30, 2006 and 2005, respectively, an increase in the percentage of total revenues of .51% but an increase of 3.87% (\$249,643) from the prior year.
- Operating grants and contributions, 5.91% and 5.42% for the fiscal years ended June 30, 2006 and 2005, respectively, an increase in the percentage of total revenues of .49%, an increase of 11.85% (\$101,257) over the prior year.

### Exhibit B-2 SOURCES OF DISTRICT REVENUES

	Governmental Activities				Change		
	Year Ended June 30, 2005		Year Ended June 30, 2006				
<b>Program Revenues</b>							
Charges for services	\$ 381,241	2.42%	\$ 360,348	2.23%	\$ (20,893)	-5.48%	
Operating grants and contributions	854,624	5.42%	955,881	5.91%	101,257	11.85%	
<b>General Revenues</b>							
School district assessment	7,913,230	50.15%	7,979,730	49.30%	66,500	0.84%	
Local sources	74,284	0.47%	82,985	0.51%	8,701	11.71%	
State of New Hampshire sources	6,453,518	40.90%	6,703,161	41.41%	249,643	3.87%	
Federal sources	101,958	0.65%	105,434	0.65%	3,476	3.41%	
	<u>\$ 15,778,855</u>	<u>100.00%</u>	<u>\$ 16,187,539</u>	<u>100.00%</u>	<u>\$ 408,684</u>	<u>2.59%</u>	

## Expenses

Exhibit B-3 shows that a significant portion, 91.83% and 92.69% for the fiscal years ended June 30, 2006 and 2005, respectively, of the District's total expenses were for instruction and support services.

Significant increase or decreases in the percentage of total expenses or percentages and amounts over or under the prior year expense amounts for the District's expense categories are as follows:

- Instruction expenses, 59.03% and 57.92% for the fiscal years ended June 30, 2006 and 2005, respectively, an increase in the percentage of total expenses of 1.11% but an increase of 7.92% (\$686,787) over the prior year.
- Support services, 32.79% and 34.77% for the fiscal years ended June 30, 2006 and 2005, respectively, a decrease in the percentage of total expenses of 1.98% but a decrease of .12% (\$6,410) over the prior year.
- Unallocated interest expense, 1.07% and 1.34% for the fiscal years ended June 30, 2006 and 2005, respectively, a decrease in the percentage of total expenses of .27% but a decrease of 15.07% (\$30,224) over the prior year.

### Exhibit B-3 DISTRICT EXPENSES

Functions/Programs	Governmental Activities				Change	
	Year Ended June 30, 2005		Year Ended June 30, 2006			
Instruction	\$ 8,672,423	57.92%	\$ 9,359,210	59.03%	\$ 686,787	7.92%
Support services	5,205,687	34.77%	5,199,277	32.79%	(6,410)	-0.12%
Food service program	548,812	3.67%	578,278	3.65%	29,466	5.37%
<b>Unallocated</b>						
Interest	200,603	1.34%	170,379	1.07%	(30,224)	-15.07%
Capital Outlay	-	0.00%	160,954	1.02%	160,954	
Depreciation	344,623	2.30%	386,228	2.44%	41,605	12.07%
	<u>\$ 14,972,148</u>	<u>100.00%</u>	<u>\$ 15,854,326</u>	<u>100.00%</u>	<u>\$ 882,178</u>	<u>5.89%</u>

## Governmental Activities

Exhibit B-4 presents the net cost of the District’s largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid).

### Exhibit B-4 TOTAL AND NET COST OF SERVICES

	Total Cost of Services		Net Cost of Services	
<b>Functions/Programs</b>				
Instruction	\$ 9,359,210	59.03%	\$ 8,590,506	59.09%
Support services	5,199,277	32.79%	5,199,277	35.76%
Food service program	578,278	3.65%	30,753	0.21%
<b>Unallocated</b>				
Interest	170,379	1.07%	170,379	1.17%
Capital outlay	160,954	1.02%	160,954	1.11%
Depreciation	386,228	2.44%	386,228	2.66%
	<u>\$ 15,854,326</u>	<u>100.00%</u>	<u>\$ 14,538,097</u>	<u>100.00%</u>

The total cost of all governmental activities this year was \$15,854,326; the total net cost was \$14,538,097. The primary financing for these activities of the District was as follows:

#### Property taxes

- The amount that was paid by taxpayers through property taxes as \$10,104,690; which consisted of \$7,979,730 paid in the form of local property taxes and \$2,124,960 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.
- An additional amount of \$4,310,700 was received from the State of New Hampshire under the “adequacy grant” provisions of the State’s educational funding system, which in addition to other State funding sources includes state-wide property taxes collected from other local governments.

#### Charges for services

- Food service revenues of \$547,525 consisted of food service sales in the amount of \$360,348, federal and state food nutrition program operating contributions (reimbursement of commodities) of \$187,177.

#### Operating Grants and Contributions

- Instruction grants in the amount of \$768,704.



## **ANALYSIS OF BALANCE AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS**

### **General Fund**

The total general fund balance increased \$86,160 during the year from a fund balance of \$444,200 at June 30, 2005 to a \$530,360 fund balance at June 30, 2006. This was primarily attributable to a budgetary basis revenues actual in excess of estimated in the amount of \$76,808, as well as appropriations actual less than budgeted by \$453,552. The June 30, 2006 fund balance consisted of \$50,000 reserved by District vote for the School Facilities and Grounds Maintenance Expendable Trust Fund, \$25,000 reserved by District vote for the Special Education Expendable Trust Fund, \$181,108 reserved for contract encumbrances and an unreserved, undesignated fund balance in the amount of \$274,252. State law mandates that unreserved, undesignated fund balance be used to reduce the school district assessment in the subsequent year.

### **Major Special Revenue Funds**

#### Capital Reserve Fund

Expendable capital and maintenance reserve funds (established by voters at annual school district meetings as trust funds in accordance with statutory requirements) are classified as special revenue funds for the basic financial statements. The capital reserve fund balances increased \$65,522 during the year from \$370,989 at June 30, 2005 to \$436,511 at June 30, 2006. In accordance with statutory requirements they are held in custody by the Trustees of Trust Funds of the required local municipal government and are only released for the restricted specific purposes of the individual funds.

### **Nonmajor Special Revenue Fund**

#### Grants Fund

Federal and state projects are classified as special revenue funds for the basic financial statements and are operated on a cost reimbursement basis. As a result, there is no fund balance.

#### Food Service Fund

The food service fund is classified as a nonmajor revenue fund and is aggregated in the category Nonmajor Governmental Funds in the basic financial statements. The food service total fund balance decreased \$7,787 during the year from a total fund balance of \$56,986 at June 30, 2005 to a total fund balance of \$49,199 at June 30, 2006 – which consists of \$27,099 of reserve fund balance for food inventories and an unreserved, undesignated fund balance of \$22,100.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2006 the District revised its statutory budgetary line items through budgetary transfers.

### **Final Versus Original Budget Comparisons**

The final budget varied from the original budget for the following items:

- Encumbrances in the amount of \$192,959 were carried forward to supplement the original budget approved by voters. Of this amount \$50,000 represents the amount reserved by District vote for the Facilities & Grounds Fund (an expendable trust fund) and additional reserves for encumbrances in the amount of \$142,959.

### **Actual Versus Final Budget Comparison**

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) exceeded the budgetary revenue estimates by a positive variance of \$76,808. This was primarily attributable to earnings on investments over the estimated amount by \$23,755; other local sources revenues over the estimated amount by \$15,785; and actual Medicaid distribution in excess of estimate by \$55,434.
- The original budget for the General Fund in the amount of \$15,057,298 consists of the total appropriation voted of \$16,052,298 less amounts representing offsets for other funds; \$520,000 for the Food Service Fund, \$475,000 for the Federal and State Projects Fund and \$50,000 to Expendable Trust Funds from available fund balance.
- Actual total outflows (expenditures or charges to appropriations) were less than the budgeted total appropriation by a positive variance of \$453,552 and represents specific increased costs under the collective bargaining agreement. The actual costs, however, were distributed as payroll or directly associated cost expenditures in the detailed line item appropriation control accounts.
- None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$10,918,668 (\$15,437,167 at cost or estimated cost less accumulated depreciation of \$4,518,499) in a broad range of capital assets, including land and land improvements, buildings, furniture, general equipment and technology assets as summarized in Exhibit C-1.

This amounts represents a net decrease of (\$213,158) or (1.91%) from the prior year. This year's major additions are also summarized in Exhibit C-1.

#### Exhibit C-1 CAPITAL ASSETS

Net Capital Assets	Governmental Activities		
	2005	2006	Change
Land and improvements	\$ 353,257	\$ 353,257	0.00%
Land improvements	-	\$ 17,900	
Buildings	13,147,828	13,192,434	0.34%
Furniture and equipment	1,845,261	1,873,576	1.53%
Capital assets, at cost	<u>15,346,346</u>	<u>15,437,167</u>	<u>1.87%</u>
Accumulated Depreciation	<u>(4,214,520)</u>	<u>(4,518,499)</u>	<u>7.21%</u>
<b>Capital assets, net</b>	<u><u>\$ 11,131,826</u></u>	<u><u>\$ 10,918,668</u></u>	<u><u>-1.91%</u></u>
<b>Increase in Capital Asseets, Net</b>		\$ (213,158)	
<b>Major Additions</b>			
Land Improvements		\$ 17,900	
Computer Equipment		\$ 52,840	
Printed Materials (Texbooks and Library Books)		\$ 32,000	
Grounds Maintenance Equipment		\$ 21,660	

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

## Debt

At June 30, 2006, the District had \$3,775,116 of long-term obligations (\$4,433,265 in total obligations less the current portion of \$658,149) as summarized in Exhibit C-2.

This amount represents a net decrease of (\$498,879) or (11.67%) from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

	Governmental Activities		
	<u>2005</u>	<u>2006</u>	<u>Change</u>
<b>Long-Term Liabilities</b>			
General obligation bonds	\$ 4,000,000	\$ 3,500,000	-12.50%
Compensated absences	21,585	34,204	58.46%
Early retirement obligations	805,372	899,061	11.63%
	<u>4,826,957</u>	<u>4,433,265</u>	<u>-8.16%</u>
Less current portion	<u>(552,962)</u>	<u>(658,149)</u>	<u>19.02%</u>
	<u>\$ 4,273,995</u>	<u>\$ 3,775,116</u>	<u>-11.67%</u>
<b>Decrease, net</b>		\$ (498,879)	
<b>Major Additions and Reductions</b>			
General obligation payments		\$ 500,000	
Early retirement obligations entered into during the year with teachers		\$ 125,066	

State law (RSA 195:6II) limits the amount of general obligation debt that the District may incur at any one time to 10% of the locally assessed valuations (of the towns in which the District is located) as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. At June 30, 2006 the District was significantly below its legal debt limit of approximately \$81,000,000.

More detailed information about the District's long-term liabilities is presented in the notes to the basic financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the School Board considered many factors when submitting the fiscal year 2006-2007 budget to the District voters. One of the major factors continues to be the impact of yearly changes in revenues under the State's system of funding education on the school district assessment to be assessed to each of the two towns in the District. Exhibit D-1 compares the actual amounts for the year ended June 30, 2006 with the amounts budgeted for fiscal year 2006-2007.

### Exhibit D-1 STATE TAX AND ADEQUACY GRANTS

	Fiscal Year (Actual) 2005-2006	Fiscal Year (Budget) 2006-2007	Change
Town of Belmont	5,454,935	5,518,569	1.17%
Town of Canterbury	980,725	975,992	-0.48%
	<u>6,435,660</u>	<u>6,494,561</u>	<u>0.92%</u>

Another factor was the assessed valuations in each of the towns. Exhibit D-2 shows the assessed values for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2005-2006 and 2006-2007.

### Exhibit D-2 ASSESSED VALUES

	Fiscal Year (Actual) 2005-2006	Fiscal Year (Budget) 2006-2007	Change
Town of Belmont	489,161,812	499,500,599	2.11%
Town of Canterbury	120,766,307	305,062,962	152.61%
	<u>609,928,119</u>	<u>804,563,561</u>	<u>31.91%</u>

As a result of the above factor, the school district assessment is allocated to each of the towns in the District under a formula calculation which is based on the relative percent to the total of the two components: (1) 50% by the equalized valuation percentage; and (2) 50% by the average daily membership (ADM-R) less home study percentage. Exhibit D-3 shows the school district assessment for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2005-2006 and 2006-2007.

### Exhibit D-3 ASSESSED VALUES

	Fiscal Year (Actual) 2005-2006	Fiscal Year (Budget) 2006-2007	Change
Town of Belmont	489,161,812	499,500,599	2.11%
Town of Canterbury	120,766,307	305,062,962	152.61%
	<u>609,928,119</u>	<u>804,563,561</u>	<u>31.91%</u>

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report should be directed to W. Michael Cozort, Superintendent of Schools or to Ms. Debbie Gay, Business Administrator, at (603-267-9223) or by mail at:

Shaker Regional School District  
ATTN: Debbie Gay  
58 School Street  
Belmont, NH 03220

## **BASIC FINANCIAL STATEMENTS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Net Assets June 30, 2006

### Primary Government Governmental Activities

#### ASSETS

##### Current Assets

Cash and cash equivalents	\$	163,721
Investments		1,638,152
Receivables, net		8,492
Due from other governments		787,025
Inventories		27,099
Other assets		26,477
Current assets		<u>2,650,966</u>

##### Noncurrent Assets

Capital assets:		
Land, improvements, and construction in progress		353,257
Other capital assets, net of accumulated depreciation		<u>10,565,411</u>
Noncurrent assets		<u>10,918,668</u>
Total assets		<u>13,569,634</u>

#### LIABILITIES

##### Current Liabilities

Accounts payable		7,470
Cash overdraft		43,423
Accrued expenses		783,916
Due to other governments		36,067
Deferred revenue		825,510
Current portion of long-term liabilities		<u>658,149</u>
Current liabilities		<u>2,354,535</u>

##### Noncurrent Liabilities

Bonds payable		3,000,000
Compensated absences		<u>775,116</u>
Noncurrent liabilities		<u>3,775,116</u>
Total liabilities		<u>6,129,651</u>

#### NET ASSETS

Investment in capital assets, net of related debt		7,418,668
Restricted for:		
Capital reserves		436,511
Other nonmajor purposes		49,199
Unrestricted		<u>(464,395)</u>
Total net assets	\$	<u>7,439,983</u>

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



# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Activities Year Ended June 30, 2006

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating	Primary Government Governmental Activities
			Grants and Contributions	
Governmental activities:				
Instruction				
Regular instruction	\$ 6,838,349	\$ -	\$ 139,307	\$ (6,699,042)
Special education instruction	1,361,007	-	629,397	(731,610)
Vocational instruction	74,044	-	-	(74,044)
Other instruction	1,085,810	-	-	(1,085,810)
Support services				
Student support services	1,193,856	-	-	(1,193,856)
Instructional staff services	651,733	-	-	(651,733)
General administration	111,402	-	-	(111,402)
Executive administration	169,563	-	-	(169,563)
School administrative services	980,907	-	-	(980,907)
Business services	204,438	-	-	(204,438)
Operation and maintenance	1,199,373	-	-	(1,199,373)
Student transportation	688,005	-	-	(688,005)
Other support services	-	-	-	-
Food service program	578,278	360,348	187,177	(30,753)
Interest expense	169,841	-	-	(169,841)
Capital outlay	160,954	-	-	(160,954)
Other uses/expenses	538	-	-	(538)
Depreciation (unallocated)	386,228	-	-	(386,228)
<b>Total governmental activities</b>	<b>15,854,326</b>	<b>360,348</b>	<b>955,881</b>	<b>(14,538,097)</b>
General revenues:				
School district assessment				7,979,730
Grants and contributions not restricted to specific purposes:				
Local sources				38,421
State of New Hampshire sources				6,703,161
Federal sources				105,434
Investment income				44,564
Total general revenues				<u>14,871,310</u>
Change in net assets				333,213
Net assets - beginning				<u>7,106,770</u>
Net assets - ending				<u>\$ 7,439,983</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 150,112	\$ -	\$ 13,609	\$ 163,721
Investments	1,638,152	-	-	1,638,152
Receivables, net	8,492	-	-	8,492
Due from other governments	237,014	436,511	113,500	787,025
Inventories	-	-	27,099	27,099
Other assets	26,477	-	-	26,477
Total assets	<u>\$ 2,060,247</u>	<u>\$ 436,511</u>	<u>\$ 154,208</u>	<u>\$ 2,650,966</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 7,470	\$ -	\$ -	\$ 7,470
Cash overdraft	-	-	43,423	43,423
Accrued expenses	671,534	-	50,892	722,426
Due to other governments	36,067	-	-	36,067
Deferred revenue	814,816	-	10,694	825,510
Total liabilities	<u>1,529,887</u>	<u>-</u>	<u>105,009</u>	<u>1,634,896</u>
Fund balances:				
Reserved for:				
Encumbrances	256,108	-	-	256,108
Inventories	-	-	27,099	27,099
Unreserved	274,252	436,511	-	710,763
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	22,100	22,100
Total fund balances	<u>530,360</u>	<u>436,511</u>	<u>49,199</u>	<u>1,016,070</u>
Total liabilities and fund balances	<u>\$ 2,060,247</u>	<u>\$ 436,511</u>	<u>\$ 154,208</u>	<u>\$ 2,650,966</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

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## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2006

**Total Fund Balances - Governmental Funds** \$ 1,016,070

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

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 15,437,167	
Less accumulated depreciation	<u>(4,518,499)</u>	10,918,668

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(3,500,000)	
Compensated absences	(34,204)	
Special early termination benefits	<u>(899,061)</u>	(4,433,265)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.

(61,490)

**Total Net Assets - Governmental Activities** \$ 7,439,983

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

# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2006

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
School district assessment	\$ 7,979,730	\$ -	\$ -	\$ 7,979,730
Local sources	15,785	-	382,984	398,769
State of New Hampshire sources	6,842,468	-	6,611	6,849,079
Federal sources	105,434	-	809,963	915,397
Investment income	<u>28,755</u>	<u>15,522</u>	<u>287</u>	<u>44,564</u>
Total revenues	<u>14,972,172</u>	<u>15,522</u>	<u>1,199,845</u>	<u>16,187,539</u>
<b>Expenditures</b>				
Instruction	8,687,580	-	650,652	9,338,232
Support services	1,857,510	-	-	1,857,510
General administration	113,440	-	-	113,440
Executive administration	3,298,705	-	-	3,298,705
Capital outlay	178,854	-	-	178,854
Food service program	-	-	578,278	578,278
Debt service:				
Principal	500,000	-	-	500,000
Interest	<u>178,625</u>	<u>-</u>	<u>-</u>	<u>178,625</u>
Total expenditures	<u>14,814,714</u>	<u>-</u>	<u>1,228,930</u>	<u>16,043,644</u>
Excess (deficiency) of revenues over expenditures	157,458	15,522	(29,085)	143,895
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	50,000	21,298	71,298
Transfers out	<u>(71,298)</u>	<u>-</u>	<u>-</u>	<u>(71,298)</u>
Net change in fund balances	86,160	65,522	(7,787)	143,895
Fund balances - beginning of year	<u>444,200</u>	<u>370,989</u>	<u>56,986</u>	<u>872,175</u>
Fund balances - end of year	<u>\$ 530,360</u>	<u>\$ 436,511</u>	<u>\$ 49,199</u>	<u>\$ 1,016,070</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

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## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

**Total Net Change in Fund Balances - Governmental Funds** \$ 143,895

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 173,608	
Depreciation expense	(386,228)	
Loss on disposal of assets	<u>(538)</u>	(213,158)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal on bonds		500,000
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Interest on long-term liabilities in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest (increase) decrease		8,784
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In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Compensated absences (increase) decrease	(12,619)	
Early retirement (increase) decrease	<u>(93,689)</u>	<u>(106,308)</u>

**Change in Net Assets of Governmental Activities** \$ 333,213

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

# SHAKER REGIONAL SCHOOL DISTRICT

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Statement of Net Assets  
Fiduciary Funds  
June 30, 2006

	Student Activities	Total Agency Funds	Total Fiduciary Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 200,246	\$ 200,246	\$ 200,246
Total assets	200,246	200,246	200,246
<b>Liabilities</b>			
Due to student groups	200,246	200,246	200,246
Total liabilities	200,246	200,246	200,246
<b>Net Assets</b>			
Held in trust for private purposes	-		-
Total net assets	\$ -		\$ -

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shaker Regional School District (the "District" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the District are discussed below.

### A. THE REPORTING ENTITY

The District is a primary (special-purpose) local government governed by an elected board. As required by GAAP, these financial statements are required to present the District and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government. Based upon the application of these criteria, these financial statements include no component units.

### B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any business type primary activities.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.



## C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on a minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund.

The following fund types are used by the District:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

**General Fund** is the general operating fund of the District and is used to account for all resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (such as federal and state grants and the food service program) that are legally restricted to expenditures for specific purposes.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net assets and, for private purpose trust funds, changes in net assets. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the District:

**Private Purpose Trust Funds** are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments. The assets are essentially held in trust for someone outside the reporting entity.

**Agency Funds** are used to report assets held in a custodial capacity for individuals or organizations outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report.

## D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

### Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

### Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and asset are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

## E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

### Cash and Cash Equivalents and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the District.

Investments are stated at fair value (quoted market price or the best available estimate).

### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## Inventories

For fund financial statements, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when purchased. For government-wide financial statements, inventories are carried at cost using the first-in, first-out method.

## Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the District's capitalization policy, are reported at historical cost or estimated historical cost. The capitalization threshold represents the amount that capital assets acquired must be capitalized. The District, however, may capitalize individual or aggregate assets under the threshold. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization Threshold	Estimated Useful Lives
Land improvements	\$ 1,500	20
Buildings and improvements	\$ 1,500	20-50
Furniture and equipment	\$ 1,500	5-20

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

## Compensated Absences

The District accrued accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

## Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable, capital leases and accrued compensated absences and special termination benefits. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due.

## Governmental Fund Equity

For governmental funds the unreserved fund balances represent the amount available for appropriation in future periods subject to statutory requirements and limitation; the reserved fund balances represent the amounts that have been legally identified for specific purposes and are not appropriable for expenditure; and the designated fund balances represent tentative plans for future use of financial resources.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the District receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met.

General revenues on the Statement of Activities include the school district assessment (levied by the appropriate local governments as property taxes) and aid from various State of New Hampshire sources that are not program revenues (charges for services, or related to operating or capital grant programs).

## Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Legal Debt Limit

Per state statute, the District may not incur debt at any one time in excess of 10% of its locally assessed valuation (for all municipalities in the District) as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration.

For the year ended June 30, 2006, the District had not exceeded its legal debt limit.

### Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. The District is a member in the *Workers' Compensation* program of the *New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>)*. *Primex<sup>3</sup>* is a public entity pooled risk management program under RSA 5-B and RSA 281-A. The *Primex<sup>3</sup>* board retains the statutory coverage for workers' compensation. The District shares in contributing to the cost of, and receiving the benefits from, this pooled risk management program under a member participation agreement which permits *Primex<sup>3</sup>* to make additional assessments to members, should there be a deficiency in contributions for any year, not to exceed the member's annual contribution. At the current time, *Primex<sup>3</sup>* foresees no likelihood of an assessment for any prior year in which the District was a member.

The District purchases through *Primex<sup>3</sup>* coverage from an insurance company for Commercial Property and Liability (including general liability, nurse's professional liability, buildings and contents, employee dishonesty, machinery and equipment), Commercial Umbrella and Public Officials Bond. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## Claims, Judgments and Contingent Liabilities

### Grant Programs

The District participates in numerous state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the District has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the District. At June 30, 2006, the District believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

### Litigation

The District is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the District believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

## NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and equivalents	\$ 120,298
Investments	1,638,152
Fiduciary funds:	
Cash and investments	200,246
	<u>\$ 1,958,696</u>

Deposits and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	320,544
Investments	1,638,152
	<u>\$ 1,958,696</u>

### Credit Risk - Deposits

The District maintains deposits in accordance with RSA 197:23-a which states that the district treasurer shall deposit the moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits United States government obligations, United States 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.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## Credit Risk - Investments

The District maintains investments in accordance with RSA 197:23-a which states that whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the school board, invest the same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the state of New Hampshire or in banks recognized by the state treasurer. Any person who directly or indirectly receives any such funds 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 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. At least yearly, the school board shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.

Investments made by the District as of June 30, 2006 are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
U.S. government securities	\$ -		
NH Public Deposit Investment Pool	-		
Repurchase agreements	<u>1,638,152</u>	N/A	
	<u>\$ 1,638,152</u>		

## Concentration of Credit Risk

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

## Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments (including investments underlying repurchase agreements) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (Months)</u>			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pledged Collateral				
GNR 2005-55 A - 2/20/2032	\$ 1,541,144	-	-	\$ 1,541,144

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk on deposits. As of June 30, 2006, \$326,526 of the District's bank balance was covered by deposit insurance and \$2,220,609 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was pledged by the depository's agent.

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances at June 30, 2006 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ -	\$ -
Capital reserve funds	-	-
Nonmajor Funds:		
Governmental funds	-	-
	<u>\$ -</u>	<u>\$ -</u>

### Transfers

Individual interfund transfers for the year ended June 30, 2006 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 71,298
Capital reserve funds	50,000	-
Nonmajor Funds:		
Governmental funds	21,298	-
	<u>\$ 71,298</u>	<u>\$ 71,298</u>

The District makes routine transfers during the year between the general fund and other funds based upon statutory or budgetary authorization. There were no significant transfers made during the year that were not routine or were inconsistent with the activities of the fund making the transfer.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables at June 30, 2006 consisted of the following:

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>
Local Governments			
Trustee of Trust Funds	\$ -	\$ 436,511	\$ -
Town of Canterbury	200,447	-	-
Other	3,890	-	-
State Government			
New Hampshire	22,031	-	9,851
New Hampshire Retirement System	10,646	-	-
Federal / State Government			
Pass-through grants and other	-	-	103,649
	<u>\$ 237,014</u>	<u>\$ 436,511</u>	<u>\$ 113,500</u>

All intergovernmental receivables result from assessment and tuition; grant reimbursement and federal (passed-through the State of New Hampshire) Medicaid reimbursements not received until after year-end and reported in the general fund, nonmajor governmental funds and capital reserve funds held by the local trustee of trust funds.

### Intergovernmental Payables

Intergovernmental payables at June 30, 2006 consisted of the following:

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>
Local Governments			
Rochester School District	\$ 22,640	\$ -	\$ -
Other	13,427	-	-
State Government			
New Hampshire	-	-	-
Other	-	-	-
Federal / State Government			
Pass-through grants and other	-	-	-
	<u>\$ 36,067</u>	<u>\$ -</u>	<u>\$ -</u>

All intergovernmental payables result from tuition and other reimbursements not paid until after year-end and reported in the general fund.



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 353,257	\$ -	\$ -	\$ 353,257
Construction in progress	-	-	-	-
	<u>353,257</u>	<u>-</u>	<u>-</u>	<u>353,257</u>
<b>Capital assets being depreciated:</b>				
Land improvements	-	17,900	-	17,900
Buildings	13,147,828	44,606	-	13,192,434
Furniture and equipment	1,845,261	111,102	82,787	1,873,576
	<u>14,993,089</u>	<u>173,608</u>	<u>82,787</u>	<u>15,083,910</u>
Less accumulated depreciation:				
Land improvements	-	820	-	820
Buildings	3,165,985	200,184	-	3,366,169
Furniture and equipment	1,048,535	185,224	82,249	1,151,510
Accumulated depreciation	<u>4,214,520</u>	<u>386,228</u>	<u>82,249</u>	<u>4,518,499</u>
Capital assets being depreciated, net	<u>10,778,569</u>	<u>(212,620)</u>	<u>538</u>	<u>10,565,411</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 11,131,826</u>	<u>\$ (212,620)</u>	<u>\$ 538</u>	<u>\$ 10,918,668</u>

Depreciation expense for the year ended June 30, 2006 (unallocated) \$ 386,228

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## NOTE 7 - LONG-TERM LIABILITIES

The District can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the District. Other long-term obligations include compensated absences and early retirement obligations.

A summary of long-term liabilities outstanding at June 30, 2006 is as follows:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Early Termination Benefits</u>	<u>Total</u>
Beginning balance	\$ 4,000,000	\$ 21,585	\$ 805,372	\$ 4,826,957
Additions	-	12,619	125,066	137,685
Reductions	<u>(500,000)</u>	-	<u>(31,377)</u>	<u>(531,377)</u>
Ending balance	<u>\$ 3,500,000</u>	<u>\$ 34,204</u>	<u>\$ 899,061</u>	<u>\$ 4,433,265</u>
Current portion	\$ 500,000	\$ 34,204	\$ 123,945	\$ 658,149
Noncurrent portion	<u>3,000,000</u>	-	<u>775,116</u>	<u>3,775,116</u>
	<u>\$ 3,500,000</u>	<u>\$ 34,204</u>	<u>\$ 899,061</u>	<u>\$ 4,433,265</u>

Long-term liabilities outstanding at June 30, 2006 consisted of the following:

	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 6/30/06</u>
<u>General Obligation Bonds</u>					
High School Construction	1997	4.75-4.8%	2012	\$ 7,500,000	<u>\$ 3,500,000</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					34,204
Early termination benefits					<u>899,061</u>
					<u>933,265</u>
					<u>\$ 4,433,265</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 500,000	\$ 154,875	\$ 654,875
2008	500,000	131,125	631,125
2009	500,000	107,375	607,375
2010	500,000	83,625	583,625
2011	500,000	59,875	559,875
After	<u>1,000,000</u>	<u>48,000</u>	<u>1,048,000</u>
	<u>\$ 3,500,000</u>	<u>\$ 584,875</u>	<u>\$ 4,084,875</u>

## NOTE 8 - PENSION PLAN

The District participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the District. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 5.0% of their covered salary. The District's contribution rates for the year ended June 30, 2006 were 3.7% and 6.81% of covered payroll for teachers and other employees, respectively (representing 65% of the cost for teachers and 100% of the cost for other employees). The District's contributions to the System for the years ending June 30, 2006, 2005, and 2004 were \$337,875, \$237,526, and \$226,179, respectively, equal to the required contributions for each year.

The State of New Hampshire provides, directly to the System, 35% of the funding of the District's teacher employer contributions; which in accordance with GASB Statement No. 24, represents on-behalf fringe benefit payments that are required to be reported as revenue and expense in the statement of activities and as revenue and expenditure in the governmental funds statement of revenues, expenditures and changes in fund balances. For the year ended June 30, 2006 on-behalf fringe benefit payments were made by the State of New Hampshire for District in the amount of \$139,307.

## NOTE 9 - COLLECTIVE BARGAINING AGREEMENTS

The District normally negotiates long-term agreements with qualifying employee groups through a formal collective bargaining process. The District voters must ratify the agreement. State budgetary statutes require disclosure of certain aggregate cost items / cost item increases to be incurred during the term of the agreement. Cost items include levels of compensation and related fringe benefits (such as the District portion of employee health, dental, group life and disability insurances) and sick, vacation and other compensated absences or special termination benefits.

## NOTE 10 - POST-RETIREMENT HEALTH CARE

The District does not provide post-employment health-care benefits except those mandated by the Consolidated Omnibus Reconciliation Act (COBRA). The requirements established by COBRA for post-employment health-care benefits provide that employees who elect coverage under the Act are responsible for the cost.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2006

## NOTE 11 - LONG-TERM COMMITMENT

The District has entered into a five-year contract with a carrier for student transportation services. Under the terms and conditions of the contract the carrier will operate the regular routes and specialized transportation (as requested) of the District for the following sums:

<u>Fiscal Year</u>	<u>Regular Routes</u>	<u>Specialized Transportation - As Requested</u>			
		<u>Late Bus</u>	<u>Laconia Voc. Ed</u>	<u>Winnisquam Voc. Ed</u>	<u>Mid-Day K</u>
2006-2007	\$ 569,226	\$ 7,750	\$ 38,719	\$ 10,770	\$ 32,749
2007-2008	483,303	7,983	39,881	11,093	33,731
	<u>\$ 1,052,529</u>	<u>\$ 15,733</u>	<u>\$ 78,600</u>	<u>\$ 21,863</u>	<u>\$ 66,480</u>

The contract contains a cost of fuel "cap" component stated at \$1.15 per gallon, net of all taxes. Should the cost of fuel exceed the cap the District shall reimburse the carrier for the excess cost based upon actual mileage operated calculated at 6.8 miles per gallon for 77-passenger buses and 10.0 miles per gallon for 20-passenger mini-buses.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 323,364	\$ 466,323	\$ 444,200	\$ (22,123)
Resources (inflows):				
School district assessment				
Local school tax	7,979,730	7,979,730	7,979,730	-
Local sources				
Other	-	-	15,785	15,785
State of New Hampshire sources				
School building aid	231,687	231,687	231,687	-
Catastrophic aid	29,857	29,857	29,857	-
Vocational aid	2,000	2,000	5,957	3,957
Adequacy grant	4,310,700	4,310,700	4,310,700	-
State education tax	2,124,960	2,124,960	2,124,960	-
Federal sources				
Medicaid distribution	50,000	50,000	105,434	55,434
Investment income				
Investment income	5,000	5,000	28,755	23,755
Amounts available for appropriation	<u>15,057,298</u>	<u>15,200,257</u>	<u>15,277,065</u>	<u>76,808</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	6,896,573	6,909,192	6,814,979	94,213
Special education instruction	1,480,921	1,502,588	1,363,399	139,189
Vocational instruction	88,978	89,033	74,044	14,989
Other instruction	306,569	306,571	284,212	22,359
Community / After school program	11,699	11,699	11,639	60
Support services				
Student support services	1,234,074	1,244,244	1,193,856	50,388
Instructional staff services	699,894	668,190	663,654	4,536
General administration				
Other school board	122,172	125,372	113,440	11,932
Executive administration				
All other administration	162,727	162,756	169,563	(6,807)
School administrative services	998,156	1,012,462	968,288	44,174
Business services	208,451	215,838	204,438	11,400
Operation and maintenance	1,227,914	1,255,510	1,268,411	(12,901)
Student transportation	711,025	711,025	688,005	23,020
Other support services	144,520	36,031	-	36,031
Capital outlay				
Various	35,000	221,121	178,854	42,267
Debt service				
Debt service principal	500,000	500,000	500,000	-
Debt service interest	178,625	178,625	178,625	-
Operating transfers out				
Special revenue funds	50,000	50,000	71,298	(21,298)
Total charges to appropriations	<u>15,057,298</u>	<u>15,200,257</u>	<u>14,746,705</u>	<u>453,552</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,360</u>	<u>\$ 530,360</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2006

## NOTE 1 - BUDGETARY INFORMATION

### A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted District budget by voters at the annual District meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the District. After final allocation of state aid programs to the District and approval of final estimated revenues (including the use of beginning unreserved general fund balance), a balanced District budget is achieved in accordance with State statute (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring *before* the beginning of the year. The original budget for the General Fund in the amount of \$15,057,298 consists of the total appropriation voted of \$16,052,298 less amounts representing offsets for other funds; \$520,000 for the Food Service Fund, \$475,000 for the Federal and State Projects Fund.

### B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

#### Budgetary Changes

In accordance with RSA 198:20-b, appropriations may be made by the school board by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the District. Such money may be used only for legal purposes for which a school district may appropriate money; shall not require the expenditure of other school district funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of school district moneys. The statute requires the school board to hold a public hearing on the action to be taken and to comply with various public notice requirements.

#### Transfers

The school board may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus appropriations allowable under RSA 198:20-b, encumbrances carried forward from the prior year and continuing appropriations, if any).

#### Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year. Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

### C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2006

## NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

### Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 15,277,065
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit - used to reduce taxes	(444,200)
Teacher retirement on-behalf payments by the State of New Hampshire	<u>139,307</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 14,972,172</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 14,746,705
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Teacher retirement on-behalf payments by the State of New Hampshire	139,307
Transfers to other funds	<u>(71,298)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 14,814,714</u>

## OTHER SUPPLEMENTARY INFORMATION

# SHAKER REGIONAL SCHOOL DISTRICT

## Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2006

	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 13,609	\$ 13,609
Due from other governments	103,649	9,851	113,500
Inventories	-	27,099	27,099
Total assets	<u>\$ 103,649</u>	<u>\$ 50,559</u>	<u>\$ 154,208</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Cash overdraft	\$ 43,423	\$ -	\$ 43,423
Accrued expenses	49,532	1,360	50,892
Deferred revenue	10,694	-	10,694
Total liabilities	<u>103,649</u>	<u>1,360</u>	<u>105,009</u>
Fund balances:			
Reserved for:			
Inventories	-	27,099	27,099
Unreserved	-	22,100	22,100
Total fund balances	<u>-</u>	<u>49,199</u>	<u>49,199</u>
Total liabilities and fund balances	<u>\$ 103,649</u>	<u>\$ 50,559</u>	<u>\$ 154,208</u>

# SHAKER REGIONAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2006

	Grants Fund	Food Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Local sources	\$ 21,255	\$ 361,729	\$ 382,984
State of New Hampshire sources	-	6,611	6,611
Federal sources	629,397	180,566	809,963
Investment income	-	287	287
Operating transfers in	-	21,298	21,298
	<u>650,652</u>	<u>570,491</u>	<u>1,221,143</u>
<b>Expenditures</b>			
Instruction	650,652	-	650,652
Food service program	-	578,278	578,278
	<u>650,652</u>	<u>578,278</u>	<u>1,228,930</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	-	(7,787)	(7,787)
Fund balances - beginning of year	-	56,986	56,986
Fund balances - end of year	<u>\$ -</u>	<u>\$ 49,199</u>	<u>\$ 49,199</u>

**FEDERAL AWARDS SUPPLEMENTARY INFORMATION**

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

Members – American Institute of CPA's  
Members – New Hampshire Society of CPA's

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Laconia, New Hampshire 03247  
Tel 524-6734 Fax 524-6071

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Regional School District as of and for the year ended June 30, 2006, which collectively comprise the Shaker Regional School District's basic financial statements and have issued our report thereon dated April 25, 2007. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shaker Regional School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shaker Regional School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, school board, and federal awarding agencies pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Grzelak and Co., P.C.*

GRZELAK AND COMPANY, P.C., CPA's  
Laconia, New Hampshire  
April 25, 2007

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

#### Compliance

We have audited the compliance of Shaker Regional School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Shaker Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shaker Regional School District's management. Our responsibility is to express an opinion on Shaker Regional School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shaker Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shaker Regional School District's compliance with those requirements.

In our opinion, Shaker Regional School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Shaker Regional School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shaker Regional School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Grzelak and Co., P.C.*

**GRZELAK AND COMPANY, P.C., CPA's**  
Laconia, New Hampshire  
April 25, 2007



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the NH Surplus Distribution Section Food Donation	10.550		\$ 36,570
Passed through the NH Department of Education			
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553		23,122
National School Lunch Program	10.555		120,874
			<u>143,996</u>
			<u>180,566</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the NH Department of Education			
<b>SPECIAL EDUCATION CLUSTER</b>			
Special Education - Grants to States (IDEA, PART B)	84.027	52540	9,790
Special Education - Grants to States (IDEA, PART B)	84.027	62516	279,234
Special Education - Preschool Grants (IDEA Preschool)	84.173	62720	3,648
			<u>292,672</u>
Title I, Grants to Local Educational Agencies (LEAs)	84.010	50065	13,218
Title I, Grants to Local Educational Agencies (LEAs)	84.010	60120	205,129
Safe and Drug-Free Schools and Communities State Grants	84.186	56518	318
Safe and Drug-Free Schools and Communities State Grants	84.186	66518	4,055
Innovative Education Program Strategies	84.298	56134	134
Innovative Education Program Strategies	84.298	66134	3,851
Education Technology State Grants	84.318	54554	1,861
Education Technology State Grants	84.318	64554	7,065
Title II-A Improving Teacher Quality State Grants	84.367	54920	7,482
Title II-A Improving Teacher Quality State Grants	84.367	64920	93,612
			<u>336,725</u>
			<u>629,397</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 809,963</u>

The accompanying notes are an integral part of this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards June 30, 2006

The schedule of expenditures of federal awards is prepared in accordance with the regulations defined in the Office of Management and Budget's (OMB), Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The schedule of expenditures of federal awards is prepared for the period covered by the related financial statements, the year ended June 30, 2006.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The operating activities of all federal awards are accounted for within the governmental funds (general and special revenue) of the District. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The expenditures reported in the schedule are based on requirements defined in OMB Circular A-133 and include, but are not limited to, expenditure/expense transactions associated with grants, cost reimbursement contracts, the receipt or use of program income and the distribution or consumption of food commodities. During the year ended June 30, 2006 the District expended funds associated with grants, received surplus commodities and received cost reimbursements for meals served.

Expenditures associated with grants are made on a reimbursement basis and any excess of expenditures over receipts are recorded as an accounts receivable at year-end.

### 2. RECONCILIATION TO FINANCIAL STATEMENT AMOUNT

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

<b>Schedule of Expenditures of Federal Awards</b>	<u>\$ 809,963</u>
 <b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Nonmajor Governmental Funds	
Grant Fund - Federal sources	\$ 629,397
Food Service Fund - Federal pass-through sources	<u>180,566</u>
	<u>\$ 809,963</u>

# SHAKER REGIONAL SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2006

- i. Type of auditor's report issued on the financial statements – Unqualified.
- ii. A statement (if applicable) that (if) reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses – Not applicable, no reportable conditions relating to the audit of the financial statements were disclosed.
- iii. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee – No findings.
- iv. A statement (if applicable) that (if) reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses – No findings.
- v. Type of auditor's report issued on compliance for major programs - Unqualified.
- vi. Statement as to whether the audit disclosed any audit findings which the auditor is required to report under OMB Circular A-133: Section 510(a):
  - Reportable Conditions in Internal Control over Major Programs – No findings.
  - Material Noncompliance with the Provisions of Laws, Regulations, Contracts or Grant Agreements Related to a Major Program - No findings.
  - Known Questioned Costs which are Greater Than \$10,000 for a Type of Compliance Requirement for a Major Program - No findings.
  - Known Questioned Costs which are Greater Than \$10,000 for a Federal Program which is Not Audited as a Major Program - No findings.
  - Circumstances concerning why the Auditor's Report on Compliance for Major Programs is Other Than Unqualified - No findings.
  - Known Fraud Affecting a Federal Award - No findings.
  - Instances where the Results of the Audit Follow Up Procedures Disclosed that the Summary Schedule of Prior Audit Findings prepared by the Auditee Materially Misrepresents the Status of any Prior Audit Finding - No findings.
- vii. Identification of Major Programs:
  - CFDA # 84.010 - Title I, Grants to Local Educational Agencies
  - SPECIAL EDUCATION CLUSTER
    - CFDA # 84.027 - Special Education - Grants to States
    - CFDA # 84.173 - Special Education - Preschool Grants
- viii. Dollar Threshold used to Distinguish between Type A and Type B Programs - \$300,000.
- ix. Statement as to whether Auditee Qualified as a Low-Risk Auditee under OMB Circular A-133: Section 530 – Yes.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# SHAKER REGIONAL SCHOOL DISTRICT

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Schedule of Findings and Questioned Costs  
2 - Financial Statement Findings  
June 30, 2006

NO FINDINGS OR QUESTIONED COSTS

# SHAKER REGIONAL SCHOOL DISTRICT

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Schedule of Findings and Questioned Costs  
3 - Federal Awards  
June 30, 2006

NO FINDINGS OR QUESTIONED COSTS