

KEARSARGE REGIONAL SCHOOL DISTRICT

New London, New Hampshire

FINANCIAL STATEMENTS

June 30, 2010

KEARSARGE REGIONAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Kearsarge Regional School District
New London, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsarge Regional School District, as of and for the year ended June 30, 2010, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kearsarge 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 Kearsarge Regional School District, as of June 30, 2010, 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 February 28, 2011, on our consideration of the Kearsarge 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.

The management's discussion and analysis and budgetary comparison information on pages 7 through 23 and 51 through 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearsarge Regional School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grzelak and Co., P.C.

GRZELAK AND COMPANY, P.C., CPA's
Laconia, New Hampshire
February 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Superintendent of Schools and the Business Manager, as "management" of the Kearsarge Regional School District (the "District"), a K-12 local education authority located in the County of 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, 2010.

Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) for the year ended June 30, 2010. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's total combined net assets, which increased between June 30, 2009 and 2010 by \$1,375,889 or 11% to \$14,202,995.

Net assets consisted of: \$18,185,580 invested in capital assets net of related debt; \$1,545,461 restricted amounts, net, for capital projects, food service, capital reserves, and other non-major funds for purposes of each established fund; and, an unrestricted negative net asset balance of (\$5,528,046). This is the result of having long-term commitments that are more than currently available resources; primarily due to the recording of the District's \$2,905,214 long-term liability for early retiree's payments (\$1,347,900) and related healthcare (\$1,557,314) under the newly adopted provisions of Governmental Accounting Standards Board (GASB) Statement 47.

The District's total revenues were \$36,242,913. The amount that was paid by taxpayers through property taxes was \$28,133,992; which consisted of \$21,196,396 paid in the form of local property taxes and \$6,937,596 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment. An additional amount of \$2,072,875 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes state-wide property taxes collected from other local governments.

The District's total expenses were \$34,867,024. Instruction and support services account for 91% of total expenses.

The General Fund balance increased \$839,069 during the year from a balance of \$1,112,580 at June 30, 2009 to a \$1,951,649 fund balance at June 30, 2010. The budgetary basis revenues actual was less than estimated in the amount of \$150,959 which was due to the anticipated sale of the SAU building not taking place. Total actual expenditures were less than authorized appropriations by \$2,102,608.

The June 30, 2010 ending fund balance consisted of General Fund reserves for encumbrances in the amount of \$229,698 and unreserved, undesignated fund balance, in the amount of \$1,645,195 and \$76,756 in inventories. State law mandates that unreserved, undesignated fund balance be used to reduce the school district assessment in the subsequent year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Food Service Fund balance increased \$126 during the year from a fund balance of \$7,524 at June 30, 2009 to a fund balance of \$7,650 (representing the amount of reserved fund balance for inventory) at June 30, 2010. The increase was primarily the result of a General Fund transfer in the amount of \$82,288 that was made as an operating subsidy.

The Capital Reserve Fund balances increased \$142,578 (\$125,000 in new amounts approved by voters and \$17,578 in investment earnings) during the year from \$1,290,841 at June 30, 2009 to \$1,433,419 at June 30, 2010. In accordance with statutory requirements they are held in custody by the Trustees of Trust Funds of the required local municipal government and are only released for the restricted specific purposes of the individual funds.

At June 30, 2010, the District had invested \$39,800,438 (\$52,521,644 at cost or estimated cost less accumulated depreciation of \$12,721,206) in a broad range of capital assets, including land and land improvements, buildings, furniture and general equipment, vehicles and technology assets. This amount represents a net decrease of \$485,957 or 1% from the prior year.

At June 30, 2010, the District had \$21,625,692 of long-term obligations (\$24,841,685 in total obligations less the current portion of \$3,215,993). This amount represents a net decrease of \$2,201,672 from the prior year based upon reductions primarily attributable to bond payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

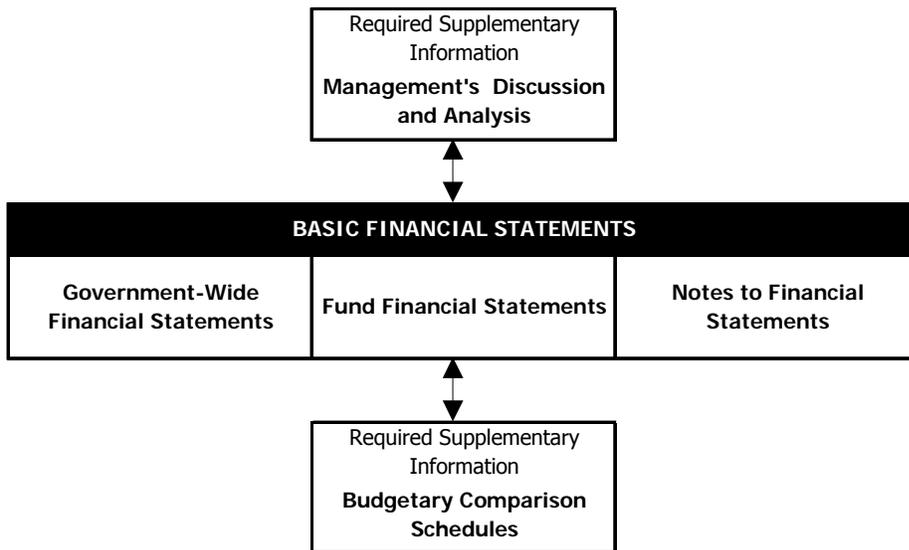
This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of six primary sections or components: (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, and (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 fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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

Exhibit A-1



MANAGEMENT'S DISCUSSION AND ANALYSIS

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
SCOPE	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
REQUIRED FINANCIAL STATEMENTS	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
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	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
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	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

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 asset is the difference between assets and liabilities and is 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 nonfinancial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

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

Fund Financial Statements:

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

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps 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 responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009 and 2010 by \$1,375,889 or 11% to \$14,202,995.

Exhibit B – 1 NET ASSETS

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and other assets	\$ 4,490,310	\$ 5,426,373	\$ 936,063
Noncurrent assets	<u>40,286,395</u>	<u>39,800,438</u>	<u>(485,957)</u>
Total assets	44,776,705	45,226,811	450,106
Liabilities			
Current liabilities	8,266,800	9,398,124	1,131,324
Noncurrent liabilities	<u>23,682,799</u>	<u>21,625,692</u>	<u>(2,057,107)</u>
Total liabilities	31,949,599	31,023,816	(925,783)
Net Assets			
Investment in capital assets, net of related debt	16,041,714	18,185,580	2,143,866
Restricted	1,642,217	1,545,461	(96,756)
Unrestricted	<u>(4,856,825)</u>	<u>(5,528,046)</u>	<u>(671,221)</u>
Total net assets	<u>\$ 12,827,106</u>	<u>\$ 14,202,995</u>	<u>\$ 1,375,889</u>

A portion of the net assets are either invested in capital assets or restricted as to the purposes they can be used for (1) the District's investment in capital assets (land and land improvements, buildings, furniture and equipment, vehicles and technology equipment, net of accumulated depreciation), net of related debt, is the largest component of the total combined net assets; and, (2) restricted net assets represent capital project, capital reserves and specific fund net asset amounts that are not available for discretionary spending. Noncurrent assets decreased by \$485,957 primarily due to current year depreciation. Current assets increased by \$936,063.

Net assets consisted of: \$18,185,580 invested in capital assets net of related debt; \$1,545,461 restricted amounts, net, for grants, food service, capital projects, capital reserves, and other non-major funds for purposes of each established fund; and, an unrestricted negative net asset balance of (\$5,528,046).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Change in Net Assets

The District's total revenues were \$36,242,913 while total expenses were \$34,867,024 resulting in a change in net assets of \$1,375,889.

Revenues

Exhibit B-2 shows that a significant portion, 89%, of the District's total revenues came from the school district assessment (58%) and State of New Hampshire source intergovernmental revenues (31%) primarily derived from local and state-wide property taxes and other state aid programs. Investment income and operating grants and contributions provided 7% of total revenues, 2% related to charges for services and less than 1% for federal sources.

- School district assessment, 58% and 59% for the fiscal years ended June 30, 2010 and 2009, respectively, an increase of 5% (\$928,763 more) over the prior year amount.
- State of New Hampshire source intergovernmental revenues, 31% and 34% for the fiscal years ended June 30, 2010 and 2009. A decrease of 2% (\$225,476) from the prior year amount.
- Operating grants and contributions, 7% and 4% for the fiscal years ended June 30, 2010 and 2009, an increase of 94% (\$1,221,680 more) over the prior year amount.
- Revenues for charges for services, 2% and 2% for the fiscal years ended June 30, 2010 and 2009, respectively, a decrease of 3% (\$18,533 less) from the prior year amount.
- Investment income, less than 1% and less than 1% for fiscal years ended June 30, 2010 and 2009, respectively. A decrease of 48% (\$25,272 less) from the prior year amount.

Exhibit B-2 SOURCES OF DISTRICT REVENUES

	<u>2009</u>	<u>%</u>	<u>2010</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Program Revenues						
Charges for services	\$ 652,210	2%	\$ 633,677	2%	\$ (18,533)	-3%
Operating grants and contributions	1,304,070	4%	2,525,750	7%	1,221,680	94%
General Revenues						
School district assessment	20,267,633	59%	21,196,396	58%	928,763	5%
Local sources	287,963	1%	388,895	1%	100,932	35%
State of New Hampshire sources	11,528,864	34%	11,303,388	31%	(225,476)	-2%
Federal sources - Medicaid	189,994	1%	167,316	0%	(22,678)	-12%
Investment income	52,763	0%	27,491	0%	(25,272)	-48%
	<u>\$ 34,283,497</u>	<u>100%</u>	<u>\$ 36,242,913</u>	<u>100%</u>	<u>\$ 1,959,416</u>	<u>6%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

Exhibit B-3 shows that 91% of the District's total expenses were for instructional and support services.

- Instruction expenses, 62% and 61% for the fiscal years ended June 30, 2010 and 2009, respectively, an increase of 4% (\$795,508 more) over the prior year amount.
- Support service expenses, 29% and 28% for the fiscal years ended June 30, 2010 and 2009, respectively, an increase of 3% (\$314,613 more) over the prior year amount.
- Food service program expenses, 2% and 2% for the fiscal years ended June 30, 2010 and 2009, respectively, an increase of less than 1% (\$404 more) over the prior year amount.
- Unallocated interest expense, 4% and 4% for the fiscal years ended June 30, 2010 and 2009, an increase of 10% (\$131,974 more) over the prior year amount.
- Unallocated depreciation expense, 3% and 5% for the fiscal years ended June 30, 2010 and 2009, respectively, a decrease of 27% (\$435,680 less) from the prior year amount.

Exhibit B-3 DISTRICT EXPENSES

	<u>2009</u>	<u>%</u>	<u>2010</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Functions / Programs						
Instruction	\$ 20,661,876	61%	\$ 21,457,384	62%	\$ 795,508	4%
Support services	9,644,453	28%	9,959,066	29%	314,613	3%
Food service program	781,179	2%	781,583	2%	404	0%
Unallocated						
Interest	1,371,707	4%	1,503,681	4%	131,974	10%
Depreciation	1,600,990	5%	1,165,310	3%	(435,680)	-27%
	<u>\$ 34,060,205</u>	<u>100%</u>	<u>\$ 34,867,024</u>	<u>100%</u>	<u>\$ 806,819</u>	<u>2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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	2009		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 20,661,876	\$ 19,328,792	\$ 21,457,384	\$ 18,927,507
Support services	9,644,453	9,644,453	9,959,066	9,959,066
Food service program	781,179	157,983	781,583	152,033
Unallocated				
Interest	1,371,707	1,371,707	1,503,681	1,503,681
Depreciation	1,600,990	1,600,990	1,165,310	1,165,310
	<u>\$ 34,060,205</u>	<u>\$ 32,103,925</u>	<u>\$ 34,867,024</u>	<u>\$ 31,707,597</u>

The total cost of all governmental activities this year was \$34,867,024; the total net cost was \$31,707,597. The primary financing for these activities of the District was as follows:

Property taxes

- The amount that was paid by taxpayers through property taxes was \$28,133,992; which consisted of \$21,196,396 paid in the form of local property taxes and \$6,937,596 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.
- An additional amount of \$2,072,875 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes state-wide property taxes collected from other local governments.

Local Sources

- Earnings on investments were received in the amount of \$27,491.
- Other local sources were received in the amount of \$388,895.

MANAGEMENT'S DISCUSSION AND ANALYSIS

State Sources

- School building aid was received in the amount of \$1,577,947.
- Catastrophic aid was received in the amount of \$593,380.
- Vocational aid was received in the amount of \$121,590.

Federal Sources

- Medicaid reimbursements were received in the amount of \$167,316.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF BALANCES AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The general fund balance increased \$839,069 during the year from a balance of \$1,112,580 at June 30, 2009 to a \$1,951,649 fund balance at June 30, 2010. This was attributed to several factors. The budgetary basis revenues actual was less than estimated in the amount of \$150,959. Total actual expenditures were less than authorized appropriations by \$2,102,608. The June 30, 2010 ending fund balance consisted of general fund reserves for encumbrances in the amount of \$229,698, unreserved, undesignated fund balance, in the amount of \$1,645,195, and \$76,756 in inventories. State law mandates that unreserved, undesignated fund balance be used to reduce the school district assessment in the subsequent year.

Major Funds

Food Service Fund

The food service fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. The food service fund balance increased \$126 during the year from a fund balance of \$7,524 at June 30, 2009 to a fund balance of \$7,650 (representing the amount of reserved fund balance for inventory) at June 30, 2010. The increase was primarily the result of a General Fund transfer in the amount of \$82,288 that was made as an operating subsidy.

Capital Reserve Fund

Expendable capital and maintenance reserve funds (established by voters at an annual school district meeting as trust funds in accordance with statutory requirements) are classified as special revenue funds and are reported as a major fund in the basic financial statements. The capital reserve fund balances increased \$142,578 (\$125,000 in new amounts approved by voters and \$17,578 in investment earnings) during the year from \$1,290,841 at June 30, 2009 to \$1,433,419 at June 30, 2010. In accordance with statutory requirements they are held in custody by the Trustees of Trust Funds of the required local municipal government and are only released for the restricted specific purposes of the individual funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonmajor Funds

Grants Fund

The grants fund is classified as a special revenue fund and is aggregated in the category nonmajor funds in the basic financial statements. The grants fund is used to account for federal grants and is reimbursement based; revenues equal the amount of the qualifying expenditures made. There is no fund balance.

Other Grants Fund

The other grants fund is classified as a special revenue fund and is aggregated in the category nonmajor funds in the basic financial statements. It is used to account for various non-federal grants and donations which are designated for particular purposes.

Roof Bond Fund

The roof bond fund is classified as a capital project fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund balance at June 30, 2010 was \$90,381.

High School Addition Fund

The high school addition fund is classified as a capital project fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund balance at June 30, 2010 was \$14,011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2010 the District did not revise its statutory budgetary line items; rather, the District's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

Actual Versus Final Budget Comparison

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

Actual inflows (resources) were less than the budgetary revenue estimates by \$150,959.

In general, revenues from the following sources exceeded original estimates (inflows with positive or negative variances over \$10,000):

- Tuition payments from other Local Education Agencies, as well as individuals for students attending KRSD, by \$54,599.
- Transportation fees of \$14,880.
- Other local sources were under estimates by \$(526,618) because the estimated sale of the SAU building did not occur.
- Transfers in from special revenue funds \$111,152.
- Medicaid by \$67,316.
- Catastrophic Aide by \$35,683 and vocational aid by \$116,590.

The original budget for the General Fund in the amount of \$34,777,703 consists of the total appropriation voted of \$36,294,460 less amounts representing offsets for other funds; \$700,329 for the Food Service Fund, \$816,428 for other Special Revenue Funds, less a \$152,428 budgetary subsidy to the food service fund.

The final budget consists of \$34,777,703 original budget plus \$330,695 encumbered and reserved funds from the year ended June 30, 2009.

Actual total outflows in the amount of \$33,005,790 were lower than the budgeted total appropriation of \$35,108,398 by a positive variance of \$2,102,608.

In general, budgetary line items throughout the functions / program categories resulted in positive or negative variances that were due to the efforts of management to not exceed the bottom line budget (adjusted for any increase in unanticipated revenues) as a result of (outflows with positive or negative variances over \$100,000):

- Instruction services were less than appropriations by \$712,530.
- Support services were less than appropriations by \$152,071
- Operation and maintenance expenditures were less than appropriations by \$476,208.
- Student transportation costs were less than appropriations by \$179,167.
- Fund transfers were less than estimated by \$670,140 primarily due to the SAU building sale not occurring during the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$39,800,438 (\$52,521,644 at cost or estimated cost less accumulated depreciation of \$12,721,206) in a broad range of capital assets, including land and land improvements, buildings, furniture, general equipment, vehicles and technology assets as summarized in Exhibit C-1.

This amount represents a net decrease of \$485,957 or 1% from the prior year. This year's major additions are also summarized in Exhibit C-1.

Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	<u>2009</u>	<u>2010</u>	<u>Change</u>
Land and improvements	\$ 800,108	\$ 800,108	0%
Buildings	44,676,292	44,874,461	0%
Furniture, equipment & vehicle	3,317,829	3,361,659	1%
Technology equipment	<u>3,068,505</u>	<u>3,485,416</u>	<u>14%</u>
Capital assets, at cost	51,862,734	52,521,644	1%
Accumulated Depreciation	<u>(11,576,339)</u>	<u>(12,721,206)</u>	<u>-10%</u>
Capital assets, net	<u>\$ 40,286,395</u>	<u>\$ 39,800,438</u>	<u>-1%</u>
Increase in Capital Assets, Net		<u>\$ (485,957)</u>	
Changes			
Increase in buildings		\$ 198,169	
Increase in furniture and equipment		43,830	
Increase in technology equipment		439,675	
Depreciation		(1,165,310)	
Gain (Loss) on disposals		<u>(2,321)</u>	
		<u>\$ (485,957)</u>	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At June 30, 2010, the District had \$21,625,992 of long-term obligations (\$24,841,685 in total obligations less the current portion of \$3,215,993) as summarized in Exhibit C-2.

This amount represents a net decrease of 8.69% from the prior year.

Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2009	2010	Change
General obligation bonds	\$ 24,216,841	\$ 21,593,237	-10.83%
Unamortized bond premiums	344,334	311,057	-9.66%
Capital leases	27,840	21,621	-22.34%
Compensated absences	10,449	10,556	1.02%
Early retirement obligations - payments	1,442,240	1,347,900	-6.54%
Early retirement obligations - healthcare	1,001,653	1,557,314	55.47%
	27,043,357	24,841,685	-8.14%
Less current portion	(3,360,558)	(3,215,993)	-4.30%
	\$ 23,682,799	\$ 21,625,692	-8.69%
Decrease, Net		\$ (2,057,107)	
Changes			
Principal payments on general obligation bonds		\$ (2,623,604)	
Principal payments on capital lease obligations		(6,219)	
Amortization of bond premiums		(33,277)	
Change in compensated absences		107	
Change in retirement obligations - payments		(94,340)	
Change in retirement obligations - health		555,661	
Change in current portion		144,565	
		\$ (2,057,107)	

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 valuation (of the towns in which the District is located) as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2010 the estimated legal debt limit is approximately \$308,201,455 on equalized valuation of \$3,082,014,550.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the School Board considered many factors when submitting the fiscal year 2010-2011 budget to the Municipal Budget Committees and 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 seven towns in the District. The Equitable Education Grant increased from \$2,775,407 in 2008-2009 to \$2,868,172 for 2009-2010. Included in the \$2,868,172 for 2009-2010 was \$795,297 in ARRA-State Fiscal Stabilization Funding. The State Education tax increased from \$6,788,306 in 2008-2009 to \$6,937,596 for 2009-2010.

Exhibit D-1 STATE TAX AND ADEQUACY GRANTS

	Equitable Education Grant 2009-2010	State Education Tax 2009-2010
Town of Bradford	\$ 570,004	\$ 488,394
Town of New London	-	2,667,392
Town of Newbury	2,773	1,613,793
Town of Springfield	427,850	450,800
Town of Sutton	347,076	664,647
Town of Warner	1,166,627	600,238
Town of Wilmot	353,842	452,332
	<u>\$ 2,868,172</u>	<u>\$ 6,937,596</u>

The school district assessment is allocated to each of town under a formula calculation which is based on the relative percent to the total of two components; (1) 40% by the equalized valuation percentage, and (2) 60% by the average daily membership (ADM) percentage. Exhibit D-2 shows the school district assessment for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2008-2009 and 2010-2011.

	Fiscal Year (Actual) 2009-2010	Fiscal Year (Budget) 2010-2011	Change
Town of Bradford	\$ 2,131,123	\$ 1,950,342	-8%
Town of New London	6,052,466	6,013,008	-1%
Town of Newbury	3,767,230	3,725,387	-1%
Town of Springfield	2,038,579	1,909,743	-6%
Town of Sutton	2,521,678	2,600,845	3%
Town of Warner	2,856,459	3,024,323	6%
Town of Wilmot	1,828,861	1,846,424	1%
	<u>\$ 21,196,396</u>	<u>\$ 21,070,072</u>	<u>-1%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Jerry Frew, Superintendent of Schools or to Mr. Larry LeBoeuf, Business Administrator, at (603-526-2051) or by mail at:

Kearsarge Regional School District
Attn: Larry LeBoeuf
169 Main Street
New London, New Hampshire 03257

BASIC FINANCIAL STATEMENTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Net Assets June 30, 2010

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,555,435
Investments	1,624,819
Receivables, net	542,668
Due from other governments	1,601,669
Inventories	84,406
Deposit	17,376
Current assets	<u>5,426,373</u>
Noncurrent Assets	
Capital assets:	
Land, improvements, and construction in progress	506,810
Other capital assets, net of accumulated depreciation	39,293,628
Noncurrent assets	<u>39,800,438</u>
Total assets	<u>45,226,811</u>
LIABILITIES	
Current Liabilities	
Accounts payable	409,615
Accrued expenses	5,568,580
Deferred revenue	195,927
Current portion of long-term liabilities	3,305,715
Other liabilities	8,009
Current liabilities	<u>9,487,846</u>
Noncurrent Liabilities	
Bonds payable	19,024,946
Unamortized bond premiums	277,780
Compensated absences	10,556
Capital lease obligations	14,932
Early retirement obligations	2,207,756
Noncurrent liabilities	<u>21,535,970</u>
Total liabilities	<u>31,023,816</u>
NET ASSETS	
Investment in capital assets, net of related debt	18,185,580
Restricted for:	
Capital reserves	1,433,419
Lunch program	7,650
Other nonmajor purposes	104,392
Unrestricted	<u>(5,528,046)</u>
Total net assets	<u>\$ 14,202,995</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Activities Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 13,513,472	\$ 169,479	\$ 1,228,121	\$ (12,115,872)
Special education instruction	5,557,391	-	1,132,277	(4,425,114)
Other instruction	2,386,521	-	-	(2,386,521)
Support services				
Student support services	1,310,368	-	-	(1,310,368)
Instructional staff services	653,964	-	-	(653,964)
General administration	239,116	-	-	(239,116)
Executive administration	1,042,969	-	-	(1,042,969)
School administrative services	1,685,490	-	-	(1,685,490)
Operation and maintenance	2,780,568	-	-	(2,780,568)
Student transportation	2,244,270	-	-	(2,244,270)
Food service program	781,583	464,198	165,352	(152,033)
Interest expense	1,503,681	-	-	(1,503,681)
Other financing uses/nonoperating	2,321	-	-	(2,321)
Depreciation (unallocated)	1,165,310	-	-	(1,165,310)
Total governmental activities	<u>34,867,024</u>	<u>633,677</u>	<u>2,525,750</u>	<u>(31,707,597)</u>
General revenues:				
School district assessment				\$ 21,196,396
Grants and contributions not restricted to specific purposes:				
Local sources				388,895
State of New Hampshire sources				11,303,388
Federal sources				167,316
Investment income				<u>27,491</u>
Total general revenues				<u>33,083,486</u>
Change in net assets				1,375,889
Net assets - beginning				<u>12,827,106</u>
Net assets - ending				<u>\$ 14,202,995</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Food Service Fund	Capital Reserves	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,555,435	\$ -	\$ -	\$ -	\$ 1,555,435
Investments	1,002,889	449,993	-	171,937	1,624,819
Receivables, net	415,620	962	-	126,086	542,668
Due from other governments	-	17,261	1,433,419	150,989	1,601,669
Due from other funds	484,997	-	-	46,614	531,611
Inventories	76,756	7,650	-	-	84,406
Prepays	17,376	-	-	-	17,376
Total assets	\$ 3,553,073	\$ 475,866	\$ 1,433,419	\$ 495,626	\$ 5,957,984
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 320,374	\$ 15,905	\$ -	\$ 73,336	\$ 409,615
Accrued expenses	1,273,041	5,345	-	37,326	1,315,712
Due to other funds	-	431,832	-	99,779	531,611
Deferred revenue	-	15,134	-	180,793	195,927
Other liabilities	8,009	-	-	-	8,009
Total liabilities	1,601,424	468,216	-	391,234	2,460,874
Fund balances:					
Reserved for:					
Encumbrances	229,698	-	-	-	229,698
Inventories	76,756	7,650	-	-	84,406
Unreserved	1,645,195	-	1,433,419	-	3,078,614
Unreserved, reported in nonmajor:					
Capital project funds	-	-	-	104,392	104,392
Total fund balances	1,951,649	7,650	1,433,419	104,392	3,497,110
Total liabilities and fund balances	\$ 3,553,073	\$ 475,866	\$ 1,433,419	\$ 495,626	\$ 5,957,984

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2010

Total Fund Balances - Governmental Funds \$ 3,497,110

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	\$ 52,521,644	
Less accumulated depreciation	<u>(12,721,206)</u>	39,800,438

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	(21,593,237)	
Unamortized bond premium	(311,057)	
Capital leases	(21,621)	
Compensated absences	(10,556)	
Early retirement obligations	(1,347,900)	
Early retirement health	<u>(1,557,314)</u>	(24,841,685)

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.

(4,252,868)

Total Net Assets - Governmental Activities \$ 14,202,995

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2010

	General Fund	Food Service Fund	Capital Reserves	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
School district assessment	\$ 21,196,396	\$ -	\$ -	\$ -	\$ 21,196,396
Local sources	262,861	498,257	-	261,454	1,022,572
State of New Hampshire sources	11,701,413	10,740	-	-	11,712,153
Federal sources	962,613	189,411	-	1,132,277	2,284,301
Investment income	8,449	1,013	17,578	451	27,491
Total revenues	<u>34,131,732</u>	<u>699,421</u>	<u>17,578</u>	<u>1,394,182</u>	<u>36,242,913</u>
Expenditures					
Current:					
Instruction	19,958,397	-	-	1,522,490	21,480,887
Support services	1,964,332	-	-	-	1,964,332
General administration	239,116	-	-	-	239,116
Executive administration	7,956,259	-	-	-	7,956,259
Food service program	-	781,583	-	-	781,583
Debt service:					
Principal	2,623,604	-	-	-	2,623,604
Interest	454,819	-	-	-	454,819
Total expenditures	<u>33,196,527</u>	<u>781,583</u>	<u>-</u>	<u>1,522,490</u>	<u>35,500,600</u>
Excess (deficiency) of revenues over expenditures	935,205	(82,162)	17,578	(128,308)	742,313
Other Financing Sources (Uses)					
Transfers in	111,152	82,288	125,000	-	318,440
Transfers out	<u>(207,288)</u>	<u>-</u>	<u>-</u>	<u>(111,152)</u>	<u>(318,440)</u>
Net change in fund balances	839,069	126	142,578	(239,460)	742,313
Fund balances - beginning of year	<u>1,112,580</u>	<u>7,524</u>	<u>1,290,841</u>	<u>343,852</u>	<u>2,754,797</u>
Fund balances - end of year	<u>\$ 1,951,649</u>	<u>\$ 7,650</u>	<u>\$ 1,433,419</u>	<u>\$ 104,392</u>	<u>\$ 3,497,110</u>

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

KEARSARGE 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, 2010

Total Net Change in Fund Balances - Governmental Funds		\$	742,313
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>			
Capital outlays	\$	681,674	
Depreciation expense		(1,165,310)	
Loss on disposal of assets		<u>(2,321)</u>	(485,957)
<p>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.</p>			
Principal on bonds		2,623,604	
Amortization of bond premiums		33,277	
Principal on capital leases		<u>6,219</u>	2,663,100
<p>Interest on long-term liabilities in the statement of activities differs from the governmental fund amount 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</p>			
			(1,082,139)
<p>In the statement of activities, certain operating expenses are measured by the amounts earned or used during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>			
Compensated absences (increase) decrease		(107)	
Early retirement and health (increase) decrease		<u>(461,321)</u>	<u>(461,428)</u>
Change in Net Assets of Governmental Activities			<u>\$ 1,375,889</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2010

	Student Activities	Total Fiduciary Funds
Assets		
Cash and cash equivalents	\$ 127,073	\$ 127,073
Total assets	127,073	127,073
Liabilities		
Due to student groups	127,073	127,073
Total liabilities	\$ 127,073	\$ 127,073
Net Assets		
Held in trust for private purposes	-	-
Total net assets	\$ -	\$ -

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

NOTES TO BASIC FINANCIAL STATEMENTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kearsarge 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.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

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

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources (such as federal and state grants, local and private 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 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.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

Inventories

For statutory required supplementary information, 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	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Machinery, equipment and other	\$ 5,000	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 (related bond premiums are amortized), capital leases, accrued compensated absences and early retirement termination benefits (which include annual cash payments and "District-share" of post-employment health and dental insurance). 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. Statutory required supplementary information report on the current year lease payments with funding clauses per New Hampshire statutes as expenditures. For government-wide financial statements, leases that meet the requirements for capital lease assets and the related capital lease obligations are recorded.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

Governmental Fund Equity

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

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, 2010, the District had not exceeded its legal debt limit of approximately \$308,201,455 on \$3,082,014,550 of equalized valuation.

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 purchases, through an agent, coverage from an insurance company for Worker's Compensation; Commercial Auto and Commercial Property and Liability (including general liability; errors and omissions; buildings and contents; employee dishonesty; electronic equipment and equipment breakdown); Commercial Umbrella and Public Officials / Treasurer Bond. There have no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

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, 2010, 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.

Fund Deficits, Restrictions and Encumbrances

General Fund

The \$1,951,649 fund balance in the General Fund is subject to encumbered obligations in the amount of \$229,698 and amounts reserved for inventories in the amount of \$76,756. The year end unreserved undesignated fund balance is \$1,645,195.

Food Service

The Food Service Fund received an operating transfer subsidy from the General Fund in the amount of \$82,288. The year end reserved fund balance of \$7,650 is for inventories and the unreserved undesignated fund balance is zero.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and equivalents	\$ 1,555,435
Investments	1,624,819
Fiduciary funds:	
Cash and investments	127,073
	<u>\$ 3,307,327</u>

Deposits and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	1,682,508
Investments	1,624,819
	<u>\$ 3,307,327</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.

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.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

Investments made by the District as of June 30, 2010 are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
U.S. government securities	\$ -		
Certificates of deposit	-		
NH Public Deposit Investment Pool	<u>1,624,819</u>	Not Rated	
	<u>\$ 1,624,819</u>		

Concentration of Credit Risk

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Investments in the New Hampshire PDIP ("pooled investments") are excluded from the five percent disclosure requirement.

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 or pledged as collateral under a qualifying agreement) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity (specific agreements identify which two District bank accounts are covered under the pledge agreement):

<u>Investment Type</u>	<u>Remaining Maturity (Months)</u>			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pledged Collateral				
FNMA	\$ 3,198,291	-	-	\$ 3,198,291
Fannie Mae Pool #755501	\$ 64,039	-	-	\$ 64,039
FHLB Callable Bond	\$ 1,687,250	-	\$ 1,687,250	-
FHLMC ARM	\$ 57,916	-	-	\$ 57,916

Investments in the New Hampshire PDIP ("pooled investments") are excluded from this disclosure requirement.

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, 2010, \$2,453,197 of the District's \$2,453,197 bank balance was covered by deposit insurance and the balance, if any, was covered by pledged collateral held in the District's name. Investments in the New Hampshire PDIP are evidenced by shares of the pool, they are not evidenced by securities that exist in physical or book-entry form; therefore, no disclosure is required.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual interfund balances, resulting primarily from utilization of centralized general fund cash accounts, at June 30, 2010 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 484,997	\$ -
Food service fund	-	431,832
Nonmajor Funds:		
Grants fund	-	32,234
Other grants fund	46,614	-
Roof bond	-	59,808
High school addition	-	7,737
	<u>\$ 531,611</u>	<u>\$ 531,611</u>

Individual interfund transfers, resulting from routine transfers during the year based upon statutory or budgetary authorization, for the year ended June 30, 2010 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 111,152	\$ 207,288
Food service fund	82,288	-
Capital reserves	125,000	-
Nonmajor Funds:		
Other grants	-	111,152
	<u>\$ 318,440</u>	<u>\$ 318,440</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2010 consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Reserves</u>	<u>Food Service Fund</u>
Local Governments				
Town of New London - Trustees	\$ -	\$ -	\$ 1,433,419	\$ -
Other	-	-	-	-
Federal / State Government				
Pass-through grants and other	-	150,989	-	-
Food program reimbursements	-	-	-	17,261
	<u>\$ -</u>	<u>\$ 150,989</u>	<u>\$ 1,433,419</u>	<u>\$ 17,261</u>

All receivables result from grant reimbursement and federal (passed-through the State of New Hampshire) reimbursements not received until after year-end. The District capital reserve funds are due from the Town of New London - Trustees; the statutory custodian.

The District capital reserve funds as authorized by voters at an annual meeting that are being held by the Trustees of Trust Funds, Town of New London consisted of the following as of June 30, 2010:

- "Reconstructing or Adding to Existing Schools of the District" - Expendable Trust Fund - Established March 1994 - Amended March 1997 to name School Board Agents to expend, with a balance of \$171,800.
- "Replacement and Major Repair to Roofs in the District" - Expendable Trust Fund - Established March 2000. Roof replacement must take place over the next 2 to 5 years at an approximate total cost of \$875,000. School Board not named agents to expend, with a balance of \$689,329.
- "Emergency Funding of Unforeseen Special Education Out-of-District Placement Tuition" - Expendable Trust Fund - Established March 1997 - School Board agents to expend, with a balance of \$371,124.
- "Emergency Funding of Unanticipated Special Education Costs" - Expendable Trust Fund - Established March 2008 - School Board agents to expend, with a balance of \$151,076.
- "School Buildings Maintenance Fund" - Expendable Trust Fund - Established March 2009 - School Board agents to expend, with a balance of \$50,091.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 506,810	\$ -	\$ -	\$ 506,810
	<u>506,810</u>	<u>-</u>	<u>-</u>	<u>506,810</u>
Capital assets being depreciated:				
Land improvements	293,298	-	-	293,298
Buildings	44,676,292	198,169	-	44,874,461
Vehicles	39,848	4,900	-	44,748
Furniture and equipment	3,277,981	38,930	-	3,316,911
Technology equipment	3,068,505	439,675	22,764	3,485,416
	<u>51,355,924</u>	<u>681,674</u>	<u>22,764</u>	<u>52,014,834</u>
Less accumulated depreciation:				
Land improvements	190,071	5,161	-	195,232
Buildings	7,812,352	772,052	-	8,584,404
Vehicles	15,940	5,762	-	21,702
Furniture and equipment	1,592,670	119,602	-	1,712,272
Technology equipment	1,965,306	262,733	20,443	2,207,596
Accumulated depreciation	<u>11,576,339</u>	<u>1,165,310</u>	<u>20,443</u>	<u>12,721,206</u>
Capital assets being depreciated, net	<u>39,779,585</u>	<u>(483,636)</u>	<u>2,321</u>	<u>39,293,628</u>
Governmental activities capital assets, Net of accumulated depreciation	<u>\$ 40,286,395</u>	<u>\$ (483,636)</u>	<u>\$ 2,321</u>	<u>\$ 39,800,438</u>
Depreciation expense for the year ended June 30, 2010 (unallocated)				<u>\$ 1,165,310</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

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. The District was obligated under certain leases accounted for as capital leases. The leased assets were accounted for as capital assets and capital lease liabilities in the government-wide financial statements. In the governmental fund financial statements the leases were recorded as expenditures and other financing source in the year executed; annual lease payments were recorded as expenditures when paid. Other long-term obligations include compensated absences. A summary of long-term liabilities outstanding at June 30, 2010 is as follows:

	<u>General Obligation Bonds</u>	<u>Bond Premiums</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Total</u>
Beginning balance	\$ 24,216,841	\$ 344,334	\$ 27,840	\$ 10,449	\$ 24,599,464
Additions	-	-	-	107	107
Reductions	<u>(2,623,604)</u>	<u>(33,277)</u>	<u>(6,219)</u>	-	<u>(2,663,100)</u>
Ending balance	<u>21,593,237</u>	<u>311,057</u>	<u>21,621</u>	<u>10,556</u>	<u>21,936,471</u>
Current portion	2,568,291	33,277	6,689	-	2,608,257
Noncurrent portion	<u>19,024,946</u>	<u>277,780</u>	<u>14,932</u>	<u>10,556</u>	<u>19,328,214</u>
	<u>\$ 21,593,237</u>	<u>\$ 311,057</u>	<u>\$ 21,621</u>	<u>\$ 10,556</u>	<u>\$ 21,936,471</u>

Long-term liabilities outstanding at June 30, 2010 consisted of the following:

	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Amount Net (Discount) Premium</u>	<u>Amount Outstanding 6/30/10</u>
<u>General Obligation Bonds</u>					
Middle School	2006	4.00-5.00	2026	\$ 24,719,000	\$ 18,682,047
High School Addition	1996	5.62-5.75	2011	6,838,167	1,275,000
High School Addition	2004	3.00-5.00	2014	3,259,044	1,306,748
High School Roof	2002	3.00-4.00	2012	667,500	195,000
Computer equipment	2009	3.5	2013	216,669	134,442
					<u>21,593,237</u>
<u>Capital Lease Obligations</u>					
Technology equipment	2007	7.55	2012	43,999	21,621
					<u>21,621</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					10,556
Bond premiums					311,057
					<u>\$ 21,936,471</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,568,291	\$ 484,857	\$ 3,053,148
2012	2,519,650	548,067	3,067,717
2013	1,790,679	607,235	2,397,914
2014	1,598,398	679,225	2,277,623
2015	1,528,952	754,297	2,283,249
After	<u>11,587,267</u>	<u>11,109,577</u>	<u>22,696,844</u>
	<u>\$ 21,593,237</u>	<u>\$ 14,183,258</u>	<u>\$ 35,776,495</u>

Obligations under capital lease are as follows:

2011	\$ 8,322
2012	8,322
2013	8,322
2014	-
2015	-
After	-
Total minimum lease payments	<u>24,966</u>
Less amount representing imputed interest	<u>3,345</u>
Present value of minimum lease payments	<u>\$ 21,621</u>

NOTE 8 - EARLY RETIREMENT OBLIGATIONS

The District Collective Bargaining Agreement contains provisions for voluntary early retirement, payment and post-employment healthcare provisions. When the offer for early retirement is accepted the early retiree is scheduled to receive a series of "payments" specific to each early retiree's length of service and history of compensation. In addition, early retirees also receive post-employment healthcare benefits with employer cost and employee amounts. Some early retirees may also be eligible to receive a health insurance subsidy from a special account maintained by the State. The subsidy was estimated only through the year 2011 when actuaries of the account have estimated that funds will no longer exist. Per GASB No. 47, the District discloses the healthcare cost trend rate used for estimating the future cost of these healthcare benefits (based upon the moving average of historical increases in the healthcare costs) as 8% for the fiscal years ending 6/30/08 and 6/30/09, 7% for the fiscal year ending 6/30/10, and, 8% for the subsequent fiscal years ending through 6/30/19. The District also discloses the a 4% discount rate was used to calculate the present value of the estimated future health care costs and is based on the current investment maximized yield. A summary of early retirement and related healthcare liabilities outstanding at June 30, 2010 is as follows:

	<u>Early Retirement Payments</u>	<u>Early Retirement Healthcare</u>	<u>Total</u>
Beginning balance	\$ 1,442,240	\$ 1,001,653	\$ 2,443,893
Additions	329,546	555,661	885,207
Reductions	<u>(423,886)</u>	<u>-</u>	<u>(423,886)</u>
Ending balance	<u>1,347,900</u>	<u>1,557,314</u>	<u>2,905,214</u>
Current portion	423,886	273,572	697,458
Noncurrent portion	<u>924,014</u>	<u>1,283,742</u>	<u>2,207,756</u>
	<u>\$ 1,347,900</u>	<u>\$ 1,557,314</u>	<u>\$ 2,905,214</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

NOTE 9 - 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, 2010 were 7.49% and 9.16% of covered payroll for teachers and other employees, respectively (representing 70% 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, 2010, 2009, and 2008 were \$1,139,088, \$891,049, and \$820,528, respectively, equal to the required contributions for each year.

The State of New Hampshire provides, directly to the System, 30% 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, 2010 on-behalf fringe benefit payments were made by the State of New Hampshire for District in the amount of \$398,025.

NOTE 10 - COLLECTIVE BARGAINING AGREEMENTS

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

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS ("OPEB's") - GASB 45

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 school 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 benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium known as The New Hampshire School Health Care Coalition (Coalition). All Employees are eligible to retire in accordance with New Hampshire Statute 100-A:50.

Retirees are required to pay 100% of the cost for coverage. This subsidy is used to offset some of the contribution from retired employees and their covered spouse / dependents. The spouse is required to pay 100% of the cost of the benefits following the death of the retired employee.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2010. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 36 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, 2010, the school district recognized \$228,054 for its share of insurance premiums for currently enrolled retirees.

The school district has obtained an actuarial valuation report as of July 1, 2009 which indicates that the total liability for other post-employment benefits is \$2,283,320 (\$829,561 related to retirees and \$1,453,759 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 actuarially 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 period not to exceed thirty years.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2010

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:

	<u>For the Year Ended June 30, 2010</u>
Annual Required Contribution (ARC)	\$ 228,054
Interest on Net OPEB Obligation	\$ -
Adjustment to ARC (if Applicable)	<u>\$ -</u>
Annual OPEB Cost (Expense)	\$ 228,054
Contributions Made - Active Employees Premium Subsidy Paid	<u>\$ 228,054</u>
Percentage of Annual OPEB Cost Contributed	100.0%
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, 2009	\$ 249,046	100%	\$0
June 30, 2010	\$ 228,054	100%	\$0

As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,283,320 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,283,320. The covered payroll (annual payroll of active employees covered by the plan) was \$17,757,797, and the ratio of the UAL to the covered payroll was 12.86%. Actuarial 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 actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2010

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In July 1, 2009 the actuarial valuation, the Projected Unit Credit cost method was used. The actuarial 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, and an annual healthcare cost trend rate of 9.20% initially, increased to 9.00% in the next year, and then reduced by 1.00% decrements to an ultimate rate of 5.00% after 5 years. The UAAL is being amortized on an open basis. The remaining amortization period at June 30, 2010 was 29 years.

REQUIRED SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ 781,895	\$ 1,112,590	\$ 1,112,580	\$ (10)
Resources (inflows):				
School district assessment				
Local school tax	21,196,396	21,196,396	21,196,396	-
Local sources				
Tuition	100,000	100,000	154,599	54,599
Transportation fees	-	-	14,880	14,880
Earnings on investments	25,000	25,000	8,449	(16,551)
Other	620,000	620,000	93,382	(526,618)
State of New Hampshire sources				
School building aid	1,577,947	1,577,947	1,577,947	-
Catastrophic aid	557,697	557,697	593,380	35,683
Vocational aid	5,000	5,000	121,590	116,590
Adult education	8,000	8,000	-	(8,000)
Adequacy grant	2,868,172	2,868,172	2,072,875	(795,297)
State education tax	6,937,596	6,937,596	6,937,596	-
Federal sources				
Medicaid distribution	100,000	100,000	167,316	67,316
State fiscal stabilization funds	-	-	795,297	795,297
Operating transfers in				
Special revenue funds	-	-	111,152	111,152
Amounts available for appropriation	<u>34,777,703</u>	<u>35,108,398</u>	<u>34,957,439</u>	<u>(150,959)</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	14,040,004	14,041,882	13,536,975	504,907
Special education instruction	5,762,115	5,763,379	5,557,391	205,988
Other instruction	452,606	452,606	452,513	93
Adult and community programs	15,035	15,035	13,493	1,542
Support services				
Student support services	1,326,938	1,326,938	1,310,368	16,570
Instructional staff services	779,725	789,465	653,964	135,501
General administration				
Other school board	178,418	178,418	239,116	(60,698)
Executive administration				
All other administration	1,031,682	1,048,876	1,042,969	5,907
School administrative services	1,700,657	1,700,657	1,685,383	15,274
Operation and maintenance	3,159,226	3,459,845	2,983,637	476,208
Student transportation	2,423,437	2,423,437	2,244,270	179,167
Debt service				
Debt service principal	2,581,781	2,581,781	2,623,604	(41,823)
Debt service interest	448,651	448,651	454,819	(6,168)
Operating transfers out				
Special revenue funds	<u>877,428</u>	<u>877,428</u>	<u>207,288</u>	<u>670,140</u>
Total charges to appropriations	<u>34,777,703</u>	<u>35,108,398</u>	<u>33,005,790</u>	<u>2,102,608</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,649</u>	<u>\$ 1,951,649</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information
June 30, 2010

NOTE 1 - BUDGETARY INFORMATION

A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted District budget by voters at the annual District meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the District. After final allocation of state aid programs to the District and approval of final estimated revenues (including the use of beginning unreserved general fund balance), a balanced District budget is achieved in accordance with State statute (the "original" budget). The original budget for the General Fund in the amount of \$34,777,703 consists of the voted appropriation of \$36,294,460 less \$700,329 for the Food Service Fund, \$816,428 for Other Special Revenue Funds, plus a \$152,428 budgeted subsidy to the food service fund.

B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

Budgetary Changes

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

Transfers

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

Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year. Encumbrances and reserves of \$330,695 were carried forward from the prior 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.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information
June 30, 2010

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>
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 34,957,439
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund balance	(1,112,580)
Transfers from other funds	(111,152)
Teacher retirement on-behalf payments by the State of New Hampshire	<u>398,025</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 34,131,732</u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 33,005,790
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	398,025
Transfers to other funds	<u>(207,288)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 33,196,527</u>

OTHER SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2010

	Grants Fund	Other Grants	Roof Bond	High School Addition	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	150,189	21,748	171,937
Receivables, net	-	126,086	-	-	126,086
Due from other governments	150,989	-	-	-	150,989
Due from other funds	-	46,614	-	-	46,614
Total assets	<u>\$ 150,989</u>	<u>\$ 172,700</u>	<u>\$ 150,189</u>	<u>\$ 21,748</u>	<u>\$ 495,626</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 72,149	\$ 1,187	\$ -	\$ -	\$ 73,336
Accrued expenses	37,326	-	-	-	37,326
Due to other funds	32,234	-	59,808	7,737	99,779
Deferred revenue	9,280	171,513	-	-	180,793
Total liabilities	<u>150,989</u>	<u>172,700</u>	<u>59,808</u>	<u>7,737</u>	<u>391,234</u>
Fund balances:					
Unreserved	-	-	90,381	14,011	104,392
Total fund balances	<u>-</u>	<u>-</u>	<u>90,381</u>	<u>14,011</u>	<u>104,392</u>
Total liabilities and fund balances	<u>\$ 150,989</u>	<u>\$ 172,700</u>	<u>\$ 150,189</u>	<u>\$ 21,748</u>	<u>\$ 495,626</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2010

	Grants Fund	Other Grants	Roof Bond	High School Addition	Total Nonmajor Governmental Funds
Revenues					
Local sources	\$ -	\$ 261,454	\$ 394	\$ 57	\$ 261,905
Federal sources	<u>1,132,277</u>	-	-	-	<u>1,132,277</u>
Total revenues and other financing sources	<u>1,132,277</u>	<u>261,454</u>	<u>394</u>	<u>57</u>	<u>1,394,182</u>
Expenditures					
Instruction	1,132,277	390,213	-	-	1,522,490
Operating transfers out	-	<u>111,152</u>	-	-	<u>111,152</u>
Total expenditures and other financing uses	<u>1,132,277</u>	<u>501,365</u>	-	-	<u>1,633,642</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	-	(239,911)	394	57	(239,460)
Fund balances - beginning of year	-	<u>239,911</u>	<u>89,987</u>	<u>13,954</u>	<u>343,852</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,381</u>	<u>\$ 14,011</u>	<u>\$ 104,392</u>

FEDERAL AWARDS SUPPLEMENTARY INFORMATION

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

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

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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
Kearsarge Regional School District
New London, New Hampshire

We have audited the financial statements of Kearsarge Regional School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated February 28, 2011. 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 Kearsarge 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 Kearsarge Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kearsarge 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 Kearsarge 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
February 28, 2011

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

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

To the School Board
Kearsarge Regional School District
New London, New Hampshire

Compliance

We have audited Kearsarge 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 Kearsarge Regional School District's major federal programs for the year ended June 30, 2010. Kearsarge 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 Kearsarge Regional School District's management. Our responsibility is to express an opinion on Kearsarge 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 Kearsarge 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 Kearsarge Regional School District's compliance with those requirements.

In our opinion, Kearsarge 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, 2010.

Internal Control Over Compliance

Management of Kearsarge 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 Kearsarge 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 Kearsarge 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
February 28, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the NH Surplus Distribution Section			
Food Donation	10.550		\$ 34,799
Passed through the NH Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553		28,782
National School Lunch Program	10.555		122,156
School Milk Program for Children	10.556		927
			<u>151,865</u>
			<u>186,664</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the NH Department of Education			
TITLE I CLUSTER			
Title I, Grants to Local Educational Agencies (LEAs)	84.010	00069	183,014
Title I, Grants to Local Educational Agencies (LEAs)	84.010	90077	8,192
Title I, Grants to Local Educational Agencies (LEAs) - ARRA	84.389	ARRA	63,545
			<u>254,751</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States (IDEA, Part B)	84.027	02559	420,507
Special Education - Preschool Grants (IDEA Preschool)	84.173	92765	538
Special Education - Preschool Grants (IDEA Preschool)	84.173	02559	5,639
Special Education - Preschool Grants (IDEA, Part B) - ARRA	84.391	ARRA	252,666
			<u>679,350</u>
Adult Education - Basic Grants to States	84.002	06781	12,226
Adult Education - Basic Grants to States	84.002	07308	41,893
State Grants for Innovative Programs	84.298	96112	2,801
Education Technology State Grants	84.318	94497	2,740
Mathematics and Science Partnerships	84.366	05194	14,999
Improving Teacher Quality State Grants	84.367	94862	7,662
Improving Teacher Quality State Grants	84.367	94965	26,501
Improving Teacher Quality State Grants	84.367	04843	89,354
Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	ARRA	795,297
			<u>993,473</u>
			<u>1,927,574</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,114,238</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards June 30, 2010

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, 2010.

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, 2010 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:

Schedule of Expenditures of Federal Awards	\$ 2,114,238
Federal Commodities Food Distribution	(34,799)
School Milk Program for Children	(927)
School Breakfast Program	(28,782)
National School Lunch Program	(122,156)
	<u>\$ 1,927,574</u>
 Statement of Revenues, Expenditures, and Changes in Fund Balances	
Major Fund	
General Fund ARRA SFSF	\$ 795,297
Grants Fund	1,132,277
Core Group Fund	-
	<u>\$ 1,927,574</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
1 - Summary of Auditor's Results
June 30, 2010

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 – Preschool Grants (IDEA, Part B) – ARRA
- CFDA # 84.394 Education State Grants, Recovery Act (Education Stabilization Fund) - ARRA

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

Auditee qualified as a low-risk auditee – No.