

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

FINANCIAL STATEMENTS

June 30, 2011

# SHAKER REGIONAL SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

# **GRZELAK AND COMPANY, P.C.**

## **Certified Public Accountants**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shaker Regional School District, as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012, 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 23 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. 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. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Grzelak and Co., P.C.*

**GRZELAK AND COMPANY, P.C., CPA's**  
Laconia, New Hampshire  
November 12, 2012

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2011

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, 2011. 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 \$182,770 or 2% between June 30, 2010 and 2011.
- The District's total combined net assets amounted to \$8,477,504 at June 30, 2011. Net assets consisted of \$8,851,114 invested in capital assets net of related debts; \$825,626 restricted for capital reserves; \$18,823 restricted for nonmajor funds; and an unrestricted negative net asset deficit of (\$1,218,059).
- The District has a \$1,292,510 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.
- The District's long-term liabilities, consisting of general obligation bonds, compensated absences and special termination benefits, decreased by \$514,556 during the year ended June 30, 2011.
- During the year, the District's expenses were \$182,770 less than the \$19,605,911 in revenues generated from 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 2003 voters authorized the establishment of the Special Education Expendable Trust Fund. In March of 2011 voters authorized the transfer of \$94,691 into that fund from the June 30, 2011 year-end unassigned fund balance, if available. The \$94,691 has been reserved from the June 30, 2011 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, 2011

- In March of 1997 voters authorized the establishment of the School Facilities and Grounds Maintenance Expendable Trust Fund. In March of 2011 voters authorized the transfer of up to \$75,000 into that fund from the June 30, 2011 year-end unassigned fund balance, if available. The \$75,000 has been reserved from the June 30, 2011 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, 2010 voters authorized the creation of the School Technology Expendable Trust Fund. In March of 2011 voters authorized the transfer of up to \$100,000 into that fund from the June 30, 2011 year-end unassigned fund balance, if available. The \$100,000 has been reserved from the June 30, 2011 year-end fund balance and will be disbursed to the School Technology Expendable Trust Fund which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont.
- In March, 2011 voters authorized the creation of the Land Purchase Capital Reserve Trust Fund. The voters authorized the transfer of \$25,000 into that fund from the June 30, 2011 year-end unassigned fund balance, if available. The \$25,000 has been reserved from the June 30, 2011 year-end fund balance and will be disbursed to the Land Purchase Capital Reserve 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, 2011

## 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 six 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) 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.

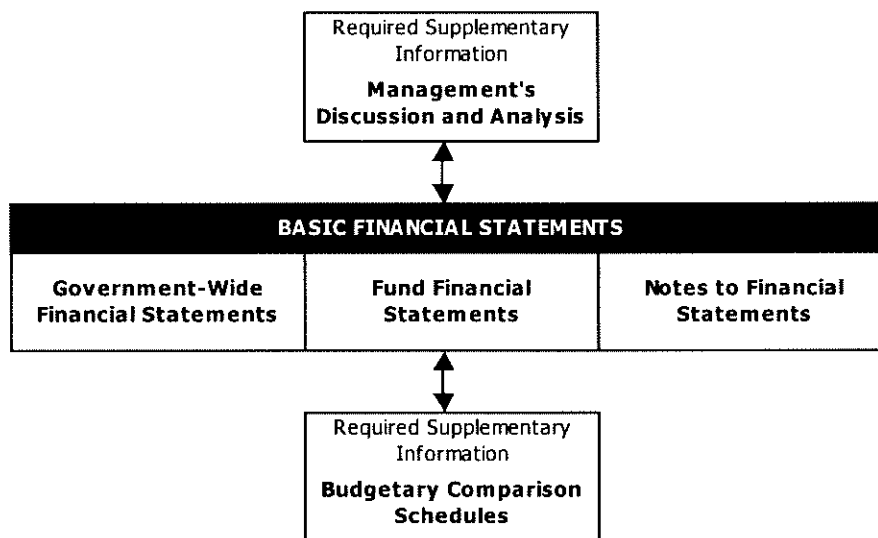
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations 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, 2011

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, 2011

Exhibit A-2 summarizes the major features of the District's financial statements, including the portion of the District 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 Balances	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 of the statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2011

## 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, 2011

## **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, 2011

## 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, 2010 and 2011 by \$182,770 or 2% to \$8,477,504.

#### Exhibit B-1 NET ASSETS

	Governmental Activities		
	2010	2011	\$ Change
<b>Assets</b>			
Current and other assets	\$ 1,207,240	\$ 1,370,838	\$ 163,598
Noncurrent assets	10,043,982	9,851,114	(192,868)
<b>Total assets</b>	<b>11,251,222</b>	<b>11,221,952</b>	<b>(29,270)</b>
<b>Liabilities</b>			
Current liabilities	619,802	922,318	302,516
Noncurrent liabilities	2,336,686	1,822,130	(514,556)
<b>Total liabilities</b>	<b>2,956,488</b>	<b>2,744,448</b>	<b>(212,040)</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	8,543,982	8,851,114	307,132
Restricted	579,096	844,449	265,353
Unrestricted	(828,344)	(1,218,059)	(389,715)
<b>Total net assets</b>	<b>\$ 8,294,734</b>	<b>\$ 8,477,504</b>	<b>\$ 182,770</b>

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

- The District's investment in capital assets (land and land improvements, 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 \$1,218,059; 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 \$1,292,510 long-term liability for special termination benefit obligations under the GASB 34 financial reporting model.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2011

## Change in Net Assets

The District's total revenues were \$19,605,911 while total expenses were \$19,423,141 and resulted in an increase in net assets of \$182,770.

Exhibit B-2 shows that a significant portion, 89.00% and 82.65%, for the fiscal years ended June 30, 2011 and 2010, 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, 52.83% and 50.38% for the fiscal years ended June 30, 2011 and 2010, respectively, an increase in the percentage of total revenue of 2.45% and an increase of \$1,037,492 over the prior year.
- State of New Hampshire sources intergovernmental revenues, 36.17% and 32.27% for the fiscal years ended June 30, 2011 and 2010, respectively, an increase in the percentage of total revenues of 3.90% and an increase of \$1,121,702 over the prior year.
- Operating grants and contributions, 8.76% and 14.80% for the fiscal years ended June 30, 2011 and 2010, respectively, a decrease in the percentage of total revenues of 6.04%, and a decrease of \$1,020,668 from the prior year.

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

	2010	% of Total	2011	% of Total	\$ Change
<b>Program Revenues</b>					
Charges for services	\$ 324,546	1.75%	\$ 305,387	1.56%	\$ (19,159)
Operating grants and contributions	2,737,487	14.80%	1,716,819	8.76%	(1,020,668)
<b>General Revenues</b>					
School district assessment	9,320,462	50.38%	10,357,954	52.83%	1,037,492
Local sources	43,652	0.24%	50,014	0.26%	6,362
State of New Hampshire sources	5,969,528	32.27%	7,091,230	36.17%	1,121,702
Federal sources	102,183	0.55%	82,443	0.42%	(19,740)
Miscellaneous	970	0.01%	2,064	0.01%	1,094
	<u>\$ 18,498,828</u>	<u>100.0%</u>	<u>\$ 19,605,911</u>	<u>100.00%</u>	<u>\$ 1,107,083</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Shaker Regional School District  
For the Year Ended June 30, 2011**

## Expenses

Exhibit B-3 shows that a significant portion, 93.26% and 94.19% for the fiscal years ended June 30, 2011 and 2010, 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, 60.23% and 60.94% for the fiscal years ended June 30, 2011 and 2010, respectively, a decrease in the percentage of total expenses of 0.71% and an increase of \$206,883 over the prior year.
- Support services, 33.03% and 33.25% for the fiscal years ended June 30, 2011 and 2010, respectively, a decrease in the percentage of total expenses of 0.22% and an increase of \$144,215 over the prior year.
- Unallocated interest expense, 0.26% and 0.40% for the fiscal years ended June 30, 2011 and 2010, respectively, a decrease in the percentage of total expenses of .14% and a decrease of \$23,750 from the prior year.

### Exhibit B-3 DISTRICT EXPENSES

#### Governmental Activities

	2010	%	2011	%	\$ Change
<b>Functions / Programs</b>					
Instruction	\$ 11,491,805	60.94%	\$ 11,698,688	60.23%	\$ 206,883
Support services	6,270,288	33.25%	6,414,503	33.03%	144,215
Food service program	641,371	3.40%	614,383	3.16%	(26,988)
Capital outlay	-	0.00%	289,491	1.49%	289,491
<b>Unallocated</b>					
Interest	74,841	0.40%	51,091	0.26%	(23,750)
Other uses	-	0.00%	224	0.00%	224
Depreciation	379,434	2.01%	354,761	1.83%	(24,673)
	<u>\$ 18,857,739</u>	<u>100.00%</u>	<u>\$ 19,423,141</u>	<u>100.00%</u>	<u>\$ 565,402</u>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2011

## 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	2010		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 11,491,805	\$ 8,985,815	\$ 11,698,688	\$ 10,279,969
Support services	6,270,288	6,270,288	6,414,503	6,414,503
Food service program	641,371	85,328	614,383	10,896
Capital outlay	-	-	289,491	289,491
<b>Unallocated</b>				
Interest	74,841	74,841	51,091	51,091
Other uses	-	-	224	224
Depreciation	379,434	379,434	354,761	354,761
	<u>\$ 18,857,739</u>	<u>\$ 15,795,706</u>	<u>\$ 19,423,141</u>	<u>\$ 17,400,935</u>

The total cost of all governmental activities this year was \$19,423,141; the total net cost was \$17,400,935. 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 \$12,648,257; which consisted of \$10,357,954 paid in the form of local property taxes and \$2,290,303 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.

#### State sources

- \$4,437,749 was received as an "adequacy grant".
- \$265,601 was received in building aid.
- \$88,762 was received in catastrophic aid.
- \$8,815 was received in vocational aid.

#### Local sources

- Earnings on investments in the amount of \$2,064.
- Other local sources in the amount of \$50,014

#### Federal sources

- Medicaid reimbursements in the amount of \$82,443.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2011

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

### General Fund

The total general fund balance decreased \$166,525 during the year from a fund balance of \$1,113,791 at June 30, 2010 to a \$947,266 fund balance at June 30, 2011. The June 30, 2011 fund balance consisted of \$4,806 of nonexpendable prepaid expenditures, \$294,691 restricted by District vote and \$530,935 restricted for capital expenditures, \$102,218 assigned by the school board for contract encumbrances and an unassigned fund balance in the amount of \$14,616. State law mandates that unassigned fund balance be used to reduce the school district assessment in the subsequent year.

### Major Special Revenue 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 Governmental 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 received an operating transfer of \$29,709 from the general fund during the year and had a fund balance of \$18,823 at June 30, 2011.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2011

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2011 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 \$37,023 were carried forward to supplement the original budget approved by voters.

### 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 more than the budgetary revenue estimates by a positive variance of \$768,404. \$579,096 of this variance was restricted for capital reserves and was unavailable to be used to reduce the school assessment.
- The original budget for the general fund in the amount of \$18,033,935 consists of the total appropriation voted of \$19,668,935 less amounts representing offsets for other funds; \$575,000 for the Food Service Fund and \$1,060,000 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 \$178,862.
- 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, 2011

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$9,851,114 (\$16,131,637 at cost or estimated cost less accumulated depreciation of \$6,280,523) 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 (\$192,868) or (1.92%) 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

	Governmental Activities		
Net Capital Assets	2010	2011	Change
Land and improvements	\$ 371,157	\$ 371,157	0.00%
Buildings	13,192,434	13,192,434	0.00%
Furniture and equipment	2,459,859	2,568,046	4.40%
<b>Capital assets, at cost</b>	16,023,450	16,131,637	0.68%
Accumulated depreciation	5,979,468	6,280,523	5.03%
<b>Capital assets, net</b>	\$ 10,043,982	\$ 9,851,114	-1.92%
<b>Increase (Decrease) in Capital Assets, Net</b>		\$ (192,868)	
<b>Major Changes</b>			
Furniture and equipment		\$ 162,117	
Gain (Loss) of disposals		(224)	
Depreciation expense		(354,761)	
		\$ (192,868)	

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, 2011

## Debt

At June 30, 2011, the District had \$1,822,130 of long-term obligations (\$2,322,130 in total obligations less the current portion of \$500,000) as summarized in Exhibit C-2.

This amount represents a net decrease of (\$514,556) or (22.02%) from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2010	2011	Change
General obligation bonds	\$ 1,500,000	\$ 1,000,000	-33.33%
Compensated absences	25,345	29,620	16.87%
Early retirement	1,311,341	1,292,510	-1.44%
	2,836,686	2,322,130	-18.14%
Less current portion	500,000	500,000	0.00%
	\$ 2,336,686	\$ 1,822,130	-22.02%
<b>Increase (Decrease), Net</b>		<b>\$ (514,556)</b>	
<b>Significant Changes</b>			
General obligation bonds principal payments during the year		\$ (500,000)	
Increase (Decrease) in early retirement obligations		(18,831)	
Change in compensated absences		4,275	
Change in current portion		-	
		<b>\$ (514,556)</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, 2011 the District was significantly below its legal debt limit of approximately \$92,844,135.

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, 2011

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

District management and the School Board considered many factors when submitting the fiscal year 2011-2012 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.

These economic factors that may continue, or begin, to impact the Shaker Regional School District include:

- The national, state and local economy
- Reduction in State Aid Programs including
  - Vocational Education Tuition & Transportation
  - Building Aid
  - Medicaid Reimbursement
  - Catastrophic Aid
- Reduction on the State Contribution toward the New Hampshire Retirement System for the teacher's retirement
- Changes in Block Grant formula funding

Exhibit D-1 compares the actual amounts for the year ended June 30, 2011 with the amounts budgeted for fiscal year 2011-2012.

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

	2011 Actual	2012 Budget	% Change
Town of Belmont	\$ 5,802,937	\$ 7,278,531	25.43%
Town of Canterbury	1,086,071	1,381,999	27.25%
	<u>\$ 6,889,008</u>	<u>\$ 8,660,530</u>	<u>25.72%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2011

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 2009-2010 and 2010-2011.

## Exhibit D-2 ASSESSED VALUES

	<u>2010 Actual</u>	<u>2011 Budget</u>	<u>% Change</u>
Town of Belmont	\$ 724,682,218	\$ 727,766,038	0.43%
Town of Canterbury	308,146,083	309,402,393	0.41%
	<u>\$ 1,032,828,301</u>	<u>\$ 1,037,168,431</u>	<u>0.42%</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 2009-2010 and 2010-2011.

## Exhibit D-3 AVERAGE DAILY MEMBERSHIP

	<u>2010 Actual</u>	<u>2011 Budget</u>	<u>% Change</u>
Town of Belmont	1,170	1,121	-4.19%
Town of Canterbury	285	275	-3.51%
	<u>1,455</u>	<u>1,396</u>	<u>-4.05%</u>

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

## **BASIC FINANCIAL STATEMENTS**



# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Net Assets June 30, 2011

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ -
Investments	155,494
Receivables, net	590,918
Due from other governments	600,797
Inventories, at cost	18,823
Prepaid	4,806
Current assets	<u>1,370,838</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Land, improvements, and construction in progress	371,157
Other capital assets, net of accumulated depreciation	<u>9,479,957</u>
Noncurrent assets	<u>9,851,114</u>
Total assets	<u>11,221,952</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	21,266
Cash overdraft	282,047
Accrued expenses	19,453
Due to other governments	68,494
Deferred revenue	31,058
Current portion of long-term liabilities	<u>500,000</u>
Current liabilities	<u>922,318</u>
<b>Noncurrent Liabilities</b>	
Bonds payable	500,000
Compensated absences	29,620
Early retirement obligations	<u>1,292,510</u>
Noncurrent liabilities	<u>1,822,130</u>
Total liabilities	<u>2,744,448</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	8,851,114
Restricted for:	
Capital reserves	825,626
Other nonmajor purposes	18,823
Unrestricted	<u>(1,218,059)</u>
Total net assets	<u>\$ 8,477,504</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, 2011

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 8,005,977	\$ 1,605	\$ 376,794	\$ (7,627,578)
Special education instruction	1,948,160	13,123	1,027,197	(907,840)
Vocational instruction	146,725	-	-	(146,725)
Other instruction	1,597,826	-	-	(1,597,826)
Support services				
Student support services	1,473,538	-	-	(1,473,538)
Instructional staff services	806,396	-	-	(806,396)
General administration	129,035	-	-	(129,035)
Executive administration	217,102	-	-	(217,102)
School administrative services	1,115,923	-	-	(1,115,923)
Business services	280,768	-	-	(280,768)
Operation and maintenance	1,437,787	-	-	(1,437,787)
Student transportation	953,954	-	-	(953,954)
Food service program	614,383	290,659	312,828	(10,896)
Interest expense	51,091	-	-	(51,091)
Capital outlay	289,491	-	-	(289,491)
Other uses / expenses	224	-	-	(224)
Depreciation (unallocated)	354,761	-	-	(354,761)
Total governmental activities	<u>19,423,141</u>	<u>305,387</u>	<u>1,716,819</u>	<u>(17,400,935)</u>

### General revenues:

School district assessment	\$ 10,357,954
Grants and contributions not restricted to specific purposes:	
Local sources	50,014
State of New Hampshire sources	7,091,230
Federal sources	82,443
Investment Income	2,064
Total general revenues	<u>17,583,705</u>
Change in net assets	182,770
Net assets - beginning	<u>8,294,734</u>
Net assets - ending	<u>\$ 8,477,504</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, 2011**

	<b>General Fund</b>	<b>Grants Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 2,696	\$ 2,696
Investments	155,494	-	-	155,494
Held by Trustees	530,935	-	-	530,935
Other receivable	12,303	-	-	12,303
Receivables, net	32,590	13,555	1,535	47,680
Due from other governments	32,439	544,895	23,463	600,797
Due from other funds	548,377	-	-	548,377
Inventories, at cost	-	-	18,823	18,823
Prepays	4,806	-	-	4,806
Total assets	<u>\$ 1,316,944</u>	<u>\$ 558,450</u>	<u>\$ 46,517</u>	<u>\$ 1,921,911</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 14,557	\$ 6,692	\$ 17	\$ 21,266
Cash overdraft	284,743	-	-	284,743
Accrued expenses	1,884	-	-	1,884
Due to other governments	68,494	-	-	68,494
Due to other funds	-	526,174	22,203	548,377
Deferred revenue	-	25,584	5,474	31,058
Total liabilities	<u>369,678</u>	<u>558,450</u>	<u>27,694</u>	<u>955,822</u>
Fund balances:				
Nonspendable	4,806	-	18,823	23,629
Restricted	825,626	-	-	825,626
Committed	-	-	-	-
Assigned	102,218	-	-	102,218
Unassigned	14,616	-	-	14,616
Total fund balance	<u>947,266</u>	<u>-</u>	<u>18,823</u>	<u>966,089</u>
Total liabilities and fund balances	<u>\$ 1,316,944</u>	<u>\$ 558,450</u>	<u>\$ 46,517</u>	<u>\$ 1,921,911</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, 2011

**Total Fund Balances - Governmental Funds** \$ 966,089

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	\$ 16,131,637	
Less accumulated depreciation	<u>(6,280,523)</u>	9,851,114

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	(1,000,000)	
Compensated absences	(29,620)	
Special early termination benefits	<u>(1,292,510)</u>	(2,322,130)

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.

(17,569)

**Total Net Assets - Governmental Activities** \$ 8,477,504

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, 2011

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
School district assessment	\$ 10,357,954	\$ -	\$ -	\$ 10,357,954
Local sources	30,934	33,808	290,669	355,411
State of New Hampshire sources	7,307,068	-	7,644	7,314,712
Federal sources	243,399	1,027,197	305,184	1,575,780
Investment income	2,054	-	-	2,054
Total revenues	<u>17,941,409</u>	<u>1,061,005</u>	<u>603,497</u>	<u>19,605,911</u>
<b>Expenditures</b>				
Current:				
Instruction	10,785,979	1,061,005	-	11,846,984
Support services	2,300,865	-	-	2,300,865
General administration	129,035	-	-	129,035
Executive administration	4,012,980	-	-	4,012,980
Capital outlay	130,383	159,108	-	289,491
Food service program	-	-	614,383	614,383
Debt service:				
Principal	500,000	-	-	500,000
Interest	59,875	-	-	59,875
Total expenditures	<u>17,919,117</u>	<u>1,220,113</u>	<u>614,383</u>	<u>19,753,613</u>
Excess (deficiency) of revenues over expenditures	22,292	(159,108)	(10,886)	(147,702)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	159,108	29,709	188,817
Transfers out	<u>(188,817)</u>	<u>-</u>	<u>-</u>	<u>(188,817)</u>
Net change in fund balances	(166,525)	-	18,823	(147,702)
Fund balances - beginning of year (as restated)	<u>1,113,791</u>	<u>-</u>	<u>-</u>	<u>1,113,791</u>
Fund balances - end of year	<u>\$ 947,266</u>	<u>\$ -</u>	<u>\$ 18,823</u>	<u>\$ 966,089</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

**Total Net Change in Fund Balances - Governmental Funds** \$ (147,702)

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	\$ 162,117	
Depreciation expense	(354,761)	
Loss on disposal of assets	(224)	(192,868)
	<u>          </u>	

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	
Principal on capital leases	-	500,000
	<u>          </u>	

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

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

Compensated absences (increase) decrease	(4,275)	
Early retirement (increase) decrease	18,831	14,556
	<u>          </u>	

**Change in Net Assets of Governmental Activities** \$ 182,770

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, 2011**

	<u>Student Activities</u>	<u>Total Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 146,806	\$ 146,806	\$ 146,806
Total assets	<u>146,806</u>	<u>146,806</u>	<u>146,806</u>
<b>Liabilities</b>			
Due to student groups	<u>146,806</u>	<u>146,806</u>	<u>146,806</u>
Total liabilities	<u>146,806</u>	<u>146,806</u>	<u>146,806</u>
<b>Net Assets</b>			
Held in trust for private purposes	<u>-</u>		<u>-</u>
Total net assets	<u>\$ -</u>		<u>\$ -</u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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, 2011

## 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.

# SHAKER REGIONAL SCHOOL DISTRICT

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Notes to Basic Financial Statements  
June 30, 2011

## Governmental Fund Equity and Fund Balance Policy

During the year ended June 30, 2011 the district implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

**Nonspendable** – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

**Committed** – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority. This would include contractual obligations if existing resources have been committed. Formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

**Assigned** – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, or by and official whom authority has been given. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative "unassigned" general fund balance.

**Unassigned** – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result to overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by committed, assigned and unassigned fund balances.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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, 2011, 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 and Property/Liability* programs of the *New Hampshire Public Risk Management Exchange (Primex<sup>2</sup>)*. *Primex<sup>2</sup>* is a public entity pooled risk management program under RSA 5-B and RSA 281-A. The *Primex<sup>2</sup>* board retains the statutory coverage for workers' compensation and property/liability. 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>2</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>2</sup>* foresees no likelihood of an assessment for any prior year in which the District was a member.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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, 2011, 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, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ (126,553)
Fiduciary funds:	
Cash and investments	146,806
	<u>\$ 20,253</u>

Deposits and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	(135,241)
Investments	155,494
	<u>\$ 20,253</u>

### Credit Risk - Deposits

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

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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.

## 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. Investments of 5% or more of the District's investments are as follows:

100.00%      Repurchase Agreement

## Interest Rate Risk

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

Investment Type		12 Months Or Less	Remaining Maturity (Months)			
			13 to 24 Months	25 to 60 Months	More Than 60 Months	
Repurchase Agreement	\$	155,494	\$ -	\$ -	\$ -	\$ 155,494

## 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, 2011, \$270,563 of the District's bank balance was covered by deposit insurance and \$0 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was under an agreement to repurchase which was not insured or guaranteed by the bank.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$155,494 in various investments, \$0 is held by the investment's counterparty, not in the name of the District.



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances at June 30, 2011 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 548,377	\$ -
Grants fund	-	526,174
Nonmajor Funds:		
Food service fund	-	22,203
	<u>\$ 548,377</u>	<u>\$ 548,377</u>

### Transfers

Individual interfund transfers for the year ended June 30, 2011 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 188,817
Grants fund	159,108	-
Nonmajor Funds:		
Food service fund	29,709	-
	<u>\$ 188,817</u>	<u>\$ 188,817</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, 2011

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables at June 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>
Local Governments			
Town of Belmont	\$ -	\$ -	\$ -
Other	4,003	-	162
State Government			
New Hampshire Retirement System	19,532	-	-
Federal / State Government			
Pass-through grants and other	8,904	544,895	23,301
	<u>\$ 32,439</u>	<u>\$ 544,895</u>	<u>\$ 23,463</u>

Intergovernmental receivables result primarily from federal grant and food service reimbursements (passed-through the State of New Hampshire).

### Intergovernmental Payables

Intergovernmental payables at June 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Local Governments		
SAU 30	\$ 68,494	\$ -
Other	-	-
State Government		
New Hampshire	-	-
Federal / State Government		
Pass-through grants and other	-	-
	<u>\$ 68,494</u>	<u>\$ -</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 353,257	\$ -	\$ -	\$ 353,257
Construction in progress	-	-	-	-
	<u>353,257</u>	<u>-</u>	<u>-</u>	<u>353,257</u>
<b>Capital assets being depreciated:</b>				
Land improvements	17,900	-	-	17,900
Buildings	13,192,434	-	-	13,192,434
Furniture and equipment	2,459,859	162,117	53,930	2,568,046
	<u>15,670,193</u>	<u>162,117</u>	<u>53,930</u>	<u>15,778,380</u>
Less accumulated depreciation:				
Land improvements	3,505	-	-	3,505
Buildings	3,963,699	192,501	-	4,156,200
Furniture and equipment	2,012,264	162,260	53,706	2,120,818
Accumulated depreciation	<u>5,979,468</u>	<u>354,761</u>	<u>53,706</u>	<u>6,280,523</u>
Capital assets being depreciated, net	<u>9,690,725</u>	<u>(192,644)</u>	<u>224</u>	<u>9,497,857</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 10,043,982</u>	<u>\$ (192,644)</u>	<u>\$ 224</u>	<u>\$ 9,851,114</u>

Depreciation expense for the year ended June 30, 2011 (unallocated) \$ 354,761

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## 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, 2011 is as follows:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Early Termination Benefits</u>	<u>Total</u>
Beginning balance	\$ 1,500,000	\$ 25,345	\$ 1,311,341	\$ 2,836,686
Additions	-	4,275	-	4,275
Reductions	(500,000)	-	(18,831)	(518,831)
Ending balance	<u>1,000,000</u>	<u>29,620</u>	<u>1,292,510</u>	<u>2,322,130</u>
Current portion	500,000	-	-	500,000
Noncurrent portion	500,000	29,620	1,292,510	1,822,130
	<u>\$ 1,000,000</u>	<u>\$ 29,620</u>	<u>\$ 1,292,510</u>	<u>\$ 2,322,130</u>

Long-term liabilities outstanding at June 30, 2011 consisted of the following:

	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 6/30/11</u>
<u>General Obligation Bonds</u>					
High School Construction	1997	4.75-4.8%	2012	\$ 7,500,000	<u>\$ 1,000,000</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					29,620
Early termination benefits					<u>1,292,510</u>
					<u>1,322,130</u>
					<u>\$ 2,322,130</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 500,000	\$ 36,000	\$ 536,000
2013	500,000	12,000	512,000
2014	-	-	-
2015	-	-	-
2016	-	-	-
After	-	-	-
	<u>\$ 1,000,000</u>	<u>\$ 48,000</u>	<u>\$ 1,048,000</u>

# SHAKER REGIONAL SCHOOL DISTRICT

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Notes to Basic Financial Statements  
June 30, 2011

## 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, 2011 were 8.02% and 9.16% of covered payroll for teachers and other employees, respectively (representing 75% 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, 2011, 2010, and 2009 were \$771,476, \$590,150, and \$571,105, respectively, equal to the required contributions for each year.

The State of New Hampshire provides, directly to the System, 25% 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, 2011 on-behalf fringe benefit payments were made by the State of New Hampshire for District in the amount of \$215,838.

## 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.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## NOTE 10 - POST-RETIREMENT HEALTH CARE

### POST EMPLOYMENT BENEFITS

#### Plan description and annual OPEB cost

Benefits provided to retirees follow New Hampshire Statute 100-A:50 (Medical Insurance Coverage). This statute states that the district "shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees..." In addition, the statute states "Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree's participation."

The school district provides medical benefits to its eligible retirees. The school district acquires health insurance through the School Care Health Benefit Plans of the New Hampshire Health Care Coalition (the "Coalition"). Benefits provided by Coalition are administered by CIGNA. Employees are eligible to retire after reaching age 55. Retirees contribute 100% for coverage.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The school district used the alternative measurement method to prepare this valuation permitted by Statement 45. The net other post-employment benefit obligation is basically the cumulative difference between the required contribution and the actual contributions made.

As of the most recent valuation date, 13 retired employees receive health benefits from the school district. The school district recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended June 30, 2011, the school district recognized \$173,546 for its share of the implicit rate subsidy for currently enrolled retirees.

The school district has obtained a valuation report which indicates that the total liability for other post-employment benefits is \$1,582,669 (\$300,011 related to retirees and \$1,282,658 related to employees).

The school district's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2011

The following table shows the components of the school district annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation:

	<b>For the Year Ended June 30, 2011</b>
Annual Required Contribution (ARC)	\$ 173,546
Interest on Net OPEB Obligation	\$ -
Adjustment to ARC (if Applicable)	<u>\$ -</u>
Annual OPEB Cost (Expense)	\$ 173,546
Contributions Made - Active Employees Premium Subsidy Paid	<u>\$ 173,546</u>
Increase (Decrease) in Net OPEB Obligation	\$ -
Net OPEB Obligation - Beginning of Year	<u>\$ -</u>
Net OPEB Obligation - End of Year	<u>\$ -</u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 173,546	100%	\$0

As of the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$1,582,669 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$1,582,669. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## Cost methods and assumptions

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

In the most recent valuation, the Projected Unit Credit cost method was used, the assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

The annual healthcare cost trend rates below were applied:

Year	Medical
6/30/2011	7.00%
6/30/2012	7.00%
6/30/2013	7.00%
6/30/2014	9.00%
6/30/2015	9.00%
6/30/2016	5.00%

The remaining amortization period at June 30, 2011 was 28 years.

## 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 as follows:

Fiscal Year	Specialized Transportation - As Requested				
	Regular Routes	Late Bus	Laconia Voc. Ed	Winnisquam Voc. Ed	Mid-Day K
2008-2009	\$ 549,144	\$ 9,070	\$ 45,314	\$ 12,604	\$ 38,326
2009-2010	569,250	9,402	46,973	13,065	39,729
2010-2011	590,161	9,747	48,698	13,545	41,188
2011-2012	611,907	10,106	50,492	14,044	42,706
2012-2013	634,523	10,480	52,358	14,563	44,284
	<u>\$ 2,954,985</u>	<u>\$ 48,805</u>	<u>\$ 243,835</u>	<u>\$ 67,821</u>	<u>\$ 206,233</u>

The contract contains a cost of fuel "cap" component stated at \$2.85 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.



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2011

## NOTE 12 - FUND BALANCE COMPONENTS

The District's governmental fund balance components under GASB 54 are comprised of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ -	\$ 18,823	\$ 18,823
Prepaid expenditures	4,806	-	4,806
Restricted:			
Capital reserves	530,935	-	530,935
District vote	294,691	-	294,691
Committed:			
Assigned:			
Encumbrances	102,218	-	102,218
Unassigned:	14,616	-	14,616
	<u>\$ 947,266</u>	<u>\$ 18,823</u>	<u>\$ 966,089</u>

## NOTE 13 - RESTATEMENT OF FUND BALANCE

The District implemented GASB Statement No. 54 during the year ended June 30, 2011. The standard changed how fund balances were classified and redefined how some funds are reported in the governmental financial statements. As a result, the District's capital reserve funds, previously reported as a special revenue fund were combined with the general fund for reporting purposes. The governmental fund balances were restated as follows:

	<u>General Fund</u>	<u>Capital Reserves Fund</u>	<u>Total Governmental Funds</u>
Fund Balance as of July 1, 2010	\$ 534,695	\$ 579,096	\$ 1,113,791
Reclassification of Capital Reserves to the general fund	<u>579,096</u>	<u>(579,096)</u>	<u>-</u>
Fund Balance as of July 1, 2010 - Restated	<u>\$ 1,113,791</u>	<u>\$ -</u>	<u>\$ 1,113,791</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 397,673	\$ 434,696	\$ 1,113,791	\$ 679,095
Resources (inflows):				
School district assessment				
Local school tax	10,357,954	10,357,954	10,357,954	-
Local sources				
Tuition	-	-	14,728	14,728
Earnings on investments	3,000	3,000	2,054	(946)
Other	-	-	16,206	16,206
State of New Hampshire sources				
School building aid	265,601	265,601	265,601	-
Catastrophic aid	31,699	31,699	88,762	57,063
Vocational aid	9,000	9,000	8,815	(185)
Adequacy grant	4,598,705	4,598,705	4,437,749	(160,956)
State education tax	2,290,303	2,290,303	2,290,303	-
Federal sources				
Medicaid distribution	80,000	80,000	82,443	2,443
State fiscal stabilization funds	-	-	160,956	160,956
Amounts available for appropriation	<u>18,033,935</u>	<u>18,070,958</u>	<u>18,839,362</u>	<u>768,404</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	8,176,970	8,179,652	8,132,724	46,928
Special education instruction	1,930,099	1,930,099	1,952,471	(22,372)
Vocational instruction	103,749	103,749	159,890	(56,141)
Other instruction	352,341	352,341	315,908	36,433
Adult and community programs	14,608	14,608	-	14,608
Community / After school program	-	-	9,148	(9,148)
Support services				
Student support services	1,556,475	1,556,475	1,475,282	81,193
Instructional staff services	859,697	859,697	825,583	34,114
General administration				
Other school board	124,624	124,624	129,035	(4,411)
Executive administration				
SAU management services	216,843	216,843	217,102	(259)
School administrative services	1,144,252	1,144,252	1,111,648	32,604
Business services	267,881	280,831	283,962	(3,131)
Operation and maintenance	1,435,764	1,457,155	1,446,314	10,841
Student transportation	949,763	949,763	953,954	(4,191)
Support services	22,630	22,630	-	22,630
Capital outlay				
Various	118,364	118,364	130,383	(12,019)
Debt service				
Debt service principal	500,000	500,000	500,000	-
Debt service interest	59,875	59,875	59,875	-
Operating transfers out				
Special revenue funds	<u>200,000</u>	<u>200,000</u>	<u>188,817</u>	<u>11,183</u>
Total charges to appropriations	<u>18,033,935</u>	<u>18,070,958</u>	<u>17,892,096</u>	<u>178,862</u>
<b>Budgetary Fund Balance - Ending</b>	\$ -	\$ -	\$ 947,266	\$ 947,266

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2011

## 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 unassigned 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 \$18,033,935 consists of the total appropriation voted of \$19,668,935 less amounts representing offsets for other funds; \$575,000 for the Food Service Fund, \$1,060,000 for the federal and state projects fund. The final budget is \$37,023 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, 2011

## 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	\$ 18,839,362
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit - used to reduce taxes	(1,113,791)
Teacher retirement on-behalf payments by the State of New Hampshire	<u>215,838</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 17,941,409</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 17,892,096
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	215,838
Transfers to other funds	<u>(188,817)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 17,919,117</u>

## **OTHER SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

## Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2011

	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,696	\$ 2,696
Receivables, net	1,535	1,535
Due from other governments	23,463	23,463
Inventories, at cost	18,823	18,823
Total assets	<u>\$ 46,517</u>	<u>\$ 46,517</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 17	\$ 17
Due to other funds	22,203	22,203
Deferred revenue	5,474	5,474
Total liabilities	<u>27,694</u>	<u>27,694</u>
Fund balances:		
Nonspendable	18,823	18,823
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balances	<u>18,823</u>	<u>18,823</u>
Total liabilities and fund balances	<u>\$ 46,517</u>	<u>\$ 46,517</u>



# SHAKER REGIONAL SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
Local sources	\$ 290,669	\$ 290,669
State of New Hampshire sources	7,644	7,644
Federal sources	305,184	305,184
Operating transfers in	<u>29,709</u>	<u>29,709</u>
Total revenues and other financing sources	<u>633,206</u>	<u>633,206</u>
<b>Expenditures</b>		
Food service program	<u>614,383</u>	<u>614,383</u>
Total expenditures and other financing uses	<u>614,383</u>	<u>614,383</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	18,823	18,823
Fund balances - beginning of year	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 18,823</u>	<u>\$ 18,823</u>

**FEDERAL AWARDS SUPPLEMENTARY INFORMATION**

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

Members – American Institute of CPA's  
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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Regional School District, as of and for the year ended June 30, 2011, which collectively comprise the Shaker Regional School District's basic financial statements, and have issued our report thereon dated November 12, 2012. 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 Shaker Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shaker Regional School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **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*.

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

November 12, 2012

# GRZELAK AND COMPANY, P.C.

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### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Shaker Regional School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shaker Regional School District's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### **Internal Control Over Compliance**

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

*Grzelak and Co., P.C.*

**GRZELAK AND COMPANY, P.C., CPA's**

Laconia, New Hampshire

November 12, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SHAKER REGIONAL SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

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 Fresh Fruit and Vegetable Program	10.582		\$ 18,808
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553		45,133
National School Lunch Program	10.555		208,108
National School Lunch Program - Commodities	10.555		33,135
			<u>286,376</u>
			<u>305,184</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the NH Department of Education			
<b>TITLE I CLUSTER</b>			
Title I, Grants to Local Educational Agencies	84.010	00128	10,058
Title I, Grants to Local Educational Agencies	84.010	00240	10,254
Title I, Grants to Local Educational Agencies	84.010	10648	2,406
Title I, Grants to Local Educational Agencies	84.010	11 TITLE I	267,653
Title I, Grants to Local Educational Agencies	84.010	11 SINI	2,961
ARRA - Title I, Grants to Local Educational Agencies	84.389	ARRA 10	16,369
ARRA - Title I, Grants to Local Educational Agencies	84.389	ARRA 11	76,074
			<u>385,775</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
Special Education - Grants to States (IDEA, Part B)	84.027	IDEA 11	312,080
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391	ARRA 10	172,220
Special Education - Preschool Grants	84.173	PRE-11	3,088
ARRA - Special Education - Preschool Grants	84.392	PRE-10	6,926
			<u>494,314</u>
Statewide Longitudinal Data Systems Grant Program	84.358	06263	33,281
Improving Teacher Quality State Grants	84.367	04906	21,619
Improving Teacher Quality State Grants	84.367	14930	92,209
Education Jobs Fund	84.410	Ed Jobs	160,956
			<u>308,065</u>
			<u>1,188,154</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,493,338</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, 2011

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, 2011.

### 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, 2011 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>	\$ 1,493,338
State/Nonfederal grant programs	<u>33,807</u>
	<u>\$ 1,527,145</u>
 <b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Major Funds	
General Fund Education Jobs Funds	\$ 160,956
Grants Fund	1,061,005
Nonmajor Funds	
Food Service - Federal Reimbursements	<u>305,184</u>
	<u>\$ 1,527,145</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, 2011

### *Financial Statements*

The type of auditor's report issued – Unqualified.

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – No.
- Noncompliance material to financial statements noted? – No.

### *Federal Awards*

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – No.

Type of auditor's report issued on compliance for major programs - Unqualified.

Are there any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 – No.

Identification of major programs:

- TITLE I CLUSTER
  - CFDA # 84.010 – Title I Grants to Local Educational Agencies
  - CFDA # 84.389 – Title I Grants to Local Educational Agencies - ARRA
- SPECIAL EDUCATION CLUSTER
  - CFDA # 84.027 – Special Education – Grants to States (IDEA, Part B)
  - CFDA # 84.173 – Special Education – Preschool Grants (IDEA Preschool)
  - CFDA # 84.391 – Special Education – Grants to States (IDEA, Part B) – ARRA
  - CFDA # 84.392 – Special Education – Preschool Grants – ARRA

Dollar Threshold used to distinguish between type A and type B Programs - \$300,000.

Auditee qualified as a low-risk auditee – No.