

SANBORN REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the School Board
Sanborn Regional School District
Kingston, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sanborn 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 the Sanborn Regional School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sanborn Regional School District, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

The management's discussion and analysis, appearing on the following pages, and the supplementary information appearing on page 32 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.

In addition, the Schedules of Nonmajor and Agency funds appearing on pages 33 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Sanborn Regional School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sanborn Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 14,073,634 (i.e., net assets), a change of \$ 906,220 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,646,643, a change of \$ 103,514 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 498,977, a change of \$ (367,412) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable and capital leases payable) at the close of the current fiscal year was \$ 18,875,702, a change of \$ (1,849,075) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current assets	\$ 2,124,845	\$ 1,741,872
Capital assets	33,864,139	34,417,819
Total assets	<u>35,988,984</u>	<u>36,159,691</u>
Long-term liabilities	19,062,292	20,362,107
Other liabilities	2,853,058	2,630,170
Total liabilities	<u>21,915,350</u>	<u>22,992,277</u>
Net assets:		
Invested in capital assets, net	14,988,437	13,693,042
Restricted	277,689	275,030
Unrestricted	<u>(1,192,492)</u>	<u>(800,658)</u>
Total net assets	<u>\$ 14,073,634</u>	<u>\$ 13,167,414</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 539,065	\$ 482,211
Operating grants and contributions	4,898,215	4,235,326
General revenues:		
School district assessments	16,924,270	17,314,083
Grants and contributions not restricted to specific programs	7,376,539	7,253,817
Investment income	11,654	26,567
Miscellaneous	<u>100,990</u>	<u>103,488</u>
Total revenues	<u>29,850,733</u>	<u>29,415,492</u>

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	
	<u>2010</u>	<u>2009</u>
Expenses:		
Instruction	17,916,039	16,929,652
Student services	1,890,206	1,888,892
Instructional staff	512,401	508,985
General administration	116,215	124,737
Executive administration	547,428	559,743
School administration	1,530,938	1,491,855
Business	365,208	353,849
Operations and maintenance	3,317,671	3,338,177
Transportation	1,024,302	1,003,767
Other	612,098	676,015
Non-instructional services	634,767	561,800
Interest	477,240	551,004
Total expenses	<u>28,944,513</u>	<u>27,988,476</u>
Change in net assets	906,220	1,427,016
Net assets - beginning of year	<u>13,167,414</u>	<u>11,740,398</u>
Net assets - end of year	<u>\$ 14,073,634</u>	<u>\$ 13,167,414</u>

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net assets were \$ 14,073,634, a change of \$ 906,220 from the prior year.

The largest portion of net assets \$ 14,988,437 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and vehicles), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 277,689 represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets deficit of \$ (1,192,492) primarily results from the use of fund balance

in fiscal year 2010 and the recognition of the District's OPEB Liability. (See Note 14).

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 906,220. Key elements of this change are as follows:

Revenues in excess of budget	\$ 75,193
Expenditures less than budget	398,989
Increase in OPEB liability	(587,379)
Debt service principal paydowns in excess of depreciation	1,125,712
Other	<u>(106,295)</u>
Total	<u>\$ 906,220</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,646,643, a change of \$ 103,514 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in in excess of expenditures	\$ 94,364
Special revenue fund revenues over expenditures	6,491
Trust fund revenues over expenditures	<u>2,659</u>
Total	<u>\$ 103,514</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 498,977, while total fund balance was \$ 1,168,709. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.77 percent of total general fund expenditures, while total fund balance represents 4.15 percent of that same amount.

The fund balance of the general fund changed by \$ 79,340 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance	\$ (866,390)
Revenues in excess of budget	75,193
Expenditures less than budget	398,989
Change in encumbrances	<u>471,548</u>
Total	<u>\$ 79,340</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the original General fund budget. However, Management did transfer appropriations between operating categories, as allowable per District policies.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$ 33,864,139 (net of accumulated depreciation), a change of \$ (553,680) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded and capital leases payable outstanding was \$ 18,875,702, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Sanborn Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sanborn Regional School District
178 Main Street
Kingston, New Hampshire 03848

SANBORN REGIONAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 928,116
Intergovernmental receivable	200,824
Other receivables	993,780
Other assets	2,125
Noncurrent:	
Capital assets:	
Land and construction in progress	1,135,707
Other assets, net of accumulated depreciation	<u>32,728,432</u>
TOTAL ASSETS	35,988,984
 LIABILITIES	
Current:	
Accounts payable	435,142
Accrued liabilities	364,176
Current portion of long-term liabilities:	
Bonds payable	1,747,252
Capital lease	14,253
Compensated absences	292,235
Noncurrent:	
Bonds payable, net of current portion	17,114,197
Compensated absences, net of current portion	793,620
Net OPEB obligation	<u>1,154,475</u>
TOTAL LIABILITIES	21,915,350
 NET ASSETS	
Invested in capital assets, net of related debt	14,988,437
Restricted for:	
Expendable permanent funds	277,689
Unrestricted	<u>(1,192,492)</u>
TOTAL NET ASSETS	\$ <u><u>14,073,634</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

		<u>Program Revenues</u>		<u>Net(Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 17,916,039	\$ 21,213	\$ 4,759,810	\$ (13,135,016)
Support services:				
Student	1,890,206	-	-	(1,890,206)
Instructional staff	512,401	-	-	(512,401)
General administration	116,215	-	-	(116,215)
Executive administration	547,428	-	-	(547,428)
School administration	1,530,938	-	-	(1,530,938)
Business	365,208	-	-	(365,208)
Operation and maintenance of plant	3,317,671	75,572	-	(3,242,099)
Student transportation	1,024,302	-	-	(1,024,302)
Other	612,098	-	-	(612,098)
Non-instructional services	634,767	442,280	138,405	(54,082)
Interest on long-term debt	477,240	-	-	(477,240)
	<u>477,240</u>	<u>-</u>	<u>-</u>	<u>(477,240)</u>
Total Governmental Activities	<u>\$ 28,944,513</u>	<u>\$ 539,065</u>	<u>\$ 4,898,215</u>	(23,507,233)
		General Revenues:		
				16,924,270
				7,376,539
				11,654
				<u>100,990</u>
				<u>24,413,453</u>
				906,220
		Net Assets:		
				<u>13,167,414</u>
				<u>\$ 14,073,634</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

ASSETS	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and cash equivalents	\$ 503,389	\$ 424,727	\$ 928,116
Receivables:			
Accounts receivable	972,477	21,303	993,780
Intergovernmental	-	200,824	200,824
Interfund receivable	188,635	30,294	218,929
Other assets	<u>2,125</u>	<u>-</u>	<u>2,125</u>
TOTAL ASSETS	\$ <u>1,666,626</u>	\$ <u>677,148</u>	\$ <u>2,343,774</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 432,235	\$ 2,907	\$ 435,142
Accrued liabilities	35,388	-	35,388
Interfund payable	30,294	188,635	218,929
Unearned revenue	<u>-</u>	<u>7,672</u>	<u>7,672</u>
TOTAL LIABILITIES	497,917	199,214	697,131
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	669,732	-	669,732
Unreserved:			
Undesignated, reported in:			
General fund	498,977	-	498,977
Special revenue funds	-	200,245	200,245
Permanent funds	<u>-</u>	<u>277,689</u>	<u>277,689</u>
TOTAL FUND BALANCES	<u>1,168,709</u>	<u>477,934</u>	<u>1,646,643</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,666,626</u>	\$ <u>677,148</u>	\$ <u>2,343,774</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total governmental fund balances	\$ 1,646,643
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,864,139
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(321,116)
• Long-term liabilities, including bonds payable, compensated absences, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(21,116,032)</u>
Net assets of governmental activities	<u>\$ 14,073,634</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
School District assessment	\$ 16,924,270	\$ -	\$ 16,924,270
Intergovernmental:			
Local	3,587,322	-	3,587,322
State	6,588,621	11,999	6,600,620
Federal	1,178,321	1,019,204	2,197,525
Charges for services	-	529,342	529,342
Investment income	<u>8,693</u>	<u>2,961</u>	<u>11,654</u>
Total Revenues	28,287,227	1,563,506	29,850,733
Expenditures:			
Current:			
Instruction	16,060,765	706,579	16,767,344
Support services:			
Student services	1,662,280	223,617	1,885,897
Instructional staff	494,179	5,850	500,029
General administration	115,286	-	115,286
Executive administration	530,867	-	530,867
School administration	1,557,427	-	1,557,427
Business	359,146	-	359,146
Operation and maintenance of plant	3,298,994	-	3,298,994
Student transportation	1,024,302	-	1,024,302
Other	612,098	-	612,098
Non-instructional services	22,624	618,310	640,934
Debt service	2,343,963	-	2,343,963
Facilities acquisition and construction	<u>110,932</u>	<u>-</u>	<u>110,932</u>
Total Expenditures	<u>28,192,863</u>	<u>1,554,356</u>	<u>29,747,219</u>
Excess (deficiency) of revenues over expenditures	94,364	9,150	103,514
Other Financing Sources (Uses):			
Transfers in	-	15,024	15,024
Transfers out	<u>(15,024)</u>	<u>-</u>	<u>(15,024)</u>
Total Other Financing Sources (Uses)	<u>(15,024)</u>	<u>15,024</u>	<u>-</u>
Change in fund balance	79,340	24,174	103,514
Fund Equity, at Beginning of Year, as reclassified	<u>1,089,369</u>	<u>453,760</u>	<u>1,543,129</u>
Fund Equity, at End of Year	<u>\$ 1,168,709</u>	<u>\$ 477,934</u>	<u>\$ 1,646,643</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 103,514
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	156,082
Depreciation	(709,762)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Repayments of debt	1,835,474
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding reported until due. 	
	31,249
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
Compensated absences	63,441
Capital lease	13,601
OPEB obligation	<u>(587,379)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>906,220</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
School District Assessment	\$ 19,567,958	\$ 19,567,958	\$ 19,567,958	\$ -
Intergovernmental:				
Local	3,190,649	3,190,649	3,172,407	(18,242)
State	4,917,513	4,917,513	3,944,934	(972,579)
Federal	100,000	100,000	1,178,321	1,078,321
Investment income	21,000	21,000	8,693	(12,307)
Other financing sources:				
Use of fund balance	<u>866,390</u>	<u>866,390</u>	<u>866,390</u>	<u>-</u>
Total Revenues	28,663,510	28,663,510	28,738,703	75,193
Expenditures and other uses:				
Current:				
Instruction	16,002,759	15,951,981	15,689,982	261,999
Support services:				
Student services	1,696,878	1,682,878	1,662,280	20,598
Instructional staff	535,653	518,131	500,216	17,915
General administration	165,726	119,129	114,847	4,282
Executive administration	605,937	554,243	544,624	9,619
School administration	1,504,535	1,569,107	1,557,637	11,470
Business	358,069	382,041	374,016	8,025
Operation and maintenance of plant	3,310,658	3,734,872	3,692,225	42,647
Student transportation	1,124,689	1,040,510	1,024,302	16,208
Other	775,520	612,237	612,098	139
Non-instructional services	44,624	29,104	22,993	6,111
Debt service	2,343,962	2,343,962	2,343,962	-
Facilities acquisition and construction	179,500	110,315	110,315	-
Other financing uses:				
Transfers out	<u>15,000</u>	<u>15,000</u>	<u>15,024</u>	<u>(24)</u>
Total Expenditures	<u>28,663,510</u>	<u>28,663,510</u>	<u>28,264,521</u>	<u>398,989</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>474,182</u>	\$ <u>474,182</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>135,589</u>
Total Assets	\$ <u><u>135,589</u></u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>135,589</u>
Total Liabilities	\$ <u><u>135,589</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Sanborn Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2010, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School District assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-

wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include District assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *agency fund* is used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	5 - 75
Land improvements	50
Machinery equipment and vehicles	7 - 25

G. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. All vested sick and pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 28,287,227	\$ 28,192,863
Other financing sources/uses (GAAP basis)	-	15,024
Subtotal (GAAP Basis)	28,287,227	28,207,887
Reverse beginning of year appropriation carryforwards from expenditures	-	(53,883)
Add end of year appropriation carryforwards to expenditures	-	584,731
Reverse NHRS on behalf contribution	(414,914)	(414,914)
Recognize use of fund balance as funding source	866,390	-
To reverse nonbudgeted activity	-	(59,300)
Budgetary basis	<u>\$ 28,738,703</u>	<u>\$ 28,264,521</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The District does not have a deposit policy for custodial credit risk.

As of June 30, 2010, \$ 38,938 of the District's bank balance of \$ 1,923,199 was exposed to custodial credit risk as uninsured and uncollateralized. Of the District's \$ 1,188,174 deposit in repurchase agreements, all of the underlying securities are held by the investment's counterparty, not in the name of the District. Of the District's \$ 38,938 exposed to custodial credit risk, \$ 11,250 was on deposit with the New Hampshire Public Deposit Investment Pool (PDIP).

4. Receivables

Receivables consist of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal 2010.

5. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2010 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 188,635	\$ 30,294
Special Revenue Funds:		
Grants Fund	-	186,756
Food Service Fund	30,294	-
Facilities Revolving Fund	-	1,879
Total	\$ <u>218,929</u>	\$ <u>218,929</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 35,958	\$ 49	\$ -	\$ 36,007
Machinery, equipment, and vehicles	946	87	-	1,033
Land improvements	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>
Total capital assets, being depreciated	37,266	136	-	37,402
Less accumulated depreciation for:				
Buildings and improvements	(3,525)	(580)	-	(4,105)
Machinery, equipment, and vehicles	(391)	(103)	-	(494)
Land improvements	<u>(48)</u>	<u>(27)</u>	<u>-</u>	<u>(75)</u>
Total accumulated depreciation	<u>(3,964)</u>	<u>(710)</u>	<u>-</u>	<u>(4,674)</u>
Total capital assets, being depreciated, net	33,302	(574)	-	32,728
Capital assets, not being depreciated:				
Land	1,101	-	-	1,101
Construction in progress	<u>15</u>	<u>35</u>	<u>(15)</u>	<u>35</u>
Total capital assets, not being depreciated	<u>1,116</u>	<u>35</u>	<u>(15)</u>	<u>1,136</u>
Governmental activities capital assets, net	<u>\$ 34,418</u>	<u>\$ (539)</u>	<u>\$ (15)</u>	<u>\$ 33,864</u>

Depreciation expense was charged to functions of the District as follows (in thousands):

Governmental Activities:

Instruction	\$ 681
Support services:	
Executive administration	1
Operation and maintenance of plant	<u>28</u>
Total depreciation expense - governmental activities	<u>\$ 710</u>

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent additional 2010 expenditures paid in the next fiscal year.

8. Unearned Revenue

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

9. Capital Lease Obligations

The District is the lessee of certain equipment under a capital lease expiring in fiscal year 2011. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2010:

	<u>Capital Leases</u>
2011	\$ <u>14,935</u>
Total minimum lease payments	14,935
Less amounts representing interest	<u>(682)</u>
Present Value of Minimum Lease Payments	\$ <u><u>14,253</u></u>

10. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/10</u>
High School	08/15/24	4.54%	\$ <u>18,861,449</u>
Total Governmental Activities:			\$ <u><u>18,861,449</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,747,252	\$ 596,085	\$ 2,343,337
2012	1,666,458	678,379	2,344,837
2013	1,576,010	767,328	2,343,338
2014	1,495,516	848,197	2,343,713
2015	1,420,200	925,513	2,345,713
2016-2020	6,144,448	5,582,729	11,727,177
2021-2025	<u>4,811,565</u>	<u>6,915,341</u>	<u>11,726,906</u>
Total	<u>\$ 18,861,449</u>	<u>\$ 16,313,572</u>	<u>\$ 35,175,021</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2010.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/09</u>	Additions	Reductions	Total Balance <u>6/30/10</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/10</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 20,697	\$ -	\$ (1,836)	\$ 18,861	\$ (1,747)	\$ 17,114
Other:						
Lease payable	28	-	(14)	14	(14)	-
Compensated absences	1,149	20	(83)	1,086	(292)	794
Net OPEB obligation	<u>567</u>	<u>587</u>	<u>-</u>	<u>1,154</u>	<u>-</u>	<u>1,154</u>
Totals	<u>\$ 22,441</u>	<u>\$ 607</u>	<u>\$ (1,933)</u>	<u>\$ 21,115</u>	<u>\$ (2,053)</u>	<u>\$ 19,062</u>

11. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

12. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves and designations are reported at June 30, 2010:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

13. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the District is involved. The District's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

14. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the District provides post-employment health care and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2008, the actuarial valuation date, approximately 99 retirees and 297 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan; however, the retirees' cost is blended with active employees' rates.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2010, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2008.

Annual Required Contribution (ARC)	\$ 969,176
Interest on net OPEB obligation	22,684
Adjustment to ARC	<u>(31,540)</u>
Annual OPEB cost	960,320
Contributions made	<u>(372,941)</u>
Change in net OPEB obligation	587,379
Net OPEB obligation - beginning of year	<u>567,096</u>
Net OPEB obligation - end of year	<u>\$ 1,154,475</u>

The 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 ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 960,320	38.8%	\$ 1,154,475
2009	\$ 922,366	38.5%	\$ 567,096

The payroll for employees covered by the System for the year ended June 30, 2010, was \$ 12,925,708. Contribution requirements for the year ended June 30, 2010, were as follows:

State of New Hampshire	\$ 414,915
School District	1,013,908
Employees' contributions	<u>646,401</u>
Total	<u>\$ 2,075,224</u>

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

17. Beginning Fund Balance Reclassification

The District's major governmental funds for fiscal year 2010, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/09 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/09 (as restated)
Special Education Expendable Trust	\$ 222,652	\$ (222,652)	\$ -
Nonmajor funds	<u>231,108</u>	<u>222,652</u>	<u>453,760</u>
Total	<u>\$ 453,760</u>	<u>\$ -</u>	<u>\$ 453,760</u>

**SANBORN REGIONAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 6,717,411	\$ 6,717,411	0.0%	\$ 12,330,808	54.48%

See Independent Auditors' Report.

SANBORN REGIONAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2010

	Special Revenue Funds			Permanent Funds		Total
	Grants Fund	Food Service	Facilities Revolving	Facilities Expendable Trust Fund	Special Education Expendable Trust Fund	
Cash and cash equivalents	\$ -	\$ 7,888	\$ 139,150	\$ 52,909	\$ 224,780	\$ 424,727
Receivables:						
Accounts receivable	-	11,489	9,814	-	-	21,303
Intergovernmental	190,416	10,408	-	-	-	200,824
Interfund receivable	-	30,294	-	-	-	30,294
TOTAL ASSETS	\$ 190,416	\$ 60,079	\$ 148,964	\$ 52,909	\$ 224,780	\$ 677,148
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	2,907	-	-	-	2,907
Interfund payable	186,756	-	1,879	-	-	188,635
Deferred revenue	3,660	4,012	-	-	-	7,672
TOTAL LIABILITIES	190,416	6,919	1,879	-	-	199,214
Fund Balances:						
Unreserved:						
Undesignated, reported in:						
Special revenue funds	-	53,160	147,085	-	-	200,245
Permanent funds	-	-	-	52,909	224,780	277,689
TOTAL FUND BALANCES	-	53,160	147,085	52,909	224,780	477,934
TOTAL LIABILITIES AND FUND BALANCES	\$ 190,416	\$ 60,079	\$ 148,964	\$ 52,909	\$ 224,780	\$ 677,148

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Permanent Funds		Total
	Grants Fund	Food Service	Facilities Revolving	Facilities Expendable Trust Fund	Special Education Expendable Trust Fund	
Revenues:						
Intergovernmental:						
State	\$ 4,825	\$ 7,174	\$ -	\$ -	\$ -	\$ 11,999
Federal	887,973	131,231	-	-	-	1,019,204
Charges for services	-	453,770	75,572	-	-	529,342
Investment income	-	69	233	531	2,128	2,961
Total Revenues	892,798	592,244	75,805	531	2,128	1,563,506
Expenditures:						
Instruction	706,579	-	-	-	-	706,579
Support services:						
Student services	180,369	-	43,248	-	-	223,617
Instructional staff	5,850	-	-	-	-	5,850
Non-instructional services	-	618,310	-	-	-	618,310
Total Expenditures	892,798	618,310	43,248	-	-	1,554,356
Excess (deficiency) of revenues over expenditures	-	(26,066)	32,557	531	2,128	9,150
Other Financing Sources (Uses):						
Transfers in	-	15,024	-	-	-	15,024
Total Other Financing Sources (Uses)	-	15,024	-	-	-	15,024
Change in fund balance	-	(11,042)	32,557	531	2,128	24,174
Fund Equity, at Beginning of Year, as reclassified	-	64,202	114,528	52,378	222,652	453,760
Fund Equity, at End of Year	\$ -	\$ 53,160	\$ 147,085	\$ 52,909	\$ 224,780	\$ 477,934

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2010

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2010</u>
Assets:				
Cash and cash equivalents:				
Athletic account	\$ -	\$ 85,692	\$ 85,692	\$ -
High School	73,871	149,234	164,548	58,557
Middle School	30,547	49,607	45,947	34,207
Memorial School	23,556	19,662	18,118	25,100
Daniel Bakie School	13,979	19,685	15,939	17,725
Total Assets	<u>\$ 141,953</u>	<u>\$ 323,880</u>	<u>\$ 330,244</u>	<u>\$ 135,589</u>
Liabilities:				
Due to student groups	<u>141,953</u>	<u>323,880</u>	<u>330,244</u>	<u>135,589</u>
Total liabilities	<u>\$ 141,953</u>	<u>\$ 323,880</u>	<u>\$ 330,244</u>	<u>\$ 135,589</u>

See Independent Auditors' report.