

**WILTON-LYNDEBOROUGH
COOPERATIVE SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Assets	3
B Statement of Activities	4
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	5
C-2 Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	6
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances	7
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
<i>Budgetary Comparison Information</i>	
D-1 Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	9
D-2 Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Food Service Fund	10
<i>Fiduciary Funds</i>	
E Statement of Fiduciary Net Assets	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12 - 24
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of Funding Progress for Other Postemployment Benefit Plan	25
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	26
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)	27
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	28
3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)	29
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	30
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	31
<i>Agency Funds</i>	
6 Combining Schedule of Changes in Student Activity Funds	32

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	33 - 34
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	35 - 36
I Summary Schedule of Prior Audit Findings.....	37 - 38
II Schedule of Findings and Questioned Costs.....	39 - 41
III Schedule of Expenditures of Federal Awards.....	42
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	43



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Wilton-Lyndeborough Cooperative School District
Wilton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilton-Lyndeborough Cooperative School District as of and for the year ended June 30, 2012 which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1-L to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the government-wide financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Wilton-Lyndeborough Cooperative School District as of June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, 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 Wilton-Lyndeborough Cooperative School District as of June 30, 2012, and the respective changes in financial position for the year then ended and the respective budgetary comparison for the general and food service funds in conformity with accounting principles generally accepted in the United States of America.

The Wilton-Lyndeborough Cooperative School District has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilton-Lyndeborough Cooperative School District's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

*Wilton-Lyndeborough Cooperative School District
Independent Auditor's Report*

financial schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

February 20, 2013

Steryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 483,952
Intergovernmental receivable	327,401
Inventory	13,018
Total assets	824,371
LIABILITIES	
Accounts payable	47,841
Intergovernmental payable	9,101
Accrued interest payable	50,608
Contracts payable	29,627
Unearned revenue	2,372
Noncurrent obligations:	
Due within one year:	
Bond	325,000
Due in more than one year:	
Bond	2,255,000
Compensated absences	81,347
Total liabilities	2,800,896
NET ASSETS	
Invested in capital assets, net of related debt	(2,580,000)
Restricted for capital project	35,720
Restricted for food service	13,018
Restricted for donations	1,899
Unrestricted	552,838
Total net assets	\$ (1,976,525)

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

EXHIBIT B
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 6,475,026	\$ 16,466	\$ 298,491	\$ -	\$ (6,160,069)
Support services:					
Student	965,252	-	103,488	-	(861,764)
Instructional staff	284,827	-	117,746	-	(167,081)
General administration	37,433	-	1,072	-	(36,361)
Executive administration	437,984	-	-	-	(437,984)
School administration	649,138	-	-	-	(649,138)
Business	271,865	-	-	-	(271,865)
Operation and maintenance of plant	929,227	-	-	-	(929,227)
Student transportation	526,460	-	46	-	(526,414)
Other	164,974	-	1,857	-	(163,117)
Noninstructional services	223,360	102,633	99,899	-	(20,828)
Interest on long-term debt	134,009	-	-	130,000	(4,009)
Facilities acquisition and construction	649,185	-	-	471,844	(177,341)
Total governmental activities	<u>\$ 11,748,740</u>	<u>\$ 119,099</u>	<u>\$ 622,599</u>	<u>\$ 601,844</u>	<u>(10,405,198)</u>
General revenues:					
School district assessment					8,861,718
Grants and contributions not restricted to specific programs					1,952,707
Interest					5,023
Miscellaneous					16,482
Total general revenues					<u>10,835,930</u>
Change in net assets					430,732
Net assets, beginning					(2,407,257)
Net assets, ending					<u>\$ (1,976,525)</u>

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

EXHIBIT C-1
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2012

	General	Food Service	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 370,297	\$ 113,655	\$ -	\$ -	\$ 483,952
Intergovernmental receivable	254,094	14,205	36,813	22,289	327,401
Interfund receivable	147,777	-	28,534	-	176,311
Inventory	-	13,018	-	-	13,018
Total assets	\$ 772,168	\$ 140,878	\$ 65,347	\$ 22,289	\$ 1,000,682
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 47,841	\$ -	\$ -	\$ -	\$ 47,841
Intergovernmental payable	9,101	-	-	-	9,101
Interfund payable	28,534	125,488	-	22,289	176,311
Contracts payable	-	-	29,627	-	29,627
Deferred revenue	-	2,372	-	-	2,372
Total liabilities	85,476	127,860	29,627	22,289	265,252
Fund balances:					
Nonspendable	-	13,018	-	-	13,018
Restricted	1,899	-	26,720	-	28,619
Committed	281,821	-	-	-	281,821
Assigned	105,150	-	9,000	-	114,150
Unassigned	297,822	-	-	-	297,822
Total fund balances	686,692	13,018	35,720	-	735,430
Total liabilities and fund balances	\$ 772,168	\$ 140,878	\$ 65,347	\$ 22,289	\$ 1,000,682

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

EXHIBIT C-2
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2012

Total fund balances of governmental funds (Exhibit C-1)		\$ 735,430
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Assets.		
Receivables	\$ (176,311)	
Payables	<u>176,311</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(50,608)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ (2,580,000)	
Compensated absences	<u>(81,347)</u>	<u>(2,661,347)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ (1,976,525)</u></u>

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

EXHIBIT C-3
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2012

	General	Food Service	Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
School district assessment	\$ 8,672,718	\$ -	\$ 189,000	\$ -	\$ 8,861,718
Other local	37,971	102,633	-	-	140,604
State	2,021,313	2,451	471,844	261	2,495,869
Federal	197,161	97,448	-	386,672	681,281
Total revenues	<u>10,929,163</u>	<u>202,532</u>	<u>660,844</u>	<u>386,933</u>	<u>12,179,472</u>
Expenditures:					
Current:					
Instruction	6,296,415	-	-	162,724	6,459,139
Support services:					
Student	861,764	-	-	103,488	965,252
Instructional staff	167,081	-	-	117,746	284,827
General administration	36,361	-	-	1,072	37,433
Executive administration	437,984	-	-	-	437,984
School administration	649,138	-	-	-	649,138
Business	271,865	-	-	-	271,865
Operation and maintenance of plant	929,227	-	-	-	929,227
Student transportation	526,414	-	-	46	526,460
Other	163,117	-	-	1,857	164,974
Noninstructional services	-	223,360	-	-	223,360
Debt service:					
Principal	325,000	-	-	-	325,000
Interest	143,982	-	-	-	143,982
Facilities acquisition and construction	20,310	-	625,124	3,751	649,185
Total expenditures	<u>10,828,658</u>	<u>223,360</u>	<u>625,124</u>	<u>390,684</u>	<u>12,067,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,505</u>	<u>(20,828)</u>	<u>35,720</u>	<u>(3,751)</u>	<u>111,646</u>
Other financing sources (uses):					
Transfers in	-	27,261	-	-	27,261
Transfers out	(27,261)	-	-	-	(27,261)
Total other financing sources and uses	<u>(27,261)</u>	<u>27,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	73,244	6,433	35,720	(3,751)	111,646
Fund balances, beginning	613,448	6,585	-	3,751	623,784
Fund balances, ending	<u>\$ 686,692</u>	<u>\$ 13,018</u>	<u>\$ 35,720</u>	<u>\$ -</u>	<u>\$ 735,430</u>

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

EXHIBIT C-4
WILTON-LYNDEBOROUGH COOPERATIVE 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, 2012

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 111,646
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (27,261)	
Transfers out	<u>27,261</u>	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Principal repayment of bond		325,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 9,973	
Increase in compensated absences payable	<u>(15,887)</u>	(5,914)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 430,732</u>

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

EXHIBIT D-1
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
School district assessment	\$ 8,672,718	\$ 8,672,718	\$ 8,672,718	\$ -
Other local	149,000	149,000	37,793	(111,207)
State	1,923,607	1,988,655	2,021,313	32,658
Federal	66,519	66,519	197,161	130,642
Total revenues	<u>10,811,844</u>	<u>10,876,892</u>	<u>10,928,985</u>	<u>52,093</u>
Expenditures:				
Current:				
Instruction	6,344,887	6,409,935	6,259,753	150,182
Support services:				
Student	1,057,001	928,841	856,213	72,628
Instructional staff	168,518	167,384	165,779	1,605
General administration	82,621	82,621	35,839	46,782
Executive administration	403,365	403,365	437,984	(34,619)
School administration	668,431	668,431	645,728	22,703
Business	279,876	279,876	271,640	8,236
Operation and maintenance of plant	795,416	924,710	971,918	(47,208)
Student transportation	579,769	579,769	526,339	53,430
Other	157,298	157,298	160,869	(3,571)
Debt service:				
Principal	325,000	325,000	325,000	-
Interest	143,982	143,982	143,982	-
Facilities acquisition and construction	-	19,224	51,981	(32,757)
Total expenditures	<u>11,006,164</u>	<u>11,090,436</u>	<u>10,853,025</u>	<u>237,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,320)</u>	<u>(213,544)</u>	<u>75,960</u>	<u>289,504</u>
Other financing sources (uses):				
Transfers in	73,000	92,224	92,277	53
Transfers out	(50,000)	(50,000)	(77,261)	(27,261)
Total other financing sources and uses	<u>23,000</u>	<u>42,224</u>	<u>15,016</u>	<u>(27,208)</u>
Net change in fund balance	<u>\$ (171,320)</u>	<u>\$ (171,320)</u>	90,976	<u>\$ 262,296</u>
Decrease in nonspendable fund balance			327	
Increase committed fund balance			(55,000)	
Unassigned fund balance, beginning			261,519	
Unassigned fund balance, ending			<u>\$ 297,822</u>	

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

EXHIBIT D-2
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Local:			
Sales	\$ 144,639	\$ 98,766	\$ (45,873)
Miscellaneous	-	3,867	3,867
State:			
Lunch reimbursement	7,000	2,451	(4,549)
Federal:			
Lunch reimbursement	53,447	69,531	16,084
Breakfast reimbursement	-	14,410	14,410
USDA commodities	-	13,507	13,507
Total revenues	<u>205,086</u>	<u>202,532</u>	<u>(2,554)</u>
Expenditures:			
Current:			
Noninstructional services	<u>205,086</u>	<u>223,360</u>	<u>(18,274)</u>
Deficiency of revenues under expenditures	-	(20,828)	(20,828)
Other financing sources:			
Transfers in	<u>-</u>	<u>27,261</u>	<u>(27,261)</u>
Net change in fund balance	<u>\$ -</u>	<u>6,433</u>	<u>\$ (20,828)</u>
Fund balance, beginning		<u>6,585</u>	
Fund balance, ending		<u><u>\$ 13,018</u></u>	

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

EXHIBIT E
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 63,217
LIABILITIES	
Due to student groups	<u>63,217</u>
NET ASSETS	<u><u>\$ -</u></u>

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

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Presentation	1-B
Measurement Focus	1-C
Cash and Cash Equivalents	1-D
Receivables	1-E
Interfund Balances	1-F
Inventory	1-G
Deferred/Unearned Revenue	1-H
Compensated Absences	1-I
Long-Term Obligations	1-J
Claims and Judgments	1-K
Equity/Fund Balance Classifications	1-L
Interfund Activities	1-M
Use of Estimates	1-N
 Stewardship, Compliance, and Accountability	 2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Excess of Expenditures over Appropriations	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Receivables	4
Interfund Balances and Transfers	5
Long-Term Liabilities	6
Commitments/Encumbrances	7
Governmental Activities Net Assets	8
Governmental Fund Balances	9
Employee Retirement Plan	10
Other Postemployment Benefits (OPEB)	11
Risk Management	12
Contingent Liabilities	13
Governmental Accounting Standards Board (GASB) Statements	14
Subsequent Events	15

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Wilton-Lyndeborough Cooperative School District, in Wilton, New Hampshire (the School District) is a municipal corporation governed by an elected 9-member School Board. The accompanying financial statements of the Wilton-Lyndeborough Cooperative School District are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board, and (1) the School District is able to significantly influence the programs or services performed or provided by the organizations; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the School District's financial reporting entity.

The more significant of the School District's accounting policies are described below.

1-B Basis of Presentation

Government-wide Financial Statements – The government-wide financial statements display information about the School District as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Assets presents information on all of the entity's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Vehicle maintenance, pension benefit, property and liability insurance, claims and judgments, and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of School District services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided; and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental categories.

Governmental Activities – Governmental funds are identified as general, special revenue, and capital project funds, based upon the following guidelines:

General Fund – is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital project) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

Fiduciary Fund Types – These funds account for resources held by the School District for the benefit of other parties and include the agency funds. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Assets. These funds are as follows:

Agency Funds – are used to account for resources held by the School District in a purely custodial capacity and include the assets held for and due to the student groups for their student activity funds.

Major Funds – The School District reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Food Service Fund – accounts for the operation of the School District's food service program.

Capital Project Fund – the Lyndeborough Central School capital project fund accounts for the activity pertaining to the construction of an addition of a kindergarten classroom.

Nonmajor Funds – The School District also reports two nonmajor governmental funds.

1-C Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The district assessment is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current period. District assessment, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the School District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues – Nonexchange Transactions – Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e. collected within 60 days) before it can be recognized.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

1-D Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash 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 cash equivalents."

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and 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.

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of intergovernmental receivables.

1-F Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

1-G Inventory

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District's food service fund consist of food items and expendable supplies for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

1-H Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables, or other assets are recorded prior to their being earned. In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide Statement of Net Assets, deferred revenue is classified as unearned revenue.

1-I Compensated Absences

The School District's policy allows certain employees to earn varying amounts of sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of sick pay are reported as long-term liabilities in the Statement of Net Assets.

1-J Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

1-K Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

1-L Equity/Fund Balance Classifications

Government-wide Statements – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt. Because the School District has not reported its capital assets, this amount is a large negative figure.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Balances Classification – The Wilton-Lyndeborough Cooperative School District has previously implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for fiscal year ending June 30, 2011. GASB Statement No. 54 established fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The School District has classified the food service fund inventories as being nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The School District has classified certain donations received from outside sources as being restricted.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. Legislative body votes relative to the use of unassigned fund balance at year-end, including expendable trust funds which are legally segregated for funding specific expenditures, in addition to non-lapsing appropriations, are included in this classification. The balances in the capital reserve funds at year-end are included in this classification.

Assigned – This classification includes amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The School District has assigned funds consisting of encumbrances in both the general and capital project funds at year-end.

Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of the fund balances are included in Note 9 – Governmental Fund Balances. As discussed in Note 1-C, restricted funds are used first as appropriate, followed by committed resources, and then assigned resources, as appropriate opportunities arise. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

1-M Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-N Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District’s operations. At its annual meeting, the School District adopts a budget for the current year for the general, and food service funds, as well as the nonmajor (grants) fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2012, \$171,320 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures – Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 11,021,262
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	178
To remove transfers from the general fund to the expendable trust funds	(92,277)
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,929,163</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 10,930,286
Adjustments:	
Basis difference:	
Encumbrances, beginning	80,783
Encumbrances, ending	(105,150)
GASB Statement No. 54:	
To remove transfer from the general fund to the expendable trust fund	(50,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,855,919</u>

2-C Excess of Expenditures over Appropriations

The food service fund had an excess of expenditures over appropriations for the year ended June 30, 2012 in the amount of \$18,274. Overexpenditures were due to the unanticipated increase costs in food. This overexpenditure was covered by an operating transfer in from the general fund at year-end.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the School District's bank balances of \$547,169 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Assets (Exhibit A)	\$ 483,952
Cash per Statement of Fiduciary Net Assets (Exhibit E)	63,217
Total cash and cash equivalents	<u>\$ 547,169</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental amounts arising from Medicaid, grants, school lunch program, the capital reserve funds held in the custody of the Town of Wilton trustees of trust funds, and state reimbursement related to the major capital project fund. 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 reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of at June 30, 2012, are as follows:

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 125,488
	Nonmajor	22,289
Capital Project	General	28,534
		<u>\$ 176,311</u>

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Interfund transfers during the year ended June 30, 2012 are as follows:

	Transfers In:
	Food
	Service
Transfers out:	
General fund	\$ 27,261

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – LONG-TERM LIABILITIES

Changes in the School District’s long-term obligations consisted of the following for the year ended June 30, 2012:

	General Obligation Bond Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 2,905,000	\$ 65,460	\$ 2,970,460
Additions	-	15,887	15,887
Reductions	(325,000)	-	(325,000)
Balance, ending	\$ 2,580,000	\$ 81,347	\$ 2,661,347

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Current Portion
General obligation bond payable:						
Middle/High School renovations	\$ 6,476,775	1999	2020	4.5-5.250	\$ 2,580,000	\$ 325,000
Compensated absences payable:						
Vested sick leave					81,347	-
Total					\$ 2,661,347	\$ 325,000

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 325,000	\$ 126,919	\$ 451,919
2014	325,000	109,856	434,856
2015	325,000	92,794	417,794
2016	325,000	75,731	400,731
2017	320,000	58,800	378,800
2018-2020	960,000	75,600	1,035,600
Totals	\$ 2,580,000	\$ 539,700	\$ 3,119,700

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 7 – COMMITMENTS/ENCUMBRANCES

The School District entered into several construction contracts during the fiscal year for building improvements, and other capital projects. As of June 30, 2012, the School District had an outstanding construction contract totaling \$29,627 that will be financed from bond proceeds/operating funds. This commitment represents the balance due to Hutter Construction for the kindergarten classroom project. Other significant commitments include encumbrances outstanding for the general fund and capital projects funds.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Encumbrances reported at June 30, 2012 are as follows:

General fund:	
Current:	
Instruction:	
Regular programs	\$ 3,713
Other	3,200
Total instruction	<u>6,913</u>
Support services:	
Executive administration	733
School administration	60
Operation and maintenance of plant	62,022
Total support services	<u>62,815</u>
Facilities acquisition and construction	<u>35,422</u>
Capital project fund:	
Facilities acquisition and construction	<u>9,000</u>
Total encumbrances	<u><u>\$ 114,150</u></u>

NOTE 8 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide Statement of Net Assets at June 30, 2012 include the following:

Invested in capital assets, net of related debt:	
Net property, buildings, and equipment	\$ -
Less:	
General obligation bond payable	<u>(2,580,000)</u>
Total invested in capital assets, net of related debt	<u>(2,580,000)</u>
Restricted for:	
Capital project	35,720
Food service	13,018
Donations	1,899
Unrestricted	<u>552,838</u>
Total net assets	<u><u>\$ (1,976,525)</u></u>

NOTE 9 – GOVERNMENTAL FUND BALANCES

Nonspendable:	
Major fund:	
Food service:	
Inventory	\$ 13,018
Restricted:	
Major funds:	
General	\$ 1,899
Capital project	<u>26,720</u>
Total restricted fund balance	28,619

(Continued)

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Capital reserves	\$ 226,821	
March 2012 Annual Meeting Articles 11 and 12	<u>55,000</u>	
Total committed fund balance		281,821
Assigned:		
Major funds:		
General:		
Encumbrances	\$ 105,150	
Capital project:		
Encumbrances	<u>9,000</u>	
Total assigned fund balance		114,150
Unassigned:		
Major fund:		
General		<u>297,822</u>
Total governmental fund balances		<u><u>\$ 735,430</u></u>

NOTE 10 – EMPLOYEE RETIREMENT PLAN

The School District participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2012, the School District contributed 11.09% for teachers and 13.95% for other employees in July and for August through June the School District contributed 8.80% for teachers and 11.30% for other employees. The contribution requirements for the fiscal years 2010, 2011, and 2012 were \$178,307, \$373,534, and \$481,015, respectively, which were paid in full in each year.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in the preceding note, the School District provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, or collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. There are 7 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as amended by GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employee Plans* in December 2009. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. GASB Statement No. 45 was implemented by the School District during the 2009-2010

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

fiscal year, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. Nevertheless, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate 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 normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012:

Annual required contribution/OPEB cost	\$ 17,951
Contributions made (pay-as-you-go)	<u>(17,951)</u>
Increase in net OPEB obligation	-
Net OPEB obligation, beginning	<u>-</u>
Net OPEB obligation, ending	<u><u>\$ -</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$17,951	\$17,951	100%	\$0

As of July 1, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$184,220, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$184,220. The covered payroll (annual payroll of active employees covered by the plan) was \$4,677,992 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 4.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual health care cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 20, 2012 was 15.59 years.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

NOTE 12 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2012, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2011 to July 1, 2012 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose.

The estimated net contribution from the Wilton-Lyndeborough Cooperative School District billed and paid for the year ended June 30, 2012 was \$18,647 for workers' compensation and \$34,106 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 13 – CONTINGENT LIABILITIES

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 14 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The following GASB pronouncements were effective for the School District for the fiscal year ended June 30, 2012; however, neither GASB Statement impacted these financial statements:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employee Plans*, issued in December 2009, and

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the School District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the School District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the School District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of the Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the School District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 20, 2013, the date the June 30, 2012 financial statements were issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2009	\$ -	\$ 184,220	\$ 184,220	0.00%	\$ 4,677,992	4.1%

The note to the required supplementary information is an integral part of this schedule.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits for the fiscal year ended June 30, 2012.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 8,672,718	\$ 8,672,718	\$ -
Other local sources:			
Tuition	13,000	16,466	3,466
Investment earnings	2,000	5,023	3,023
Miscellaneous	134,000	16,304	(117,696)
Total from other local sources	<u>149,000</u>	<u>37,793</u>	<u>(111,207)</u>
State sources:			
Adequacy aid (grant)	1,307,970	1,307,970	-
Adequacy aid (tax)	389,999	389,999	-
School building aid	130,000	130,000	-
Kindergarten aid	12,075	15,525	3,450
Catastrophic aid	146,611	165,109	18,498
Vocational aid	2,000	847	(1,153)
Driver education	-	4,200	4,200
Other state aid	-	7,663	7,663
Total from state sources	<u>1,988,655</u>	<u>2,021,313</u>	<u>32,658</u>
Federal sources:			
Medicaid	-	130,642	130,642
Ed Jobs fund	66,519	66,519	-
Total from federal sources	<u>66,519</u>	<u>197,161</u>	<u>130,642</u>
Other financing sources:			
Transfers in	92,224	92,277	53
Total revenues and other financing sources	10,969,116	<u>\$ 11,021,262</u>	<u>\$ 52,146</u>
Use of fund balance to reduce school district assessment	171,320		
Total revenues, other financing sources, and use of fund balance	<u>\$ 11,140,436</u>		

SCHEDULE 2
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 7,208	\$ 4,369,349	\$ 4,380,379	\$ 3,713	\$ (7,535)
Special programs	27,067	1,878,944	1,790,420	-	115,591
Vocational programs	-	23,900	5,642	-	18,258
Other	9,300	137,742	119,974	3,200	23,868
Total instruction	<u>43,575</u>	<u>6,409,935</u>	<u>6,296,415</u>	<u>6,913</u>	<u>150,182</u>
Support services:					
Student	5,551	928,841	861,764	-	72,628
Instructional staff	1,302	167,384	167,081	-	1,605
General administration	1,256	82,621	36,361	734	46,782
Executive administration	-	403,365	437,984	-	(34,619)
School administration	3,470	668,431	649,138	60	22,703
Business	225	279,876	271,865	-	8,236
Operation and maintenance of plant	19,330	924,710	929,227	62,021	(47,208)
Student transportation	75	579,769	526,414	-	53,430
Other	2,248	157,298	163,117	-	(3,571)
Total support services	<u>33,457</u>	<u>4,192,295</u>	<u>4,042,951</u>	<u>62,815</u>	<u>119,986</u>
Debt service:					
Principal of long-term debt	-	325,000	325,000	-	-
Interest on long-term debt	-	143,982	143,982	-	-
Total debt service	<u>-</u>	<u>468,982</u>	<u>468,982</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>3,751</u>	<u>19,224</u>	<u>20,310</u>	<u>35,422</u>	<u>(32,757)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>50,000</u>	<u>77,261</u>	<u>-</u>	<u>(27,261)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 80,783</u>	<u>\$ 11,140,436</u>	<u>\$ 10,905,919</u>	<u>\$ 105,150</u>	<u>\$ 210,150</u>

SCHEDULE 3
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

Unassigned fund balance, beginning		\$ 261,519
Changes:		
Unassigned fund balance used to reduce school district assessment		(171,320)
2011-2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 52,146	
Unexpended balance of appropriations (Schedule 2)	<u>210,150</u>	
2011-2012 Budget surplus		262,296
Decrease in restricted fund balance		327
Increase in committed fund balance		<u>(55,000)</u>
Unassigned fund balance, ending		<u><u>\$ 297,822</u></u>

SCHEDULE 4
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Fund Grants	Capital Project Fund FRES Building Improvements	Total
ASSETS			
Intergovernmental receivable	\$ 22,289	\$ -	\$ 22,289
LIABILITIES			
Liabilities:			
Interfund payable	\$ 22,289	\$ -	\$ 22,289

SCHEDULE 5
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund Grants	Capital Project Fund FRES Building Improvements	Total
Revenues:			
State	\$ 261	\$ -	\$ 261
Federal	386,672	-	386,672
Total revenues	<u>386,933</u>	<u>-</u>	<u>386,933</u>
Expenditures:			
Current:			
Instruction	162,724	-	162,724
Support services:			
Student	103,488	-	103,488
Instructional staff	117,746	-	117,746
General administration	1,072	-	1,072
Student transportation	46	-	46
Other	1,857	-	1,857
Facilities acquisition and construction	-	3,751	3,751
Total expenditures	<u>386,933</u>	<u>3,751</u>	<u>390,684</u>
Net change in fund balances	-	(3,751)	(3,751)
Fund balances, beginning	-	3,751	3,751
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE 6
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2012

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Schools:				
Middle & High School	\$ 38,592	\$ 87,698	\$ 76,946	\$ 49,344
Lyndeborough Central	1,715	7,688	7,600	1,803
Florence Rideout	12,530	15,405	15,865	12,070
Sports Account	904	6,000	6,904	-
Totals	<u>\$ 53,741</u>	<u>\$ 116,791</u>	<u>\$ 107,315</u>	<u>\$ 63,217</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the School Board
Wilton-Lyndeborough Cooperative School District
Wilton, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilton-Lyndeborough Cooperative School District, as of and for the year ended June 30, 2012, which collectively comprise the Wilton-Lyndeborough Cooperative School District's basic financial statements and have issued our report thereon dated February 20, 2013. Our report on the financial statements of the governmental activities was adverse as indicated therein. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Wilton-Lyndeborough Cooperative School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Wilton-Lyndeborough Cooperative School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wilton-Lyndeborough Cooperative School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilton-Lyndeborough Cooperative School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting as items 12-01, 12-02, 12-03, and 12-04. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wilton-Lyndeborough Cooperative School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Wilton-Lyndeborough Cooperative School District
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

The Wilton-Lyndeborough Cooperative School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Wilton-Lyndeborough Cooperative School District's responses and, accordingly, we express no opinion on the responses.

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



PLODZIK & SANDERSON
Professional Association

February 20, 2013



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the School Board
Wilton-Lyndeborough Cooperative School District
Wilton, New Hampshire

Compliance

We have audited the Wilton-Lyndeborough Cooperative School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Wilton-Lyndeborough Cooperative School District's major federal programs for the year ended June 30, 2012. The Wilton-Lyndeborough Cooperative School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Wilton-Lyndeborough Cooperative School District's management. Our responsibility is to express an opinion on the Wilton-Lyndeborough Cooperative School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wilton-Lyndeborough Cooperative School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Wilton-Lyndeborough Cooperative School District's compliance with those requirements.

In our opinion, the Wilton-Lyndeborough Cooperative School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-05.

Internal Control over Compliance

Management of the Wilton-Lyndeborough Cooperative School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Wilton-Lyndeborough Cooperative School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wilton-Lyndeborough Cooperative School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct,

***Wilton-Lyndeborough Cooperative School District
Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect
on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133***

noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The Wilton-Lyndeborough Cooperative School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Wilton-Lyndeborough Cooperative School District's response and, accordingly, we express no opinion on the response.

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

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

February 20, 2013

SCHEDULE I
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

**Auditor
Reference
Number**

11-03 U.S. Department of Education: CFDA No. 84.358: Rural Education; and U.S. Department of Education passed through the State of New Hampshire Department of Education: CFDA No. 84.367: Improving Teacher Quality State Grants

Criteria: All credit card charges should be for the School District use and be supported by the proper documentation to avoid unauthorized expenditures.

Condition: In the large and unusual disbursement test, we noted that four of six credit card disbursements reviewed were missing multiple receipts, only had summary receipts, and/or were for inappropriate disbursements (movie purchases, alcohol and limousine services). The inappropriate disbursements were charged to the Improving Teacher Quality State Grants and Rural Education grant. In addition, an employee is charging the credit card for personal items, which are later reimbursed by School District funds.

Effect: Unauthorized expenditures have been charged to the Federal Grants Fund and to the General Fund.

Recommendation: A formal credit card policy should be adopted by the District. In addition, we recommend that the School District require that supporting receipts be submitted for all charges incurred that are both reasonable and appropriate for the School District. Finally, under no circumstances should personal items be charged to the School District's credit card.

Questioned Costs: Rural Education - \$1,952.03; and Improving Teacher Quality State Grants - \$193.48 for inappropriate expenses charged to the grants as well as missing receipt documentation.

Management Response: The Superintendent acknowledges the findings under credit card disbursements and will put into practice policies that will ensure compliance in this regard in the future. The specific issues that were found in the findings do not reflect the facts that items that were charged were also reimbursed in cash to off-set the expenditures.

Status: Corrective action has been taken.

11-04 Criteria: School District policy requires that purchase orders be completed and approved prior to the procuring of goods and services and that purchase orders should be in agreement with the corresponding invoice. Invoices should be paid in a timely manner in order to avoid incurring late fees.

Condition: During expenditure testing for the Federal compliance audit, we noted one instance out of thirty-five where the purchase order was completed and approved after the invoice date; and one purchase order that was approved for \$200.00; however, the costs on the invoice totaled \$650.00. In addition, through the disbursement test in the financial statement workpapers it was noted that four disbursements out of thirty-four requiring a purchase order did not have one completed; seven purchase orders out of thirty-two completed were dated after the expenditure was incurred; and seven invoices out of forty were not paid in a timely manner.

Effect: The School District is not in compliance with the procurement requirements and is not following their purchasing policies.

Recommendation: We recommend that the School District follow its policies regarding purchase orders without exception.

Management Response: The Business Administrator acknowledges this recommendation and staff has been directed to have a focused effort towards purchase order monitoring and timing of payments. Staff communication will center on purchase requisitions and need for final purchase order approval prior to expending. The current financial system does not have a change order capability and the 2013 budget if approved, has a request to upgrade to a "real-time" system to enhance approval of price changes.

Status: Corrective action has been taken.

SCHEDULE I (Continued)
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

- 11-11** **Criteria:** The State of New Hampshire, Department of Education (NH DOE) *Federal Funds Handbook* states that equipment is any tangible personal property having an acquisition cost of \$100 or more per unit and a useful life of more than one year. Any item meeting this criterion is required to be tagged with a NH DOE inventory sticker. It further states that individual property records must be accurately maintained for each item.
- Condition:** The School District did not include two pieces of equipment purchased with Federal funds in the fiscal year on its Federal equipment inventory listing and in turn, inventory stickers were not requested from NH DOE for these items. It was also noted that eleven laptops purchased with the same grant funding in the prior fiscal year through School Administrative Unit No. 63 still have not been reported on the grant's inventory listing nor have inventory stickers been requested.
- Cause:** The School District appears to have a weakness in oversight related to equipment.
- Effect:** The School District is not in compliance with equipment requirements.
- Recommendation:** We recommend that the School District ensure that all equipment items purchased with Federal funds be assigned inventory stickers and be included on the School District's Federal equipment inventory listing.
- Management Response:** The Business Administrator acknowledges this finding and inventory for the two pieces of equipment (\$119.95 & \$108.95) are currently in process for approval. Staff has been communicated with to immediately implement the reporting of the laptops previously thought completed. The district is currently in compliance with this requirement for all subsequent purchases.
- Status:** Corrective action has been taken; however, two of the above noted laptops still have yet to be tagged with inventory stickers.
- 11-12** **Criteria:** According to *2 CFR part 180*, Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.
- Condition:** During testing it was noted that the School District contracted with a vendor for over \$25,000 where the School District did not verify that the vendor wasn't suspended or debarred from doing business with the Federal Government.
- Cause:** The School District had put into place a policy to ensure that vendors not suspended or debarred from doing business with the Federal Government; however, this contract originated before this policy was put into place.
- Effect:** The School District is not in compliance with procurement and suspension and debarment requirements.
- Recommendation:** We recommend that any individuals or organizations that the School District contracts with in the future for over \$25,000 that are paid with Federal funds be verified by the School District that they are not suspended or debarred.
- Management Response:** The Business Administrator acknowledges this finding and as mentioned in the cause above, the policy was put into place after this particular contract had been written on May 26, 2010. The district is currently in compliance with this procurement and suspension and debarment requirement on all subsequent verifications.
- Status:** Corrective action has been taken.

SCHEDULE II
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of each major fund and the aggregate remaining fund information, and an adverse opinion on the financial statements of the governmental activities.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were four significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. Federal Awards

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There is one audit finding required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The programs tested as major programs are the Title I, Part A Cluster; and Special Education Cluster.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Wilton-Lyndeborough Cooperative School District was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

12-01 Signing of Checks and Accounts Payable Manifests

Criteria: State RSA 197:23-a states in part that, "The treasurer shall have custody of all moneys belonging to the district and shall pay out the same only upon orders of the school board or upon orders of the 2 or more members of the school board empowered by the school board as a whole to authorize payments."

Condition: While updating internal controls over disbursements for goods and services it was noted that checks are released prior to the accounts payable manifests being signed by a majority of the School Board. It was also noted that a School District employee, someone other than the Treasurer is using the Treasurer's stamp to sign checks.

Cause: The School District has reduced the number of board members to two for manifest review and appears to continue the use of the Treasurer's stamp for practicality and to expedite payment.

Effect: Payments included on the accounts payable manifests are not properly authorized for disbursement. Also without the Treasurer reviewing and signing the checks the Treasurer is unaware of what checks are being paid.

Recommendation: We recommend that a majority of the School Board review and formally approve all accounts payable manifests prior to the Treasurer releasing checks for payment. It is also recommended that the Treasurer take custody of the Treasurer's stamp and by the only individual who uses the stamp.

Management Response: Management acknowledges this recommendation of the Auditor and the Board revised its School District payment policy to provide that two designated members of the Board review and approve the manifest instead of a majority of the Board, prior to the Treasurer releasing checks. The Treasurer is responsible for the disbursement of all checks and given the absence of an electronic signature in the financial software, has at times through e-mail correspondence granted prior approval for the use of the stamp.

SCHEDULE II (Continued)
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

12-02 High School Student Activity Fund

Criteria: Student activity funds are agency funds for which the School District is acting in a custodial capacity; therefore, it is imperative that strong internal controls exist to ensure that funds are safely maintained, no disbursements are made without proper authorization, and a regular accounting of the transactions within each activity is prepared.

Condition: While auditing the High School student activity fund it was noted that deposits are not being made in a timely manner and of the fifteen disbursements tested, two did not have any supporting documentation.

Cause: The School District appears to have a weakness in following through on placing supporting documentation on record and has already started to improve this and deposit sooner; however this was not put into place until after the fiscal year.

Effect: The longer funds are held onto prior to deposit the increased risk that they will be lost or stolen. Without proper supporting documentation for disbursements, it cannot be determined what the disbursements are for.

Recommendation: We recommend that all deposits be made in a timely manner, at a minimum once a week, and that disbursements be supported by appropriate documentation.

Management Response: Management acknowledges this finding and the School Principal has immediately implemented a closer review of supporting documentation and has communicated with the Auditor an agreed upon minimal \$ threshold to be held in the locked front office for future deposit.

12-03 Food Service Fund

Criteria: Reconciliation procedures should be in place, so that the general ledger and food service fund revenues are balanced on a monthly basis. Issue relates primarily to revenues.

Condition: Upon review of the general ledger reports and information from the food service fund it was noted that the revenues are not being reconciled on a monthly basis. In many instances the general ledger activity could not be supported by appropriate documentation.

Cause: The School District had a weakness in management reporting of revenue to the business office, the Director was subsequently replaced and improvements are now happening.

Effect: Financial statements of the food service fund are not fairly stated.

Recommendation: The revenue on general ledger for the food service fund needs to be reconciled to the records maintained by the Food Service Director, so that both are in agreement. If any differences are found they should then be investigated and corrected immediately.

Management Response: Management acknowledges this recommendation and the Business Office along with the newly hired Food Service Director has immediately implemented these reconciliation and is resolving any differences as identified.

12-04 School Board Policies

Criteria: The School Board should have policies that require that management and employees establish and maintain an environment throughout the School District that sets a positive and supportive attitude toward internal control and conscientious management.

Condition: The School Board has not yet formally adopted any policies for disaster recovery and formalized equipment used which are essential tools necessary to manage the School Board's operations efficiently and effectively.

Cause: The School District has been working through a number of policies since consolidating and these have yet to be addressed.

Effect: The School Board is at greater risk for exposure to losses by not having adequate policies in place.

SCHEDULE II (Continued)
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Recommendation: We strongly recommend that the School Board develop and formally adopt the above noted policies in order to clearly communicate the School Board's position on these issues.

Management Response: Management acknowledges this finding and will work with the School Board to formally define positions on these issues and look to the NH School Board Association for additional guidance and policy templates for application and modification.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**12-05 U.S. Department of Education passed through the State of New Hampshire Department of Education:
Title I, Part A Cluster**

Criteria: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* states in Attachment B: *Selected Items of Cost*; Section 8 *Compensation for Personnel Services*; Subsection h: *Support of Salaries and Wages* that “where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by a periodic certification that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

This subsection goes on to say: “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)...”

Subsection (5) states “Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee;
- (b) They must account for the total activity for which each employee is compensated;
- (c) They must be prepared at least monthly and must coincide with one or more pay periods;
- (d) They must be signed by the employee; and
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal programs.

The State of New Hampshire, Department of Education further requires that all support for salaries and wages be signed by the employee's supervisor as well as the employee.

Condition: While performing compliance testing over payroll expenditures it was noted that the Title I Director's timesheets for the fiscal year were not signed by the employee's supervisor.

Cause: The School District had a conflict between management oversight and support staff which has now been resolved with changes in staff, however this interface was not corrected until after the fiscal year.

Effect: The School District is not in compliance with allowable costs/cost principle requirements.

Recommendation: We recommend that the School District make sure that all timesheets are properly approved.

Management Response: Management acknowledges this finding and the issues that existed and hindered compliance have been resolved. The District is currently in compliance on all subsequent timesheet approvals.

SCHEDULE III
WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 14,410
National School Lunch Program <i>(note 3)</i>	10.555	N/A	82,275
Special Milk Program for Children	10.556	N/A	764
<i>CLUSTER TOTAL</i>			<u>97,449</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of New Hampshire Department of Education			
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies:			
Title I - A	84.010	10152	6,603
Title I	84.010	20152	82,569
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	1,490
<i>CLUSTER TOTAL</i>			<u>90,662</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA	84.027	22518	129,138
IDEA Consolidated Grant	84.027	12537	3,072
Special Education - Preschool Grants:			
Preschool	84.173	22518	2,483
Preschool	84.173	12537	251
Special Education - Grants to States, Recovery Act	84.391	N/A	88,006
Special Education - Preschool Grants, Recovery Act	84.392	N/A	4,000
<i>CLUSTER TOTAL</i>			<u>226,950</u>
Improving Teacher Quality State Grants:			
Title II - Part A	84.367	24638	42,180
Title IIA	84.367	14638	9,957
<i>PROGRAM TOTAL</i>			<u>52,137</u>
Education Jobs Fund	84.410	18288	66,519
DIRECT FUNDING			
U.S. DEPARTMENT OF EDUCATION			
Rural Education	84.358	N/A	16,922
<i>Total Expenditures of Federal Awards</i>			<u>\$ 550,639</u>

The accompanying notes are an integral part of this schedule.

WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
JUNE 30, 2012

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the Wilton-Lyndeborough Cooperative School District under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Wilton-Lyndeborough Cooperative School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Wilton-Lyndeborough Cooperative School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received.