

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

FINANCIAL STATEMENTS

June 30, 2007

# SHAKER REGIONAL SCHOOL DISTRICT

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## Table of Contents June 30, 2007

<b>Independent Auditor's Report</b>	4-5
<b>Management's Discussion and Analysis</b>	7-22
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	24
Statement of Activities	25
Fund Financial Statements:	
Balance Sheet - Governmental Funds	26
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Fiduciary Funds:	
Statement of Fiduciary Net Assets	30
Notes to Basic Financial Statements	32-44
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	46
Notes to Required Supplementary Information	48-49
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	52
<b>Federal Awards Supplementary Information</b>	
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	54-55
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	56-57
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	61
Schedule of Findings and Questioned Costs	63-67
<b>Management View and Corrective Action Plan</b>	69-70

## **INDEPENDENT AUDITOR'S REPORT**

# 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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### 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 Shaker Regional School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shaker Regional School District's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 our report dated September 30, 2008, 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 considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 22 and 46 through 49, 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 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  
September 30, 2008

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

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, 2007. 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 \$224,851 or 3.02% between June 30, 2006 and 2007.
- The District's total combined net assets amounted to \$7,664,834 at June 30, 2007. Net assets consisted of \$7,647,952 invested in capital assets net of related debts; \$535,997 restricted for capital reserves; \$38,533 of other nonmajor funds restricted for purposes of each established fund; and an unrestricted negative net asset balance of (\$557,648).
- The District has a \$910,183 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 \$33,637 of these obligations is due to be paid during the fiscal year July 1, 2007 to June 30, 2008.
- The District's long-term liabilities, consisting of general obligation bonds, compensated absences and special termination benefits, decreased by \$523,082 during the year ended June 30, 2007.
- During the year, the District's expenses were \$224,851 less than the \$16,970,466 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 2007 voters authorized the transfer of up to \$150,000 in that fund from the June 30, 2007 year-end undesignated fund balance, if available. The \$150,000 has been reserved from the June 30, 2007 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.
- In March, 2003 voters authorized the establishment of the Special Education Expendable Trust Fund. In March of 2007 voters authorized the transfer of up to \$33,000 in that fund from the June 30, 2007 year-end undesignated fund balance, if available. The \$33,000 has been reserved from the June 30, 2007 year-end fund balance and will be disbursed to the Special Education Expendable Trust Fund which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

## 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.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

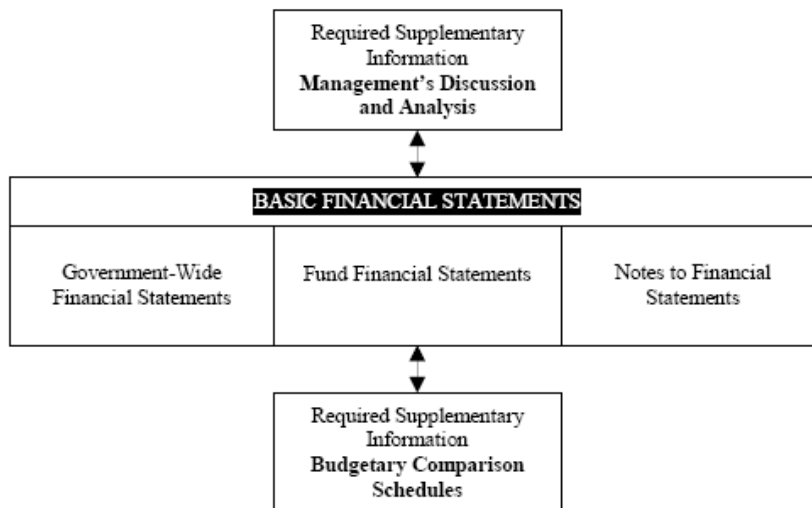
Shaker Regional School District  
For the Year Ended June 30, 2007

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**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

## 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

## **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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## 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, 2006 and 2007 by \$224,851 or 3.02% to \$7,664,834.

#### Exhibit B-1 NET ASSETS

	Governmental Activities		
	2006	2007	\$ Change
<b>Assets</b>			
Current and other assets	\$ 2,650,966	\$ 1,835,859	\$ (815,107)
Noncurrent assets	10,918,668	10,647,952	(270,716)
<b>Total assets</b>	<u>13,569,634</u>	<u>12,483,811</u>	<u>(1,085,823)</u>
<b>Liabilities</b>			
Current liabilities	2,354,535	1,442,431	(912,104)
Noncurrent liabilities	3,775,116	3,376,546	(398,570)
<b>Total liabilities</b>	<u>6,129,651</u>	<u>4,818,977</u>	<u>(1,310,674)</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	7,418,668	7,647,952	229,284
Restricted	485,710	574,530	88,820
Unrestricted	(464,395)	(557,648)	(93,253)
<b>Total net assets</b>	<u>\$ 7,439,983</u>	<u>\$ 7,664,834</u>	<u>\$ 224,851</u>

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, 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 are a negative \$557,648; 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 \$910,183 long-term liability for special termination benefit obligations under the GASB 34 financial reporting model, of which only \$33,637 is due to be paid in the next fiscal year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## Change in Net Assets

The District's total revenues were \$16,970,466 while total expenses were \$16,745,615 and resulted in an increase in net assets of \$224,851.

Exhibit B-2 shows that a significant portion, 90.76% and 90.71%, for the fiscal years ended June 30, 2007 and 2006, 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, 51.11% and 49.30% for the fiscal years ended June 30, 2007 and 2006, respectively, an increase in the percentage of total revenue of 1.81% and an increase of \$693,568 over the prior year.
- State of New Hampshire sources intergovernmental revenues, 39.65% and 41.41% for the fiscal years ended June 30, 2007 and 2006, respectively, a decrease in the percentage of total revenues of 1.76% but an increase of \$25,723 from the prior year.
- Operating grants and contributions, 6.23% and 5.91% for the fiscal years ended June 30, 2007 and 2006, respectively, an increase in the percentage of total revenues of .32%, an increase of \$101,699 over the prior year.

**Exhibit B-2**  
**SOURCES OF DISTRICT REVENUES**  
**Governmental Activities**

	2006	% of Total	2007	% of Total	\$ Change
<b>Program Revenues</b>					
Charges for services	\$ 360,348	2.23%	\$ 372,084	2.19%	\$ 11,736
Operating grants and contributions	955,881	5.91%	1,057,580	6.23%	101,699
<b>General Revenues</b>					
School district assessment	7,979,730	49.30%	8,673,298	51.11%	693,568
Local sources	82,985	0.51%	68,766	0.41%	(14,219)
State of New Hampshire sources	6,703,161	41.41%	6,728,884	39.65%	25,723
Federal sources	105,434	0.65%	69,854	0.41%	(35,580)
	<u>\$ 16,187,539</u>	<u>100.00%</u>	<u>\$ 16,970,466</u>	<u>100.00%</u>	<u>\$ 782,927</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## Expenses

Exhibit B-3 shows that a significant portion, 92.35% and 91.82% for the fiscal years ended June 30, 2007 and 2006, 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, 59.24% and 59.03% for the fiscal years ended June 30, 2007 and 2006, respectively, an increase in the percentage of total expenses of 0.21% and an increase of \$560,658 over the prior year.
- Support services, 33.11% and 32.79% for the fiscal years ended June 30, 2007 and 2006, respectively, an increase in the percentage of total expenses of 0.32% and an increase of \$344,748 over the prior year.
- Unallocated interest expense, 0.87% and 1.07% for the fiscal years ended June 30, 2007 and 2006, respectively, a decrease in the percentage of total expenses of .20% and a decrease of \$24,289 over the prior year.

### Exhibit B-3 DISTRICT EXPENSES

#### Governmental Activities

	2006	%	2007	%	\$ Change
<b>Functions / Programs</b>					
Instruction	\$ 9,359,210	59.03%	\$ 9,919,868	59.24%	\$ 560,658
Support services	5,199,277	32.79%	5,544,025	33.11%	344,748
Food service program	578,278	3.65%	529,543	3.16%	(48,735)
Capital outlay	160,954	1.02%	216,451	1.29%	55,497
<b>Unallocated</b>					
Interest	170,379	1.07%	146,090	0.87%	(24,289)
Other uses	-	0.00%	652	0.00%	652
Depreciation	386,228	2.44%	388,986	2.32%	2,758
	<u>\$ 15,854,326</u>	<u>100.00%</u>	<u>\$ 16,745,615</u>	<u>100.00%</u>	<u>\$ 891,289</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## 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**

Functions / Programs	2006		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,359,210	\$ 8,590,506	\$ 9,919,868	\$ 9,009,006
Support services	5,199,277	5,199,277	5,544,025	5,544,025
Food service program	578,278	30,753	529,543	10,741
Capital outlay	160,954	160,954	216,451	216,451
<b>Unallocated</b>				
Interest	170,379	170,379	146,090	146,090
Other uses	-	-	652	652
Depreciation	386,228	386,228	388,986	388,986
	<u>\$ 15,854,326</u>	<u>\$ 14,538,097</u>	<u>\$ 16,745,615</u>	<u>\$ 15,315,951</u>

The total cost of all governmental activities this year was \$16,745,615; the total net cost was \$15,315,951. 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 \$10,857,159; which consisted of \$8,673,298 paid in the form of local property taxes and \$2,183,861 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 \$518,802 consisted of food service sales in the amount of \$364,625, federal and state food nutrition program operating contributions (reimbursement of commodities) of \$154,177.

### Operating Grants and Contributions

- Instruction grants in the amount of \$903,403.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

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

### General Fund

The total general fund balance decreased \$125,120 during the year from a fund balance of \$530,360 at June 30, 2006 to a \$405,240 fund balance at June 30, 2007. This was primarily attributable to a budgetary basis actual revenues being less than estimated in the amount of \$20,396, while actual expenditures were less than appropriations by \$425,636. The June 30, 2007 fund balance consisted of \$183,000 reserved by District vote, \$167,792 reserved for contract encumbrances and an unreserved, undesignated fund balance in the amount of \$54,448. 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 and are reported as a major fund in the basic financial statements. The capital reserve fund balances increased \$99,486 during the year from \$436,511 at June 30, 2006 to \$535,997 at June 30, 2007. 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.

#### Grants Fund

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

### Nonmajor Funds

#### Food Service Fund

The food service fund is classified as a special revenue fund and is aggregated in the category Nonmajor Governmental Funds in the basic financial statements. The food service total fund balance decreased \$10,666 during the year from a total fund balance of \$49,199 at June 30, 2006 to a total fund balance of \$38,533 at June 30, 2007 – which consists of \$25,771 of reserved fund balance for food inventories and an unreserved, undesignated fund balance of \$12,762.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2007 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 \$256,108 were carried forward to supplement the original budget approved by voters. Of this amount \$75,000 represents the amount reserved by District vote for expendable trust funds and additional reserves for encumbrances in the amount of \$181,108.

### 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) were less than the budgetary revenue estimates by a negative variance of \$20,396. Although the earnings on investments received over the estimated amount was \$11,251; other local sources revenues received over the estimated amount was \$17,954; and actual Medicaid distribution received was in excess of estimate by \$19,854, the budgetary fund balance was \$75,000 less than the estimated, due to the prior year's reserve for the expendable trust funds.
- The original budget for the General Fund in the amount of \$15,818,348 consists of the total appropriation voted of \$16,813,348 less amounts representing offsets for other funds; \$520,000 for the Food Service Fund and \$475,000 for the Federal and State Projects Fund.
- Actual total outflows (expenditures or charges to appropriations) were less than the budgeted total appropriation by a positive variance of \$425,636 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$10,647,952 (\$15,488,827 at cost or estimated cost less accumulated depreciation of \$4,840,875) in a broad range of capital assets, including land and land improvements, buildings, furniture, and general equipment assets as summarized in Exhibit C-1.

This amounts represents a net decrease of (\$270,716) or (2.48%) from the prior year. This year's major additions are also summarized in Exhibit C-1.

### Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	Governmental Activities		
	2006	2007	Change
Land and improvements	\$ 371,157	\$ 371,157	0.00%
Buildings	13,192,434	13,192,434	0.00%
Furniture and equipment	1,873,576	1,925,236	2.76%
<b>Capital assets, at cost</b>	15,437,167	15,488,827	0.33%
Accumulated depreciation	4,518,499	4,840,875	7.13%
<b>Capital assets, net</b>	\$ 10,918,668	\$ 10,647,952	-2.48%
<b>Increase (Decrease) in Capital Assets, Net</b>		<b>\$ (270,716)</b>	
<b>Changes</b>			
Furniture and equipment		\$ 118,922	
Gain / (Loss) on disposals		(652)	
Depreciation expense		(388,986)	
		<b>\$ (270,716)</b>	

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

## Debt

At June 30, 2007, the District had \$3,376,546 of long-term obligations (\$3,910,183 in total obligations less the current portion of \$533,637) as summarized in Exhibit C-2.

This amount represents a net decrease of (\$398,570) or (10.56%) from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2006	2007	Change
General obligation bonds	\$ 3,500,000	\$ 3,000,000	-14.29%
Unamortized bond premiums	-	-	
Compensated absences	34,204	30,874	-9.74%
Early retirement	899,061	879,309	-2.20%
	4,433,265	3,910,183	-11.80%
Less current portion	658,149	533,637	18.92%
	\$ 3,775,116	\$ 3,376,546	-10.56%
<b>Increase (Decrease), Net</b>		<b>\$ (398,570)</b>	
<b>Significant Changes</b>			
General obligation bonds principal payments during the year		\$ (500,000)	
Payments made against early retirement obligations		(19,752)	
Change in compensated absences		(3,330)	
Change in current portion		124,512	
		<b>\$ (398,570)</b>	

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, 2007 the District was significantly below its legal debt limit of approximately \$106,504,000.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2007

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

District management and the School Board considered many factors when submitting the fiscal year 2007-2008 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, 2007 with the amounts budgeted for fiscal year 2007-2008.

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

	2007 Actual	2008 Budget	% Change
Town of Belmont	\$ 5,518,569	\$ 5,944,952	7.73%
Town of Canterbury	975,992	996,908	2.14%
	<u>\$ 6,494,561</u>	<u>\$ 6,941,860</u>	<u>6.89%</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 2006-2007 and 2007-2008.

### Exhibit D-2 ASSESSED VALUES

	2007 Actual	2008 Budget	% Change
Town of Belmont	\$ 499,500,599	\$ 789,212,772	58.00%
Town of Canterbury	305,062,962	304,738,716	-0.11%
	<u>\$ 804,563,561</u>	<u>\$ 1,093,951,488</u>	<u>35.97%</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 average daily membership 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 2006-2007 and 2007-2008.

### Exhibit D-3 AVERAGE DAILY MEMBERSHIP

	2007 Actual	2008 Budget	% Change
Town of Belmont	\$ 1,190.7	\$ 1,181.5	-0.77%
Town of Canterbury	\$ 299.3	\$ 291.8	-2.51%
	<u>\$ 1,490.0</u>	<u>\$ 1,473.3</u>	<u>-1.12%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2007

## 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, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 702,567
Receivables, net	9,739
Due from other governments	1,097,782
Inventories	<u>25,771</u>
Current assets	<u>1,835,859</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Land, improvements, and construction in progress	353,257
Other capital assets, net of accumulated depreciation	<u>10,294,695</u>
Noncurrent assets	<u>10,647,952</u>
Total assets	<u>12,483,811</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	18,313
Accrued expenses	853,248
Due to other governments	33,278
Deferred revenue	3,955
Current portion of long-term liabilities	<u>533,637</u>
Current liabilities	<u>1,442,431</u>
<b>Noncurrent Liabilities</b>	
Bonds payable	2,500,000
Compensated absences	<u>876,546</u>
Noncurrent liabilities	<u>3,376,546</u>
Total liabilities	<u>4,818,977</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	7,647,952
Restricted for:	
Capital reserves	535,997
Other nonmajor purposes	38,533
Unrestricted	<u>(557,648)</u>
Total net assets	<u>\$ 7,664,834</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, 2007

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net
				Assets
				Primary Government
				Governmental
				Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 7,173,662	\$ 7,459	\$ 145,769	\$ (7,020,434)
Special education instruction	1,467,159	-	757,634	(709,525)
Vocational instruction	76,292	-	-	(76,292)
Other instruction	1,202,755	-	-	(1,202,755)
Support services				
Student support services	1,291,060	-	-	(1,291,060)
Instructional staff services	707,592	-	-	(707,592)
General administration	268,956	-	-	(268,956)
School administrative services	1,008,195	-	-	(1,008,195)
Business services	243,888	-	-	(243,888)
Operation and maintenance	1,311,764	-	-	(1,311,764)
Student transportation	713,199	-	-	(713,199)
Other support services	(629)	-	-	629
Food service program	529,543	364,625	154,177	(10,741)
Interest expense	146,090	-	-	(146,090)
Capital outlay	216,451	-	-	(216,451)
Other uses/expenses	652	-	-	(652)
Depreciation (unallocated)	388,986	-	-	(388,986)
Total governmental activities	<u>16,745,615</u>	<u>372,084</u>	<u>1,057,580</u>	<u>(15,315,951)</u>
General revenues:				
				8,673,298
				School district assessment
				Grants and contributions not restricted
				to specific purposes:
				Local sources 68,766
				State of New Hampshire sources 6,728,884
				Federal sources 69,854
				<u>Total general revenues 15,540,802</u>
				Change in net assets 224,851
				Net assets - beginning <u>7,439,983</u>
				Net assets - ending <u>\$ 7,664,834</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, 2007

	General Fund	Grants Fund	Capital Reserves	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 692,622	\$ -	\$ -	\$ 9,945	\$ 702,567
Other receivable	986	8,753	-	-	9,739
Due from other governments	404,076	148,768	535,997	8,941	1,097,782
Due from other funds	114,133	-	-	-	114,133
Inventories	-	-	-	25,771	25,771
Total assets	<u>\$ 1,211,817</u>	<u>\$ 157,521</u>	<u>\$ 535,997</u>	<u>\$ 44,657</u>	<u>\$ 1,949,992</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 18,227	\$ -	\$ -	\$ 86	\$ 18,313
Accrued expenses	754,948	42,920	-	2,675	800,543
Due to other governments	33,278	-	-	-	33,278
Due to other funds	-	110,770	-	3,363	114,133
Deferred revenue	124	3,831	-	-	3,955
Total liabilities	<u>806,577</u>	<u>157,521</u>	<u>-</u>	<u>6,124</u>	<u>970,222</u>
Fund balances:					
Reserved for:					
Encumbrances	167,792	-	-	-	167,792
Inventories	-	-	-	25,771	25,771
Contingencies	183,000	-	-	-	183,000
Unreserved	54,448	-	535,997	-	590,445
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	12,762	12,762
Total fund balances	<u>405,240</u>	<u>-</u>	<u>535,997</u>	<u>38,533</u>	<u>979,770</u>
Total liabilities and fund balances	<u>\$ 1,211,817</u>	<u>\$ 157,521</u>	<u>\$ 535,997</u>	<u>\$ 44,657</u>	<u>\$ 1,949,992</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, 2007

**Total Fund Balances - Governmental Funds** \$ 979,770

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	\$ 15,488,827	
Less accumulated depreciation	<u>(4,840,875)</u>	10,647,952

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	(3,000,000)	
Compensated absences	(30,874)	
Special early termination benefits	<u>(879,309)</u>	(3,910,183)

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.

(52,705)

**Total Net Assets - Governmental Activities** \$ 7,664,834

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, 2007

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
School district assessment	\$ 8,673,298	\$ -	\$ -	\$ -	\$ 8,673,298
Local sources	51,664	-	24,486	364,700	440,850
State of New Hampshire sources	6,874,653	-	-	7,804	6,882,457
Federal sources	<u>69,854</u>	<u>757,634</u>	<u>-</u>	<u>146,373</u>	<u>973,861</u>
Total revenues	<u>15,669,469</u>	<u>757,634</u>	<u>24,486</u>	<u>518,877</u>	<u>16,970,466</u>
<b>Expenditures</b>					
Instruction	9,233,409	757,634	-	-	9,991,043
Support services	2,019,605	-	-	-	2,019,605
General administration	268,956	-	-	-	268,956
Executive administration	3,326,293	-	-	-	3,326,293
Capital outlay	216,451	-	-	-	216,451
Food service program	-	-	-	529,543	529,543
Debt service:					
Principal	500,000	-	-	-	500,000
Interest	<u>154,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,875</u>
Total expenditures	<u>15,719,589</u>	<u>757,634</u>	<u>-</u>	<u>529,543</u>	<u>17,006,766</u>
Excess (deficiency) of revenues over expenditures	(50,120)	-	24,486	(10,666)	(36,300)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	75,000	-	75,000
Transfers out	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Net change in fund balances	(125,120)	-	99,486	(10,666)	(36,300)
Fund balances - beginning of year	<u>530,360</u>	<u>-</u>	<u>436,511</u>	<u>49,199</u>	<u>1,016,070</u>
Fund balances - end of year	<u>\$ 405,240</u>	<u>\$ -</u>	<u>\$ 535,997</u>	<u>\$ 38,533</u>	<u>\$ 979,770</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, 2007

**Total Net Change in Fund Balances - Governmental Funds** \$ (36,300)

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	\$ 118,922	
Depreciation expense	(388,986)	
Loss on disposal of assets	<u>(652)</u>	(270,716)

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		8,785
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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	3,330	
Early retirement (increase) decrease	<u>19,752</u>	<u>23,082</u>

**Change in Net Assets of Governmental Activities** \$ 224,851

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, 2007

	Student Activities	Total Agency Funds	Total Fiduciary Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 182,431	\$ 182,431	\$ 182,431
Total assets	182,431	182,431	182,431
<b>Liabilities</b>			
Due to student groups	182,431	182,431	182,431
Total liabilities	182,431	182,431	182,431
<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**

## 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, 2007

## 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, 2007

## 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, 2007, 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, 2007

## 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, 2007, 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, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and equivalents	\$ 702,567
Investments	-
Fiduciary funds:	
Cash and investments	182,431
	<u>\$ 884,998</u>

Deposits and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	884,998
Investments	-
	<u>\$ 884,998</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

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Notes to Basic Financial Statements  
June 30, 2007

## **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.

The District did not have any investments as of June 30, 2007.

## **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.

## **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, 2007, \$366,060 of the District's bank balance was covered by deposit insurance and \$1,119,124 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was pledged by the depository's agent.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2007

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances at June 30, 2007 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 114,133	\$ -
Grants fund	-	110,770
Nonmajor Funds:		
Food service fund	-	3,363
	<u>\$ 114,133</u>	<u>\$ 114,133</u>

### Transfers

Individual interfund transfers for the year ended June 30, 2007 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 75,000
Capital reserve funds	75,000	-
Nonmajor Funds:		
Governmental funds	-	-
	<u>\$ 75,000</u>	<u>\$ 75,000</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, 2007

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables at June 30, 2007 consisted of the following:

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>
Local Governments				
Town of Belmont Trustees	\$ -	\$ 535,997	\$ -	\$ -
Town of Canterbury	355,514	-	-	-
Other	14,781	-	-	-
State Government				
New Hampshire	20,906	-	-	-
New Hampshire Retirement System	12,875	-	-	-
Federal / State Government				
Pass-through grants and other	-	-	148,768	8,941
	<u>\$ 404,076</u>	<u>\$ 535,997</u>	<u>\$ 148,768</u>	<u>\$ 8,941</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, 2007 consisted of the following:

	<u>General Fund</u>	<u>Capital Reserves</u>	<u>Nonmajor Governmental Funds</u>
Local Governments			
Laconia School District	\$ 21,366	\$ -	\$ -
Other	2,423	-	-
State Government			
New Hampshire	-	-	-
Other	9,489	-	-
Federal / State Government			
Pass-through grants and other	-	-	-
	<u>\$ 33,278</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, 2007

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<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	13,192,434	-	-	13,192,434
Furniture and equipment	1,873,576	118,922	67,262	1,925,236
	<u>15,083,910</u>	<u>118,922</u>	<u>67,262</u>	<u>15,135,570</u>
Less accumulated depreciation:				
Land improvements	820	895	-	1,715
Buildings	3,366,169	198,884	-	3,565,053
Furniture and equipment	1,151,510	189,207	66,610	1,274,107
Accumulated depreciation	<u>4,518,499</u>	<u>388,986</u>	<u>66,610</u>	<u>4,840,875</u>
Capital assets being depreciated, net	<u>10,565,411</u>	<u>(270,064)</u>	<u>652</u>	<u>10,294,695</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 10,918,668</u>	<u>\$ (270,064)</u>	<u>\$ 652</u>	<u>\$ 10,647,952</u>
Depreciation expense for the year ended June 30, 2007 (unallocated)				<u>\$ 388,986</u>

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2007

## 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, 2007 is as follows:

	General Obligation Bonds	Compensated Absences	Early Termination Benefits	Total
Beginning balance	\$ 3,500,000	\$ 34,204	\$ 899,061	\$ 4,433,265
Additions	-	-	-	-
Reductions	(500,000)	(3,330)	(19,752)	(523,082)
Ending balance	<u>3,000,000</u>	<u>30,874</u>	<u>879,309</u>	<u>3,910,183</u>
Current portion	500,000	-	33,637	533,637
Noncurrent portion	2,500,000	30,874	845,672	3,376,546
	<u>\$ 3,000,000</u>	<u>\$ 30,874</u>	<u>\$ 879,309</u>	<u>\$ 3,910,183</u>

Long-term liabilities outstanding at June 30, 2007 consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Original Amount of Issue	Amount Outstanding 6/30/07
<u>General Obligation Bonds</u>					
High School Construction	1997	4.75-4.8%	2012	\$ 7,500,000	<u>\$ 3,000,000</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					30,874
Early termination benefits					<u>879,309</u>
					<u>910,183</u>
					<u>\$ 3,910,183</u>

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

	Principal	Interest	Total
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
2012	500,000	36,000	536,000
After	<u>500,000</u>	<u>12,000</u>	<u>512,000</u>
	<u>\$ 3,000,000</u>	<u>\$ 430,000</u>	<u>\$ 3,430,000</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, 2007 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, 2007, 2006, and 2005 were \$357,067, \$337,875, and \$237,526, 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, 2007 on-behalf fringe benefit payments were made by the State of New Hampshire for District in the amount of \$145,769.

## 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, 2007

## 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. When the cost of fuel exceeds 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. For the fiscal year ended June 30, 2007 the amount of the fuel surcharge was \$36,913.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 349,252	\$ 605,360	\$ 530,360	\$ (75,000)
Resources (inflows):				
School district assessment				
Local school tax	8,673,298	8,673,298	8,673,298	-
Local sources				
Tuition	-	-	7,459	7,459
Earnings on investments	15,000	15,000	26,251	11,251
Other	-	-	17,954	17,954
State of New Hampshire sources				
School building aid	229,437	229,437	229,056	(381)
Vocational aid	6,800	6,800	5,267	(1,533)
Adequacy grant	4,310,700	4,310,700	4,310,700	-
State education tax	2,183,861	2,183,861	2,183,861	-
Federal sources				
Medicaid distribution	50,000	50,000	69,854	19,854
Amounts available for appropriation	<u>15,818,348</u>	<u>16,074,456</u>	<u>16,054,060</u>	<u>(20,396)</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	6,939,274	7,275,004	7,233,640	41,364
Special education instruction	1,540,009	1,645,758	1,478,356	167,402
Vocational instruction	90,847	92,157	76,292	15,865
Other instruction	314,147	318,575	289,667	28,908
Adult and community programs	11,702	11,702	9,685	2,017
Support services				
Student support services	1,233,509	1,322,607	1,291,060	31,547
Instructional staff services	690,121	744,835	728,545	16,290
General administration				
Other school board	290,692	310,177	268,956	41,221
Executive administration				
School administrative services	978,682	1,025,128	1,011,525	13,603
Business services	212,608	242,348	243,888	(1,540)
Operation and maintenance	1,341,150	1,367,119	1,357,681	9,438
Student transportation	740,706	740,706	713,199	27,507
Other support services				
Other support services	654,878	7,569	-	7,569
Capital outlay				
Various	50,148	165,896	216,451	(50,555)
Debt service				
Debt service principal	500,000	500,000	500,000	-
Debt service interest	154,875	154,875	154,875	-
Operating transfers out				
Special revenue funds	75,000	150,000	75,000	75,000
Total charges to appropriations	<u>15,818,348</u>	<u>16,074,456</u>	<u>15,648,820</u>	<u>425,636</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,240</u>	<u>\$ 405,240</u>

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2007

## 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 \$15,818,348 consists of the total appropriation voted of \$16,813,348 less amounts representing offsets for other funds; \$520,000 for the Food Service Fund, \$475,000 for the federal and state projects fund. The final budget is \$256,108 higher and is based on adding the prior year reserve for encumbrance carried forward.

### 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, 2007

## 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	\$ 16,054,060
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit - used to reduce taxes	(530,360)
Teacher retirement on-behalf payments by the State of New Hampshire	<u>145,769</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 15,669,469</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 15,648,820
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	145,769
Transfers to other funds	<u>(75,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 15,719,589</u>

## **OTHER SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

## Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2007

	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,945	\$ 9,945
Due from other governments	8,941	8,941
Inventories	<u>25,771</u>	<u>25,771</u>
Total assets	<u>\$ 44,657</u>	<u>\$ 44,657</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 86	\$ 86
Accrued expenses	2,675	2,675
Due to other funds	<u>3,363</u>	<u>3,363</u>
Total liabilities	<u>6,124</u>	<u>6,124</u>
Fund balances:		
Reserved for:		
Inventories	25,771	25,771
Unreserved	<u>12,762</u>	<u>12,762</u>
Total fund balances	<u>38,533</u>	<u>38,533</u>
Total liabilities and fund balances	<u>\$ 44,657</u>	<u>\$ 44,657</u>

# SHAKER REGIONAL SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
Local sources	\$ 364,700	\$ 364,700
State of New Hampshire sources	7,804	7,804
Federal sources	<u>146,373</u>	<u>146,373</u>
Total revenues and other financing sources	<u>518,877</u>	<u>518,877</u>
<b>Expenditures</b>		
Food service program	<u>529,543</u>	<u>529,543</u>
Total expenditures and other financing sources	<u>529,543</u>	<u>529,543</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	(10,666)	(10,666)
Fund balances - beginning of year	<u>49,199</u>	<u>49,199</u>
Fund balances - end of year	<u>\$ 38,533</u>	<u>\$ 38,533</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 Shaker Regional School District, as of and for the year ended June 30, 2007, which collectively comprise the Shaker Regional School District's basic financial statements and have issued our report thereon dated September 30, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shaker Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Shaker Regional School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Shaker Regional School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Shaker Regional School District's financial statements that is more than inconsequential will not be prevented or detected by the Shaker Regional School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Financial Statement Findings - 2007-1, 2007-2, 2007-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Shaker Regional School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 through 2007-3 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 or other matters that are required to be reported under Government Auditing Standards.

Shaker Regional School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Shaker Regional School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, School Board, others within the entity, 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  
September 30, 2008

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

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

Post Office Box 8  
Laconia, New Hampshire 03247  
Tel 524-6734 Fax 524-6071

### 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, 2007. 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, 2007.

#### Internal Control Over Compliance

The management of Shaker Regional School District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shaker Regional School District's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 through 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-1 through 2007-3 to be material weaknesses.

Shaker Regional School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Shaker Regional School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, School Board, others within the entity, 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  
September 30, 2008

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

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		\$ 39,613
Passed through the NH Department of Education			
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553		24,663
National School Lunch Program	10.555		121,710
			<u>146,373</u>
			<u>185,986</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	62516	4,204
Special Education - Grants to States (IDEA, PART B)	84.027	72533	330,326
Special Education - Preschool Grants (IDEA Preschool)	84.173	72730	6,384
			<u>340,914</u>
Title I, Grants to Local Educational Agencies (LEAs)	84.010	60120	29,791
Title I, Grants to Local Educational Agencies (LEAs)	84.010	70125	209,543
Title I, Grants to Local Educational Agencies (LEAs)	84.010	70197	10,268
Title I, Grants to Local Educational Agencies (LEAs)	84.010	70205	4,000
Safe and Drug-Free Schools and Communities State Grants	84.186	76518	10,238
Innovative Education Program Strategies	84.298	63873	255
Innovative Education Program Strategies	84.298	76134	2,647
Education Technology State Grants	84.318	64554	1,077
Education Technology State Grants	84.318	74554	9,698
Mathematics and Science Partnerships	84.366	65196	37,968
Title II-A Improving Teacher Quality State Grants	84.367	64920	2,804
Title II-A Improving Teacher Quality State Grants	84.367	74920	77,198
			<u>395,487</u>
			<u>736,401</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 922,387</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, 2007

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, 2007.

### 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, 2007 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>\$ 922,387</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Major Fund	
Grants Fund - Federal sources	\$ 736,401
Nonmajor Governmental Funds	
Food Service Fund - Commodities	39,613
Food Service Fund - Federal pass-through sources	<u>146,373</u>
	<u>\$ 922,387</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2007

- i. The type of auditor's report issued on the financial statements of Shaker Regional School District – Unqualified.
- ii. A statement (if applicable) that (if) significant deficiencies and significant deficiencies that are material weaknesses in the internal control over financial reporting were disclosed by the audit of the financial statements – Financial statement findings 2007-1 through 2007-3 were reported as significant deficiencies that were also considered material weaknesses.
- iii. A statement as to whether the audit disclosed any instances of noncompliance which is material to the financial statements of the auditee which would be required to be reported in accordance with Government Auditing Standards – No findings.
- iv. A statement (if applicable) that (if) significant deficiencies in internal control over major federal award programs were disclosed by the audit and whether any such conditions were material weaknesses – Financial statement findings 2007-1 through 2007-3 were considered material weaknesses.
- v. The type of auditor's report issued on compliance for major federal award 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 – Financial statement findings 2007-1 through 2007-3.
  - 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. The programs identified and tested as major programs included:
  - 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.

# SHAKER REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
2 - Financial Statement Findings  
June 30, 2007

## CONTROL DEFICIENCIES - MATERIAL WEAKNESSES

### 2007-1 Inadequate Documentation of the Components of Internal Control Including Risk Assessment, Anti-Fraud Programs and Monitoring

**CONDITIONS:** The District did not maintain adequate documentation of the components of internal control, including risk assessment, anti-fraud programs and monitoring.

**CRITERIA:** Internal control framework and its interpretive guidance (promulgated by SAS 112 - AICPA, 2006 and by the Government Accountability Office - GAO, 2007), emphasize that management is responsible for establishing and maintaining internal controls (including risk assessment) and for the fair presentation of financial statements in conformity with U.S. generally accepted accounting principles. The governing body (School Board) is ultimately responsible for internal control; it must ensure that management meets all of its responsibilities. The Committee of Sponsoring Organizations (COSO I, 1992 and COSO II Risk Assessment, 2004) "Internal Control - Integrated Framework" provides the criteria for evaluating internal control. COSO identified five essential components that needed to be in place to ensure that internal control is adequate or comprehensive:

1. There must be a sound Control Environment ("tone at the top," organizational "culture").
2. There must be a regular, ongoing Assessment of Risk (including fraud) and, as modified in 2004, consist of objective setting, event identification, risk assessment and risk response (avoid, reduce, share, accept).
3. Control-related Policies and Procedures must be designed, implemented, and maintained to address the risks thus identified and ensure that management directives are carried out (approvals, authorizations, verifications, reconciliations, reviews, asset security and segregation of duties).
4. There must be adequate Communication of pertinent and timely Information.
5. There must be a regular and ongoing Monitoring of control related policies and procedures to ensure that they continue to function as designed and that any problems disclosed are handled appropriately.

**EFFECT:** Because the District does not maintain adequate documentation of the components of internal control, there is the "potential" (both *individually* and in *aggregate*) for control deficiencies which, based upon their "*magnitude*" and "*likelihood*," could constitute "significant deficiencies" or "material weaknesses."

A ***control deficiency*** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A control deficiency can be in "design" or "operation."

A ***significant deficiency*** is a control deficiency, *or combination* of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is "more than a remote likelihood" that a misstatement of the entity's financial statements that is "more than inconsequential" will not be prevented or detected.

A ***material weakness*** is a significant deficiency, *or combination* of significant deficiencies, that results in "more than a remote likelihood" that a "material misstatement" of the financial statements will not be prevented or detected.

**RECOMMENDATION:** Management should develop the procedures necessary to resolve the control deficiencies noted. The School Board must perform adequate monitoring in order to determine if the District's control deficiencies have been resolved.



# SHAKER REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
2 - Financial Statement Findings  
June 30, 2007

## CONTROL DEFICIENCIES - MATERIAL WEAKNESSES

### 2007-2 Maintaining the General and Subsidiary Ledgers and Financial Reporting

**CONDITIONS:** Adequate control over the design of the general and subsidiary ledgers is not maintained in order to provide accurate, timely and reliable financial information for making management decisions or for financial reporting for the fiscal year ended June 30, 2007.

**CRITERIA:** Internal controls should be in place that provide reasonable assurance that the general ledger and subsidiary ledgers, including interim and year end budgetary and financial reports, accurately and timely reflect the balances and transactions of the funds of the District in order to allow the Superintendent of Schools, Finance and Audit Committee and School Board to make informed financial decisions in allocating District financial resources throughout the fiscal year.

**EFFECT:** Because of the control deficiencies noted there is the "potential" (both individually and in aggregate) for the following occurrences:

#### Receivables / Revenues

Billings for amounts due the District, for services provided by the District, are not recorded in the general or any subsidiary ledger and revenue transactions basically reflect the "cash basis." The extent of such transactions can be managed through the Districts general ledger accounts by establishing control accounts for accounts receivable that are reconciled to subsidiary ledgers on a periodic basis.

#### Inventories / Purchases / Expenditures

Amounts disbursed for consumables are recorded as expenditures without corresponding adjustment to actual physical amounts on hand (in subsidiary ledgers); i.e., the purchase method. For significant items (fuel oil and food) month end physical inventories should be recorded in order to determine the amount used under the consumption method for purposes of analysis, risk management and monitoring.

#### Capital Assets / Additions / Disposals

Amounts for capital asset items adequately maintained in the District capital asset control system are not routinely (at least periodic) compared to actual amounts by observation by designated employees under a written plan or procedure.

**RECOMMENDATION:** Management should develop the procedures necessary to resolve the control deficiencies noted. The School Board must perform adequate monitoring in order to determine if the District's control deficiencies have been resolved.

# SHAKER REGIONAL SCHOOL DISTRICT

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Schedule of Findings and Questioned Costs  
2 - Financial Statement Findings  
June 30, 2007

## CONTROL DEFICIENCIES - MATERIAL WEAKNESSES

### 2007-3 Inadequate Controls Over Nonroutine and Nonsystematic Transactions Including Journal Entries

**CONDITIONS:** The District does not maintain adequate control over nonroutine and nonsystematic transactions, including journal entries.

**CRITERIA:** An adequate internal control framework requires that controls be in place over procedures used to enter transactions into the general ledger; including initiating, authorizing, recording and processing "journal entries" and "recurring and nonrecurring adjustments" to the financial statements.

**EFFECT:** After the School Board has authorized payments based upon review of the manifest and related supporting documents, including those indicating the final expenditure account codes and amounts, such coding can be subsequently be changed (for correction of errors or otherwise) by financial personnel without oversight authorization by executive management or the School Board.

**RECOMMENDATION:** Management and the School Board should consider a control procedure that requires that all identified journal entries are summarized in a system generated report prepared by financial management and submitted to executive management or the School Board for "after the fact" authorization. This control procedure could be tiered based upon established monetary levels considered both individually and in the aggregate.

# SHAKER REGIONAL SCHOOL DISTRICT

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Schedule of Findings and Questioned Costs  
3 - Federal Awards  
June 30, 2007

## CONTROL DEFICIENCIES

**FEDERAL AWARDS:** The internal control deficiencies identified as 2007-1 through 2007-3 in the "financial statement findings" section of the Schedule of Findings and Questioned Costs apply to federal awards. Of these findings, control deficiencies 2007-1 through 2003 were identified as "material weaknesses."

## **MANAGEMENT VIEW AND CORRECTIVE ACTION PLAN**

**School Administrative Unit No. 80**  
*Serving the Communities of Belmont and Canterbury*

Shaker Regional School District  
58 School Street  
Belmont, NH 03220

CORRECTIVE ACTION PLAN

NH Department of Education:

The Shaker Regional School District submits the following correction action plan for the fiscal year ended June 30, 2007:

Auditor: Grzelak and Company, PC, CPA's  
PO Box 8  
Laconia, NH 03247-0008

The findings from the June 30, 2007 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned on the schedule.

***Management Views***

For each of the findings presented by the auditor in the auditor's report on internal control in accordance with Government Auditing Standards and on compliance with OMB Circular A-133, our response includes that "we concur".

***Findings – Financial Statement Audit  
Reportable Conditions***

***2007-1 Inadequate Documentation of the Components of Internal Control  
Including Risk Assessment, Anti-Fraud Programs and Monitoring***

Management currently has an "informal" internal control system, including risk assessments, in place. In order to increase the reliability and strength of the internal control system, management will develop procedures indentifying the five components of internal control as is necessary to resolve control deficiencies, including risk assessment, anti-fraud and monitoring.

As there is no guidance currently available through state regulators and educational organizations regarding the components of the internal control (per the COSO report), management is participation with a group of 40 school districts to cooperatively develop a school district internal control manual. The project will use the guidelines of the COSO Internal Control – Integrated Framework in developing and organizing the internal control manual utilizing the five components of internal control structure.


**2007-2      *Maintaining the General and Subsidiary Ledgers  
and Financial Reporting***

Management will develop procedures necessary to resolve control deficiencies noted to provide accurate, timely and reliable financial information to the School Board.

**2007-3      *Inadequate Controls Over Non-routine  
and Nonsystematic Transactions Including Journal Entries***

Management currently required journal entries to be documented, whether routine or otherwise. Management will develop written procedures to review and monitor the maintenance of general ledger accounts.

Sincerely,

A handwritten signature in blue ink that reads "W. Michael Cozort". The signature is written in a cursive style with a large, stylized "W" and "C".

W. Michael Cozort  
Superintendent of Schools