

HOLLIS SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

**HOLLIS SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

Management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the governmental activities of the Hollis School District, as of June 30, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Hollis School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollis School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Robert E. Hum, PLLC

March 18, 2014

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

This section of the Hollis School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2013. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

The District administration is responsible for establishing and accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurance that these objectives are attained.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

1. The first two basic financial statements provide both short-term and long-term information about the district's overall financial status.
2. The remaining basic financial statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school district do financially during the 2012-13 school year?" These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

In the district-wide financial statements the district's activities are listed as governmental activities, which includes most of the district's basic service, such as regular and special education, transportation, and administration. Property taxes and state revenue finance most of the 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 the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The district establishes other funds to control and manage money for particular purposes (like repaying long-term debts) or to show that it is properly using certain revenues (like federal grants).

The district has two types of funds:

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash (and other financial assets that can be readily converted to cash) flows in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. This information does not encompass the additional long-term focus of the district-wide statements. We provide additional information with the governmental funds statements that explain the relationship (or differences) between them. An annual appropriation budget is adopted for governmental funds. A budgetary comparison has been provided for the General and Grant funds to demonstrate compliance with this budget.
- Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the district's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are not included in the district-wide financial statements because the district cannot use these assets to finance its operations.

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Hollis School District

Table 1 Statement of Net Position

	2012	2013	Increase (Decrease)	%Increase- (Decrease)
Current and other assets	980,410	748,266	-232,144	-24%
Capital assets	1,441,521	1,545,756	104,235	7%
Total Assets	<u>2,421,931</u>	<u>2,294,022</u>	<u>-127,909</u>	<u>-16%</u>
Long-term liabilities outstanding	642,164	509,230	-132,934	-21%
Other liabilities	310,604	372,917	62,313	20%
Total Liabilities	<u>952,768</u>	<u>882,147</u>	<u>-70,621</u>	<u>-1%</u>
Net Position:				
Net Investment in Capital Assets	946,783	1,220,908	274,125	29%
Restricted	6,656	7,289	633	10%
Unrestricted	515,724	183,678	-332,046	-64%
Total Net Position	<u>1,469,163</u>	<u>1,411,875</u>	<u>-57,288</u>	<u>-26%</u>

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

Government-Wide Financial Analysis

Statement of Activities

Change in net position for fiscal year 2013 compared to fiscal year 2012:

Revenues:	2013	2012	Change	% Change
Program Revenues:				
Charges for Services	216,075	259,464	-43,389	-16.72%
Operating Grants and Contributions	370,878	332,327	38,551	11.60%
Capital Grants and Contributions	52,795	61,928	-9,133	-14.75%
General Revenues:				
Assessment	7,394,186	7,329,865	64,321	0.88%
Grants and contributions	2,226,201	2,223,323	2,878	0.13%
Miscellaneous	8,610	6,637	1,973	29.73%
Total Revenues	10,268,745	10,213,544	55,201	10.86%
Program Expenses:				
Instruction	4,722,036	4,566,119	155,917	3.41%
Student Support	744,460	720,768	23,692	3.29%
Instructional Staff	309,619	295,683	13,936	4.71%
General Administration	50,953	49,518	1,435	2.90%
Executive Administration	372,678	401,172	-28,494	-7.10%
School Administration	524,899	483,018	41,881	8.67%
Operation and Maintenance of Plant	916,576	908,217	8,359	0.92%
Student Transportation	426,590	419,014	7,576	1.81%
Other	1,779,993	1,718,789	61,204	3.56%
Non-instructional Services	228,304	228,561	-257	-0.11%
Facilities Acquisition and Construction	42,984	9,297	33,687	362.34%
Interest on Long-term Debt	206,941	207,612	-671	-0.32%
Total Expenses	10,326,033	10,007,768	318,265	3.18%
Change in Net Position	-57,288	205,776	-263,064	
Net Position – Beginning	1,469,163	1,263,387		
Net Position – Ending	<u>1,411,875</u>	<u>1,469,163</u>		

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

Hollis School District Activities

The district's expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials. As illustrated in the Statement of Activities there are some account areas where large percentage shifts occurred between fiscal year 2012 and 2013. The primary shifts are highlighted below:

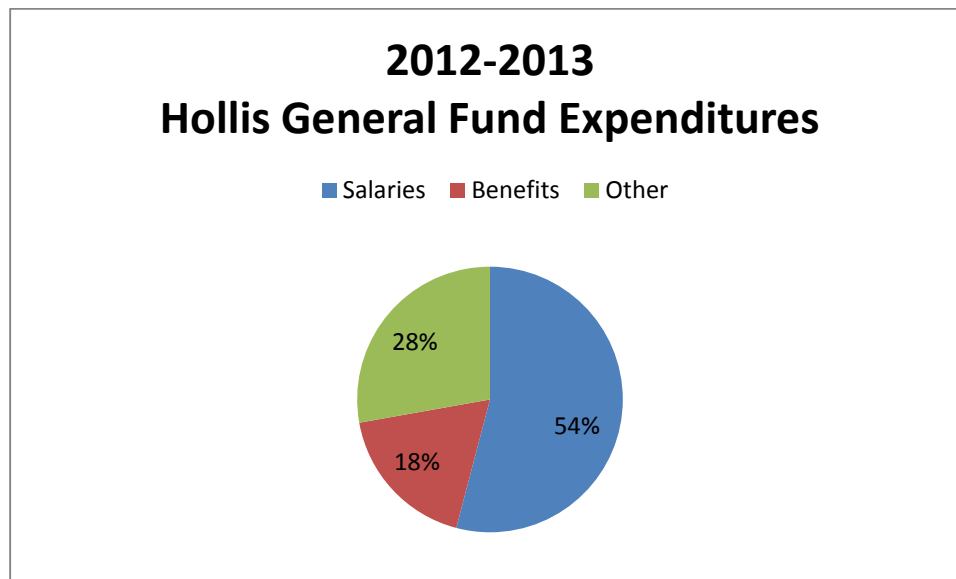
Executive Administration - a reduction in the SAU budget cost was realized based on a net shift of ADM from the Hollis district to the Cooperative district.

School Administration - This increase is primarily caused by reallocation of information technology cost and the contractual increase in salaries for administrative personnel.

Other - This classification contains staff benefits. The increase driver in this case is New Hampshire Retirement; there was a significant increase in rates from 2012.

Facilities Acquisition and Construction - Improvements made to facilities as approved and funded through the maintenance expendable trusts.

All other areas are primarily caused by negotiated staff salary increases per the collective bargaining agreements.



**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2013**

DEBT ADMINISTRATION

The School Administrative Unit carries debt on the renovation of the Hollis Primary School. The debt is scheduled to be retired at the end of FY15.

OTHER DISCUSSION

The district's financial status is sound. Being that the majority of cost is associated to salary and benefits the budget is rather predictable from year to year. With the recent shift to lower cost health insurance plans the district has flattened the cost curve related to health insurance increases.

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator at SAU #41, PO Box 1588, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at eric.horton@sau41.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 402,705
Investments	469
Intergovernmental receivables	329,278
Other receivables	267
Inventory	4,635
Prepaid items	10,912
Capital assets, net of accumulated depreciation:	
Land improvements	300,772
Buildings and building improvements	1,171,232
Machinery, equipment and vehicles	73,752
Total assets	<u>2,294,022</u>
LIABILITIES	
Accounts payable	151,540
Accrued salaries and benefits	30,575
Intergovernmental payable	2,722
Accrued interest payable	174,945
Unearned revenue	13,135
Noncurrent obligations:	
Due within one year:	
Bonds	164,793
Compensated absences	10,196
Due in more than one year:	
Bonds	160,055
Termination benefits	174,186
Total liabilities	<u>882,147</u>
NET POSITION	
Net investment in capital assets	1,220,908
Restricted for special purposes	7,289
Unrestricted	183,678
Total net position	<u>\$ 1,411,875</u>

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

EXHIBIT 2
HOLLIS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2013

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes In Net Position
Governmental activities:					
Instruction	\$ 4,722,036	\$ 26,923	\$ 320,987	\$ -	\$ (4,374,126)
Support services:					
Student	744,460	-	-	-	(744,460)
Instructional staff	309,619	-	2,600	-	(307,019)
General administration	50,953	-	-	-	(50,953)
Executive administration	372,678	-	-	-	(372,678)
School administration	524,899	-	-	-	(524,899)
Operation and maintenance of plant	916,576	8,000	834	-	(907,742)
Student transportation	426,590	-	-	-	(426,590)
Other	1,779,993	-	9,297	-	(1,770,696)
Non-instructional services	228,304	181,152	37,160	-	(9,992)
Facilities acquisition and construction	42,984	-	-	-	(42,984)
Interest on long-term debt	206,941	-	-	52,795	(154,146)
Total governmental activities	<u>\$ 10,326,033</u>	<u>\$ 216,075</u>	<u>\$ 370,878</u>	<u>\$ 52,795</u>	<u>(9,686,285)</u>
General revenues:					
School district assessment					7,394,186
Grants and contributions not restricted to specific programs					2,226,201
Miscellaneous					8,610
Total general revenues					<u>9,628,997</u>
Change in net position					(57,288)
Net position, beginning					<u>1,469,163</u>
Net position, ending					<u>\$ 1,411,875</u>

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

EXHIBIT 3
HOLLIS SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 353,726	\$ -	\$ 48,979	\$ 402,705
Investments	469	-	-	469
Receivables, net of allowance for uncollectibles:				
Accounts	267	-	-	267
Intergovernmental	230,747	85,958	12,573	329,278
Interfund receivable	82,682	-	-	82,682
Inventory	-	-	4,635	4,635
Prepaid items	10,912	-	-	10,912
Total assets	<u>\$ 678,803</u>	<u>\$ 85,958</u>	<u>\$ 66,187</u>	<u>\$ 830,948</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 149,634	\$ 130	\$ 1,776	\$ 151,540
Accrued salaries and benefits	25,426	3,146	2,003	30,575
Intergovernmental payable	2,722	-	-	2,722
Interfund payable	-	82,682	-	82,682
Deferred revenue	1,680	-	11,455	13,135
Total liabilities	<u>179,462</u>	<u>85,958</u>	<u>15,234</u>	<u>280,654</u>
Fund balances:				
Nonspendable	10,912	-	9,657	20,569
Restricted	-	-	2,267	2,267
Committed	125,709	-	39,029	164,738
Assigned	43,011	-	-	43,011
Unassigned	319,709	-	-	319,709
Total fund balances	<u>499,341</u>	<u>-</u>	<u>50,953</u>	<u>550,294</u>
Total liabilities and fund balances	<u>\$ 678,803</u>	<u>\$ 85,958</u>	<u>\$ 66,187</u>	<u>\$ 830,948</u>

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

EXHIBIT 4
HOLLIS SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2013

Total fund balances of governmental funds (Exhibit 3) \$ 550,294

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

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

Cost	\$ 6,523,672	
Less accumulated depreciation	<u>(4,977,916)</u>	
		1,545,756

Interfund receivables and payables between governmental funds are
eliminated on the statement of net position.

Receivables	\$ (82,682)	
Payables	<u>82,682</u>	
		-

Interest on long-term debt is not accrued in governmental funds. (174,945)

Long-term liabilities are not due and payable in the current period,
and therefore, are not reported in the funds.

Bonds	\$ 324,848	
Compensated absences	10,196	
Termination benefits	<u>174,186</u>	
		(509,230)

Net position of governmental activities (Exhibit 1) \$ 1,411,875

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

EXHIBIT 5
HOLLIS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 7,394,186	\$ -	\$ -	\$ 7,394,186
Other local	43,533	-	200,418	243,951
State	2,333,571	-	13,248	2,346,819
Federal	73,272	175,805	34,712	283,789
Total revenues	<u>9,844,562</u>	<u>175,805</u>	<u>248,378</u>	<u>10,268,745</u>
EXPENDITURES				
Current:				
Instruction	4,399,122	163,908	-	4,563,030
Support services:				
Student	725,447	-	19,013	744,460
Instructional staff	307,019	2,600	-	309,619
General administration	50,953	-	-	50,953
Executive administration	371,440	-	-	371,440
School administration	524,730	-	-	524,730
Operation and maintenance of plant	902,500	-	-	902,500
Student transportation	426,590	-	-	426,590
Other	1,770,696	9,297	-	1,779,993
Non-instructional services	-	-	227,637	227,637
Debt service:				
Principal	169,870	-	-	169,870
Interest	204,665	-	-	204,665
Facilities acquisition and construction	288,921	-	6,768	295,689
Total expenditures	<u>10,141,953</u>	<u>175,805</u>	<u>253,418</u>	<u>10,571,176</u>
Deficiency of revenues under expenditures	<u>(297,391)</u>	<u>-</u>	<u>(5,040)</u>	<u>(302,431)</u>
Other financing sources (uses):				
Transfers in	201	-	-	201
Transfers out	-	-	(201)	(201)
Total other financing sources and uses	<u>201</u>	<u>-</u>	<u>(201)</u>	<u>-</u>
Net change in fund balances	(297,190)	-	(5,241)	(302,431)
Fund balances, beginning	796,531	-	56,194	852,725
Fund balances, ending	<u>\$ 499,341</u>	<u>\$ -</u>	<u>\$ 50,953</u>	<u>\$ 550,294</u>

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

EXHIBIT 6
HOLLIS SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net change in fund balances of total governmental funds (Exhibit 5) \$ (302,431)

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

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

Capitalized capital outlay	\$ 252,705	
Depreciation expense	<u>(148,470)</u>	
		104,235

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

Transfers in	\$ (201)	
Transfers out	<u>201</u>	
		-

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

Principal repayment of bonds	169,870
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Increase in accrued interest expense	\$ (2,276)	
Decrease in long-term contract payable	10,250	
Decrease in compensated absences	409	
Increase in termination benefits	<u>(37,345)</u>	
		<u>(28,962)</u>

Change in net position of governmental activities (Exhibit 2)	<u><u>\$ (57,288)</u></u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
HOLLIS SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 6,260
LIABILITIES	
Due to student groups	<u>6,260</u>
NET POSITION	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2013.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

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

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

Government-Wide Financial Statements

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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Fund Financial Statements

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

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

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The School District reports the following major governmental funds:

General Fund – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds, including the activity in the Expendable Trust Funds held by the Town of Hollis Trustees of Trust Funds.

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

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

Fiduciary Funds

The School District reports the following type of fiduciary fund:

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

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

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the School District’s treasurer have custody of all monies belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

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

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

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I.C.2. *Prepaid Items*

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

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

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

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

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

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

I.C.5. *Compensated Absences*

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

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

I.C.6. *Termination Benefits*

Teachers who are over the age of 55 and who have taught for a minimum of fifteen years are eligible for early retirement, which is considered voluntary termination. Teachers who elect to retire early

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receive an early retirement benefit, consisting of a payment of 25% of the teacher's last annual salary. Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.7. *Equity*

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

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

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the balance of the School District's inventory, which can not be spent because of its form, and the principal amount of endowments held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements, and prepaid items.
- Restricted, which represents the expendable portion of the endowments for school purposes held by the Town of Hollis Trustees of Trust Funds. The amount can only be spent for instruction in accordance with the legal restrictions established by the contributors.
- Committed, which represents the balance of the expendable trust funds established by the School District Meeting to be used for support services; the balance of unspent bond proceeds reported in the capital project fund to be used for capital outlay; balances of revenues from grants to be used for instruction and support services; and balances of revenues from charges for services to be used for non-instructional services (food service).
- Assigned, which represents encumbrances for instruction, support services, and non-instructional services, assigned by a vote of the school board or by management through the use of approved purchase orders.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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I.C.8 *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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning fund balance to reduce the district assessment of the following year. In the fiscal year 2013, \$625,731 of the fund balance from the fiscal year 2012 was used.

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

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

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Receivables*

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

Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a

**HOLLIS SCHOOL DISTRICT
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reasonable, systematic method of determining their existence, completeness, valuation and collectability.

III.A.2. Capital Assets

Changes in Capital Assets

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

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Land improvements	\$ 233,700	\$ 252,705	\$ 486,405
Buildings and building improvements	5,891,604	-	5,891,604
Machinery, equipment and vehicles	145,663	-	145,663
Total capital assets being depreciated	<u>6,270,967</u>	<u>252,705</u>	<u>6,523,672</u>
Total all capital assets	<u>6,270,967</u>	<u>252,705</u>	<u>6,523,672</u>
Less accumulated depreciation:			
Land improvements	(161,313)	(24,320)	(185,633)
Buildings and building improvements	(4,608,699)	(111,673)	(4,720,372)
Machinery, equipment and vehicles	(59,434)	(12,477)	(71,911)
Total accumulated depreciation	<u>(4,829,446)</u>	<u>(148,470)</u>	<u>(4,977,916)</u>
Net book value, capital assets being depreciated	<u>1,441,521</u>	<u>104,235</u>	<u>1,545,756</u>
Net book value, all capital assets	<u>\$ 1,441,521</u>	<u>\$ 104,235</u>	<u>\$ 1,545,756</u>

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 121,670
Support services:	
Executive administration	1,238
Operation and maintenance of plant	24,396
Non-instructional services	1,166
Total depreciation expense	<u>\$ 148,470</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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III.B. Long-Term Debt

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2013	Current Portion
General obligation bonds payable:						
School addition	\$ 1,960,000	1995	2015	7.00-6.12	\$ 217,018	\$ 95,000
School addition	\$ 2,937,516	1995	2015	4.25-7.15	107,830	69,793
					<u>324,848</u>	<u>164,793</u>
Compensated absences payable:						
Vested sick leave					7,045	7,045
Accrued vacation leave					<u>3,151</u>	<u>3,151</u>
					<u>10,196</u>	<u>10,196</u>
Termination benefits payable					<u>174,186</u>	<u>-</u>
					<u>\$ 509,230</u>	<u>\$ 174,989</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2013:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Total
Balance, beginning	\$ 494,718	\$ 10,605	\$ 136,841	\$ 642,164
Additions	-	592	37,345	37,937
Reductions	<u>(169,870)</u>	<u>(1,001)</u>	<u>-</u>	<u>(170,871)</u>
Balance, ending	<u>\$ 324,848</u>	<u>\$ 10,196</u>	<u>\$ 174,186</u>	<u>\$ 509,230</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Debt Service Requirements to Maturity

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 164,793	\$ 203,935	\$ 368,728
2015	160,055	202,853	362,908
Totals	<u>\$ 324,848</u>	<u>\$ 406,788</u>	<u>\$ 731,636</u>

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

III.C.1. *Receivables and Payables*

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

The amount due to the General Fund from the Grants Fund of \$82,682 represents an overdraft of pooled cash.

III.C.2. *Transfers*

Transfers within the reporting entity are for the purposes of adding to capital reserve accounts and distributing income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns. The \$201 transferred from the nonmajor funds to the General Fund represents the distribution of income earned on permanent fund endowments.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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III.D. Components of Fund Equity

The components of fund balance, as described in Note I.C.7, are classified for the following purposes:

	General	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Endowment	\$ -	\$ 5,022	\$ 5,022
Inventory	-	4,635	4,635
Prepays	10,912	-	10,912
Total nonspendable	<u>10,912</u>	<u>9,657</u>	<u>20,569</u>
Restricted for Instruction	<u>-</u>	<u>2,267</u>	<u>2,267</u>
Committed for:			
Instruction	125,709	22,777	148,486
Non-instructional services	-	16,182	16,182
Capital outlay	-	70	70
Total committed	<u>125,709</u>	<u>39,029</u>	<u>164,738</u>
Assigned to:			
Instruction	2,315	-	2,315
Support services	40,696	-	40,696
Total assigned	<u>43,011</u>	<u>-</u>	<u>43,011</u>
Unassigned	<u>319,709</u>	<u>-</u>	<u>319,709</u>
Total fund balances	<u>\$ 499,341</u>	<u>\$ 50,953</u>	<u>\$ 550,294</u>

IV. Other Information

IV.A. Risk Management

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

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

**HOLLIS SCHOOL DISTRICT
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Contributions paid for fiscal year 2013 to be recorded as an insurance expenditure/expense totaled \$32,754. There were no unpaid contributions for the year ended June 30, 2013. The School District also paid \$40,632 for workers' compensation and \$16,201 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

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

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rates of contribution from the School District were 11.30% for teachers, and 8.80% for other employees. Employer contributions from the School District during the fiscal years 2011, 2012 and 2013 were \$369,700, \$494,605 and \$496,441, respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 7,394,186	\$ 7,394,186	\$ -
Other local	42,000	43,533	1,533
State	2,320,933	2,333,571	12,638
Federal	10,000	73,272	63,272
Total revenues	<u>9,767,119</u>	<u>9,844,562</u>	<u>77,443</u>
EXPENDITURES			
Current:			
Instruction	4,486,234	4,394,302	91,932
Support services:			
Student	716,058	725,221	(9,163)
Instructional staff	334,418	307,377	27,041
General administration	132,199	50,953	81,246
Executive administration	371,440	371,440	-
School administration	587,730	524,730	63,000
Operation and maintenance of plant	899,916	899,374	542
Student transportation	393,900	426,590	(32,690)
Other	1,797,937	1,770,696	27,241
Debt service:			
Principal	169,870	169,870	-
Interest	204,665	204,665	-
Total expenditures	<u>10,094,367</u>	<u>9,845,218</u>	<u>249,149</u>
Deficiency of revenues under expenditures	<u>(327,248)</u>	<u>(656)</u>	<u>326,592</u>
Other financing sources (uses):			
Transfers in	-	201	201
Transfers out	(298,483)	(298,483)	-
Total other financing sources and uses	<u>(298,483)</u>	<u>(298,282)</u>	<u>201</u>
Net change in fund balance	<u>\$ (625,731)</u>	<u>(298,938)</u>	<u>\$ 326,793</u>
Decrease in nonspendable fund balance		4,915	
Decrease in committed fund balance		286,483	
Unassigned fund balance, beginning		327,249	
Unassigned fund balance, ending		<u>\$ 319,709</u>	

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

EXHIBIT 9
HOLLIS SCHOOL DISTRICT
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 168,424	\$ 175,805	\$ 7,381
EXPENDITURES			
Current:			
Instruction	168,424	163,908	4,516
Support services:			
Instructional staff	-	2,600	(2,600)
Other	-	9,297	(9,297)
Total expenditures	168,424	175,805	(7,381)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

**HOLLIS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Reconciliation of Budgetary Basis to GAAP

General Fund

Expenditures and other financing uses:

Per Exhibit 8 (budgetary basis)	\$ 10,143,701
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Adjustments:

Basis difference:

Encumbrances, beginning	50,825
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Encumbrances, ending	(43,011)
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Perspective difference:

Transfer to expendable trust fund	(298,483)
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Expendable trust fund expenditures	288,921
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Per Exhibit 5 (GAAP basis)	<u>\$ 10,141,953</u>
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For the Grants Fund, there is no difference between the budgetary basis and GAAP.

Excess of Expenditures Over Appropriations

The nonmajor food service fund and major grants fund had an excess of expenditures over appropriations of \$20,740 and \$7,381, respectively, for the fiscal year ended June 30, 2013. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue Funds				
	Food Service	Miscellaneous	Capital Project Fund	Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 25,498	\$ 23,411	\$ 70	\$ -	\$ 48,979
Intergovernmental receivable	5,284	-	-	7,289	12,573
Interfund receivable	-	-	-	-	-
Inventory	4,635	-	-	-	4,635
Total assets	<u>\$ 35,417</u>	<u>\$ 23,411</u>	<u>\$ 70</u>	<u>\$ 7,289</u>	<u>\$ 66,187</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,142	\$ 634	\$ -	\$ -	\$ 1,776
Accrued salaries and benefits	2,003	-	-	-	2,003
Deferred revenue	11,455	-	-	-	11,455
Total liabilities	<u>14,600</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>15,234</u>
Fund balances:					
Nonspendable	4,635	-	-	5,022	9,657
Restricted	-	-	-	2,267	2,267
Committed	16,182	22,777	70	-	39,029
Total fund balances	<u>20,817</u>	<u>22,777</u>	<u>70</u>	<u>7,289</u>	<u>50,953</u>
Total liabilities and fund balances	<u>\$ 35,417</u>	<u>\$ 23,411</u>	<u>\$ 70</u>	<u>\$ 7,289</u>	<u>\$ 66,187</u>

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds				
	Food Service	Miscellaneous	Capital Project Fund	Permanent Fund	Total
REVENUES					
Local	\$ 181,152	\$ 18,432	\$ -	\$ 834	\$ 200,418
State	2,448	10,800	-	-	13,248
Federal	34,712	-	-	-	34,712
Total revenues	<u>218,312</u>	<u>29,232</u>	<u>-</u>	<u>834</u>	<u>248,378</u>
EXPENDITURES					
Current:					
Support services:					
Student	-	19,013	-	-	19,013
Non-instructional services	227,637	-	-	-	227,637
Facilities acquisition and construction	-	-	6,768	-	6,768
Total expenditures	<u>227,637</u>	<u>19,013</u>	<u>6,768</u>	<u>-</u>	<u>253,418</u>
Excess (deficiency) of revenues over (under) expenditures	(9,325)	10,219	(6,768)	834	(5,040)
Other financing uses:					
Transfers out	-	-	-	(201)	(201)
Net change in fund balances	(9,325)	10,219	(6,768)	633	(5,241)
Fund balances, beginning	30,142	12,558	6,838	6,656	56,194
Fund balances, ending	<u>\$ 20,817</u>	<u>\$ 22,777</u>	<u>\$ 70</u>	<u>\$ 7,289</u>	<u>\$ 50,953</u>

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2013

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,394,186	\$ 7,394,186	\$ -
Other local sources:			
Tuition	25,000	26,923	1,923
Investment earnings	5,000	5,741	741
Rentals	8,000	8,000	-
Miscellaneous	4,000	2,869	(1,131)
Total from other local sources	42,000	43,533	1,533
State sources:			
Adequacy aid (grant)	926,496	926,496	-
Adequacy aid (tax)	1,299,705	1,299,705	-
School building aid	52,795	52,795	-
Catastrophic aid	41,937	54,575	12,638
Total from state sources	2,320,933	2,333,571	12,638
Federal sources:			
Medicaid	10,000	73,272	63,272
Other financing sources:			
Transfers in	-	201	201
Total revenues and other financing sources	9,767,119	\$ 9,844,763	\$ 77,644
Use of fund balance to reduce school district assessment	625,731		
Total revenues, other financing sources and use of fund balance	\$ 10,392,850		

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 6,953	\$ 3,275,385	\$ 3,142,754	\$ 685	\$ 138,899
Special programs	182	1,210,849	1,256,368	1,630	(46,967)
Total instruction	<u>7,135</u>	<u>4,486,234</u>	<u>4,399,122</u>	<u>2,315</u>	<u>91,932</u>
Support services:					
Student	226	716,058	725,447	-	(9,163)
Instructional staff	3,907	334,418	307,019	4,265	27,041
General administration	-	132,199	50,953	-	81,246
Executive administration	-	371,440	371,440	-	-
School administration	-	587,730	524,730	-	63,000
Operation and maintenance of plant	39,557	899,916	902,500	36,431	542
Student transportation	-	393,900	426,590	-	(32,690)
Other	-	1,797,937	1,770,696	-	27,241
Total support services	<u>43,690</u>	<u>5,233,598</u>	<u>5,079,375</u>	<u>40,696</u>	<u>157,217</u>
Debt service:					
Principal	-	169,870	169,870	-	-
Interest	-	204,665	204,665	-	-
Total debt service	<u>-</u>	<u>374,535</u>	<u>374,535</u>	<u>-</u>	<u>-</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>298,483</u>	<u>298,483</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 50,825</u>	<u>\$ 10,392,850</u>	<u>\$ 10,151,515</u>	<u>\$ 43,011</u>	<u>\$ 249,149</u>

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2013

Unassigned fund balance, beginning		\$	327,249
Changes:			
Fund balance used to reduce school district assessment			(625,731)
Budget summary:			
Revenue surplus (Exhibit 12)	\$	77,644	
Unexpended balance of appropriations (Exhibit 13)		<u>249,149</u>	
Budget surplus			326,793
Decrease in nonspendable fund balance			4,915
Decrease in committed fund balance			<u>286,483</u>
Unassigned fund balance, ending		\$	<u><u>319,709</u></u>

EXHIBIT 15
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
June 30, 2013

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents:				
Hollis Upper Elementary	\$ 2,510	\$ 29,178	\$ 27,741	\$ 3,947
Hollis Primary	2,140	11,887	11,714	2,313
Total assets	<u>\$ 4,650</u>	<u>\$ 41,065</u>	<u>\$ 39,455</u>	<u>\$ 6,260</u>
Liabilities:				
Due to student groups	<u>\$ 4,650</u>	<u>\$ 41,065</u>	<u>\$ 39,455</u>	<u>\$ 6,260</u>

EXHIBIT 16
HOLLIS SCHOOL DISTRICT
Student Activities Fund
Summary of Activity - Hollis Upper Elementary
For the Fiscal Year Ended June 30, 2013

	Balance, beginning	Additions	Deductions	Balance, ending
Coke	\$ 186	\$ 430	\$ 260	\$ 356
Cross Country	133	1,930	1,908	155
Field Trip	2,036	15,019	14,251	2,804
General	-	85	46	39
Library	-	116	85	31
Petty Cash	-	1,801	1,660	141
Student Council	8	114	67	55
Yearbook	147	9,683	9,464	366
Total	<u>\$ 2,510</u>	<u>\$ 29,178</u>	<u>\$ 27,741</u>	<u>\$ 3,947</u>

EXHIBIT 17
HOLLIS SCHOOL DISTRICT
Student Activities Fund
Summary of Activity - Hollis Primary School
For the Fiscal Year Ended June 30, 2013

	Balance, beginning	Additions	Deductions	Balance, ending
Coke	\$ 250	\$ 1,301	\$ 1,186	\$ 365
Field Trip	1,595	9,397	9,396	1,596
3rd Grade Musical	295	1,189	1,132	352
Total	<u>\$ 2,140</u>	<u>\$ 11,887</u>	<u>\$ 11,714</u>	<u>\$ 2,313</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Hollis School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 a 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Roberts & Greene, PLLC

March 18, 2014