

LITCHFIELD SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

LITCHFIELD SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 16
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
A Statement of Net Assets	17
B Statement of Activities	18
Fund Financial Statements:	
Governmental Funds	
C-1 Balance Sheet	19
C-2 Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	20
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances	21
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Fiduciary Funds	
D Statement of Fiduciary Net Assets	23
NOTES TO THE BASIC FINANCIAL STATEMENTS	24 - 33
REQUIRED SUPPLEMENTARY INFORMATION	
E-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	34
E-2 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (GAAP Basis) - Grants Fund	35
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	36 - 37
COMBINING AND INDIVIDUAL FUND SCHEDULES	
GOVERNMENTAL FUNDS	
Major General Fund	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)	38
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	39
3 Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)	40
Nonmajor Governmental Funds	
4 Combining Balance Sheet	41
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	42
FIDUCIARY FUNDS	
Agency Funds	
6 Combining Schedule of Changes in Student Activities Funds	43

**LITCHFIELD SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

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.....	44 - 45
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	46 - 47
I Schedule of Findings and Questioned Costs.....	48
II Schedule of Expenditures of Federal Awards.....	49
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	50



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Litchfield School District as of and for the year ended June 30, 2009, which collectively comprise the Litchfield 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Litchfield School District as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report January 15, 2010 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

January 15, 2010

Gregory A. Colby, CPA
PLODZIK & SANDERSON
Professional Association

LITCHFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #27, as management of the Litchfield School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2009. The District has prepared this discussion and analysis to encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets for the year ending June 30, 2009, were \$8,093,919. Net assets increased by \$257,310 between July 1, 2008 total and June 30, 2009. The District's total net assets consisted of \$8,055,132 in capital assets net of debt and an unrestricted net asset balance of \$38,787.
- The District's long-term bonds for Campbell High School as of June 30, 2009 total \$4,485,000. These liabilities are reflected as a reduction in net assets.
- The District did not initiate any new construction projects nor issue any bonds in fiscal year 2009.
- During the year, the District's General Fund budgetary expenditures of \$18,363,109 were \$516,345 less than the final adjusted budget, and the General Fund budgetary revenues of \$18,468,130 were \$56,212 higher than the final adjusted budget. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, and contributions not restricted to purpose).
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was \$522,557, or 2.85% of total General Fund expenditures, up 11.8% from the prior year. Major contributing factors to this fund balance were: \$56,212 in excess revenues which must be returned to the year-end fund balance; an under spend in Special Education student specific budget accounts of approximately \$230,000 as these anticipated expenses which were budgeted for specific students were not required; an under spend in self-funded programs of \$50,171; and a \$56,000 under spend in the vocational education program contributed due to fewer students attending the regional technology centers. Year-end spending restraints implemented by the Superintendent in order to return a higher year-end fund balance to help reduce taxes were also a major contributor.
- The School District accepted impact fees in the amount of \$31,877 from the Town of Litchfield which were used to offset architectural and engineering costs relative to the consideration of a new elementary school building.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

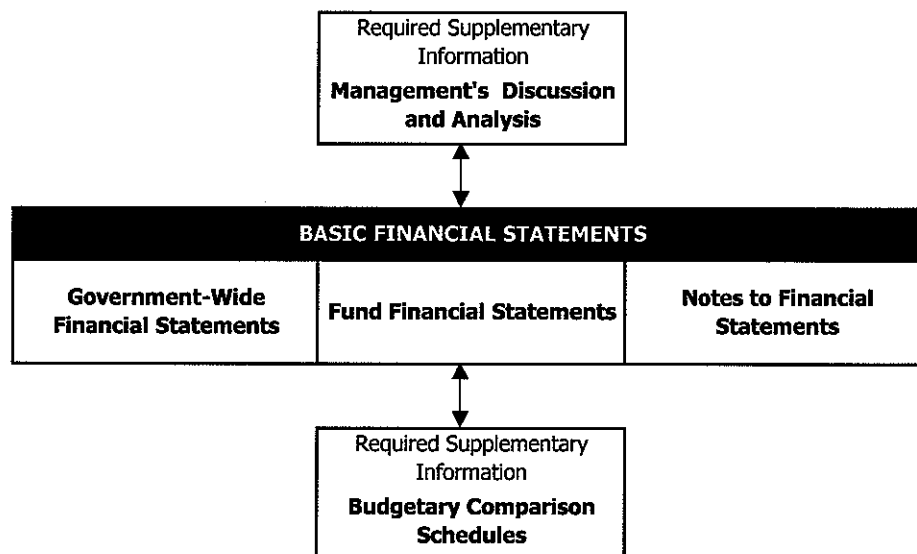
OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes to the financial statements, and related financial information. Our annual financial report consists of five elements: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

The following exhibit summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire District government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Assets	Balance Sheet	Statement of Fiduciary Assets
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Assets (not required for agency funds)
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

Government-wide Financial Statements

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities." These functions are accounted for in the General Fund, Food Service Fund, Grants Fund, and the Expendable Trust Fund. Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund definitions are part of a state mandated uniform accounting system and chart of accounts for all New Hampshire School Districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. General Fund, Food Service Fund, Grants Fund and the Expendable Trust Fund are consolidated as Governmental Funds. Both the General Fund and Grants Fund expenditures are compared to budget in the Budgetary Comparison Schedules. Non-major funds include Food Service and the Expendable Trust Funds. All Food Service revenues are expended on program operations and the Grants Fund revenues are spent mainly on instruction. Fiduciary Funds are agency funds established to account for monies belonging to student groups, and are shown on a separate schedule.

Notes To The Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

Net Assets for the period ending June 30, 2009

Total net assets at year end were \$7,836,609, an increase of \$24,087 or 0.31% over the prior year.

Net Assets	2009	2008	Variance %
Current Assets	1,377,299	1,801,431	-23.54%
Non-current Assets	12,540,132	12,516,704	0.19%
Total Assets	13,917,431	14,318,135	-2.80%
Current Liabilities	628,740	615,546	2.14%
Non-current Liabilities	5,194,772	5,865,980	-11.44%
Total Liabilities	5,823,512	6,481,526	-10.15%
Investment in capital assets (net of debt)			
Restricted net assets	8,055,132	7,231,704	11.39%
Unrestricted net assets	38,787	604,905	-93.59%
Total Net Assets	8,093,919	7,836,609	3.28%

Change in Net Assets

The District's total revenues were \$19,765,992; total expenses were \$19,508,682; resulting in an increase of \$257,310 in net assets. This year, 93.5% of the District's revenues came from the local tax assessment and the State of New Hampshire, an increase of 0.71% from last year. The State of New Hampshire's sources include the locally raised state property tax, federal aid received through the state, and the various state aid programs.

The District's expenditures continue to be largely for instruction and support services (94.6%). Depreciation expense of \$474,324 was 2.6% of total expenses.

The following Statement of Activities provides a more detailed breakdown of revenues and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

Statement of Activities	2009	% of Total	2008	% of Total	% Variance
Revenues:					
Program revenues:					
Charges for services	577,916	2.9%	574,599	3.1%	0.58%
Operating grants	1,053,373	5.3%	949,082	5.2%	10.99%
Capital grants	289,882	1.5%	340,666	1.9%	-14.91%
General revenues:					
School district assessment	9,870,148	49.9%	8,534,730	46.5%	15.65%
Unrestricted grants	7,955,508	40.2%	7,890,489	43.0%	0.82%
Miscellaneous	19,165	0.1%	80,127	0.4%	-76.08%
Total revenues	\$19,765,992	100%	\$18,369,693	100%	7.60%
Program Expenses:					
Instruction	11,458,942	58.7%	10,773,118	58.7%	6.37%
Support services:					
Student	1,505,456	7.7%	1,182,598	6.4%	27.30%
Instructional staff	555,270	2.8%	495,613	2.7%	12.04%
General administration	104,764	0.5%	109,877	0.6%	-4.65%
Executive administration	471,481	2.4%	443,666	2.4%	6.27%
School administration	1,116,256	5.7%	1,074,501	5.9%	3.89%
Business	347,284	1.8%	389,956	2.1%	-10.94%
Operation and maintenance of plant	1,934,745	9.9%	1,815,897	9.9%	6.54%
Student transportation	667,012	3.4%	616,975	3.4%	8.11%
Other	402,990	2.1%	438,593	2.4%	-8.12%
Non-instructional services	578,510	3.0%	559,751	3.1%	3.35%
Interest on long-term debt	261,600	1.3%	298,795	1.6%	-12.45%
Facilities acquisition and construction	104,372	0.5%	146,266	0.8%	-28.64%
Total governmental activities	\$19,508,682	100%	\$18,345,606	100%	6.34%
Change in net assets	\$257,310		\$24,087		968.25%
Beginning net assets	\$7,836,609		\$7,812,522		0.31%
Ending net assets	\$8,093,919		\$7,836,609		3.28%

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

Revenues

School district assessment was 49.9% of total revenues for the fiscal year ended June 30, 2009, an increase of 3.4% from the prior year.

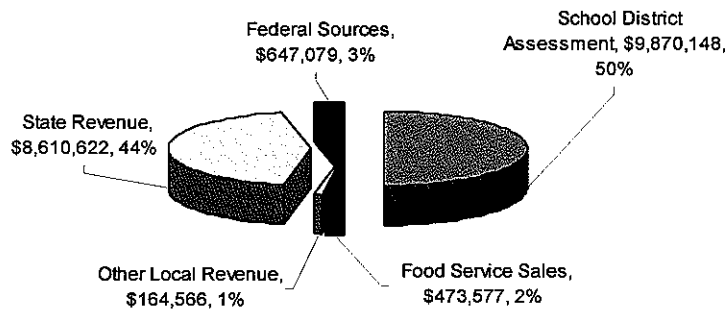
State of New Hampshire source intergovernmental revenues were 43.6% of total revenues for the fiscal year ended June 30, 2009, a decrease of 2.7% from the prior year.

Federal revenues were 3.3% of total revenues for the fiscal year ended June 30, 2009, the same percentage as the prior year.

Summary of Revenues

The biggest share, \$18,480,770 (93.5%), of revenue was derived from local appropriations and intergovernmental sources (State of NH). The state property tax is included as part of intergovernmental revenue even though it is raised locally. This revenue statement includes all revenues from local, state and federal sources.

School District Total Revenues 2008 - 2009



Expenses

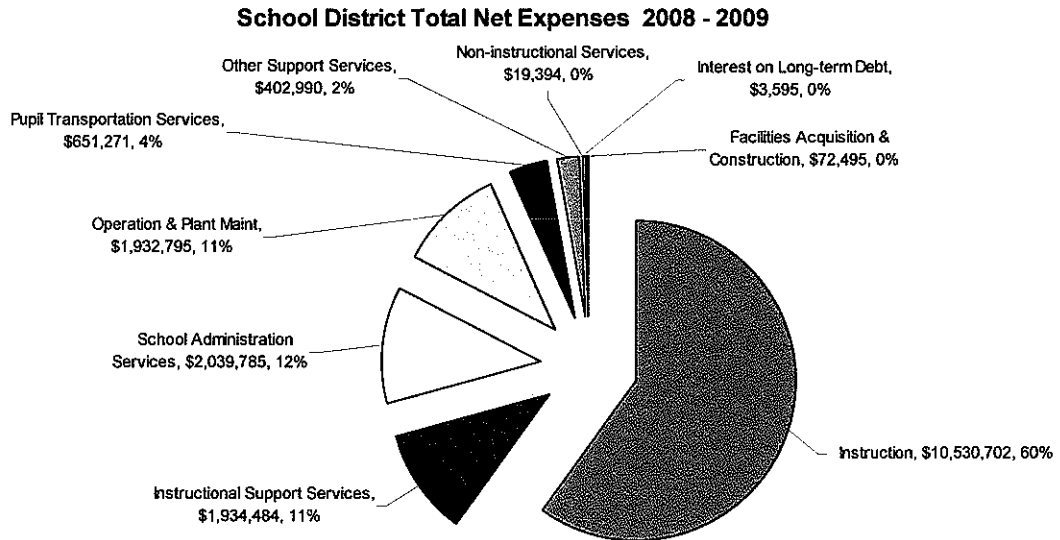
Expenses are reported on an accrual accounting basis. Amounts over or under the prior year expense amounts for the District in area's easily compared are as follows:

- Instruction expenses were 59.9% of total net expenses for the fiscal year ended June 30, 2009, an increase of 0.4% from the prior year.
- Total Support service expenses were 39.7% of total net expenses for the fiscal year ended June 30, 2009, a decrease of 0.2% from the prior year.

Summary of Net Expenses

The Litchfield School District used its budgetary resources as depicted in the chart below. 70.9% of all expenses were on instruction and instructional support. Most federal revenue was again expended on special needs instruction and support, teacher professional development, and instructional equipment. This expense statement includes expenses paid from local, state and federal appropriations. For purposes of this accrual reporting, the State Building Aid revenues of \$258,005 were applied as an offset to the interest on long-term debt.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**



Highlighted changes in total net expenses include:

- An increase in Instruction spending of \$721,447 or 7.4% over the prior year
- An increase in Student Support Services of \$197,116 or 16.7% over the prior year
- An increase in Instructional Staff Support Services of \$59,157 or 11.9% over the prior year
- An increase in Executive Administration of \$27,815 or 6.3% over the prior year
- An increase in School Administration of \$41,755 or 38.9% over the prior year
- A decrease in Business Support Services of \$42,672 or (10.9) % over the prior year due primarily to the savings from the new finance and HR software system.
- An increase in Operation & Plant Maintenance spending of \$116,898 or 6.4% over the prior year
- An increase in Student Transportation of \$43,706 or 7.2% over the prior year
- A decrease in Facilities Acquisition and Construction of \$17,806 or (19.7) % over the prior year.

Governmental Activities

The following exhibit presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid).

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

TOTAL AND NET COST OF SERVICES

Functions / Programs	Total Cost of Services				Variance
	2009		2008		
Instruction	11,458,942	58.7%	10,773,118	58.7%	685,824
Support services	7,105,258	36.4%	6,567,676	35.8%	537,582
Food service program	578,510	3.0%	559,751	3.1%	18,759
Facilities acquisition	104,372	0.5%	146,266	0.8%	(41,894)
Unallocated					
Interest	261,600	1.3%	298,795	1.6%	(37,195)
	<u>\$ 19,508,682</u>	<u>100%</u>	<u>\$ 18,345,606</u>	<u>100%</u>	<u>1,163,076</u>

Functions / Programs	Net Cost of Services				Variance
	2009		2008		
Instruction	\$ 10,530,702	59.9%	\$ 9,809,255	59.5%	721,447
Support services	6,961,325	39.6%	6,558,266	39.8%	403,059
Food service program	19,394	0.1%	9,343	0.1%	10,051
Facilities acquisition	72,495	0.4%	90,301	0.5%	(17,806)
Unallocated					
Interest	3,595	0.0%	14,094	0.1%	(10,499)
	<u>\$ 17,587,511</u>	<u>100%</u>	<u>\$ 16,481,259</u>	<u>100%</u>	<u>1,106,252</u>

The total cost of all governmental activities this year was \$19,508,682; the total net cost was \$17,587,511. The primary financing for these activities of the District was as follows:

Property taxes

- The amount that was paid by taxpayers through property taxes was \$11,765,346; which consisted of \$9,870,148 paid in the form of local property taxes and \$1,895,198 paid in the form of property taxes under the State of New Hampshire state-wide education tax system raised locally for the annual school district assessment.
- An additional amount of \$6,060,310 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes statewide property taxes collected from other local governments.

Charges for Services

- Tuition and self-funded program revenues were received in the amount of \$95,804.
- Total food service revenues of \$559,560 consisted of food service sales and local miscellaneous revenues in the amount of \$473,453 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$86,107.

Operating Grants and Contributions

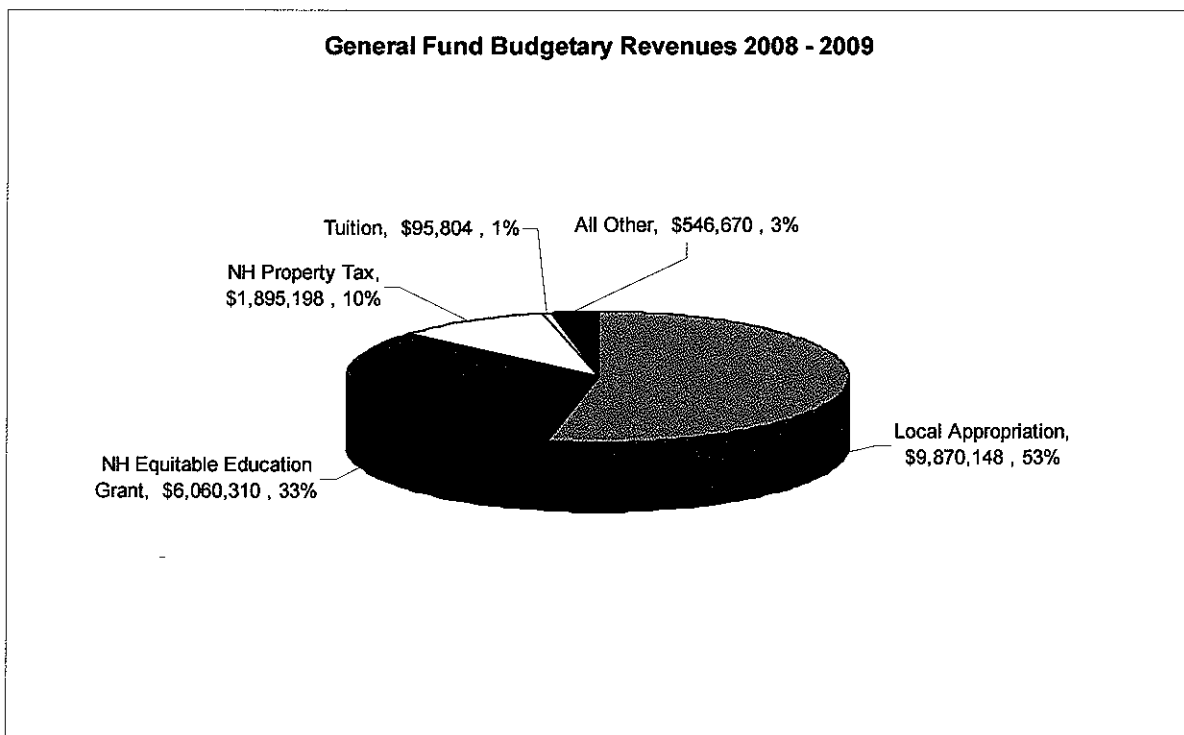
- Federal grants for instruction were received in the amount of \$462,250 with local and state grants of \$26,187.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

INDIVIDUAL FUND ANALYSIS

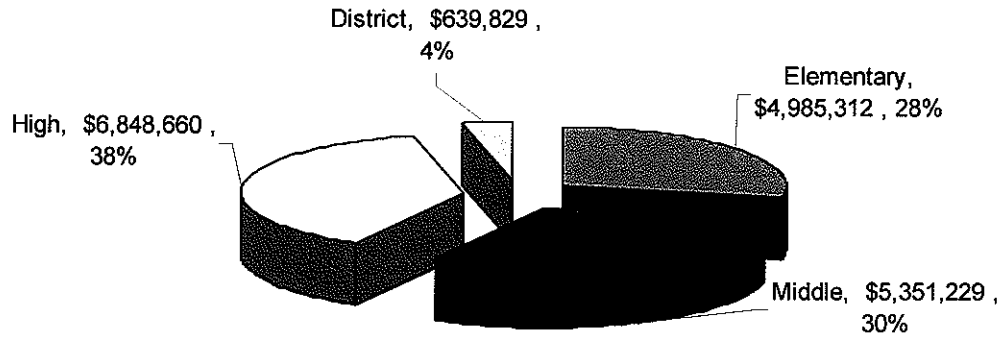
General Fund

The General Fund is what most people think of as “the budget” since it is the focal point of the Annual Deliberative Session and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 63.7% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 96.5% of the District's General Fund Budgetary Revenues. Also depicted below are expenditures and percentages by grade level and district wide including all facilities acquisition and construction expenditures but excluding debt service and interfund transfers.



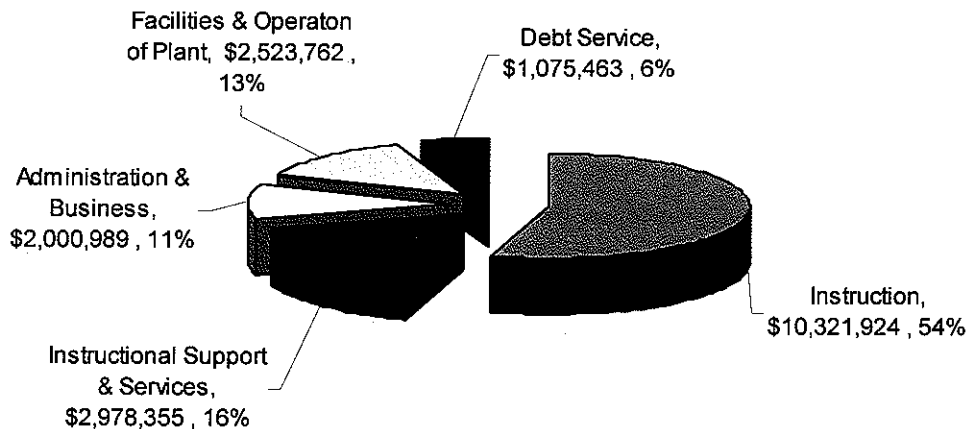
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

**General Fund Budgetary Expenditures by Grade Level
2008 - 2009**



Instruction makes up 54.6% of all general fund expenditures, a decrease of 0.1% over the prior year, while Instructional Support and Services, including transportation, operation of plant, and administration make up 39.7% of all General Fund expenditures, an increase of 0.7% over the prior year. The remaining 5.7% includes debt service – principal and interest, a decrease of 0.7% from the prior year. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

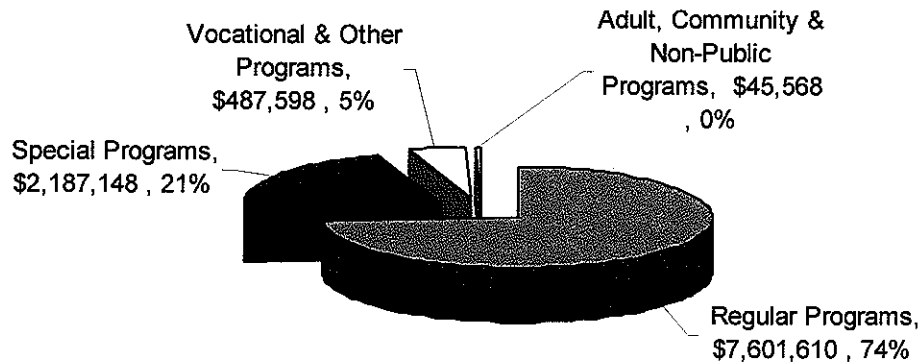
**General Fund Budgetary Expenditures by Functions
2008 - 2009**



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

This chart examines how the direct instructional expenditures are allocated to the various programs.

**General Fund Budgetary Expenditures for Instruction
2008 - 2009**



SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2009, Litchfield School District applied for and received the following significant federal grants:

- Special Education Individuals with Disabilities Education Improvement Act (IDEA) revenues for the current period were \$290,141. These grants funded special needs services and supplies for students throughout the District.
- Title I, Student Achievement and School Accountability Programs was awarded for the current period in the amount of \$98,428. These grants funded the services of an after school program for high school at-risk students, a part-time reading specialist and a math tutor for middle school students, and professional development in the areas of reading and math.
- Title IIA, Improving Teacher Quality State Grants was awarded for the current period in the amount of \$40,595. This grant funded teacher professional development and a new teacher mentoring program.
- Title IID, Education Technology State Grants was awarded for the current period in the amount of \$6,791. These grants funded technology equipment and professional development.
- Title IV, Safe and Drug Free Schools was awarded for the current period in the amount of \$12,308. These grants funded staff training and supplies and safe school student activities.
- A Preschool Grant was awarded for the current period in the amount of \$3,475. The grant was used to provide supplies to support special needs students.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period was \$80,968. These revenues were used to offset the expenses of the school lunch program.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

CAPITAL RESERVE FUND

Expendable capital reserve funds (established by voters at an annual school district meeting as trust funds in accordance with statutory requirements) are classified as special revenue funds for the basic financial statements. The District's Special Education capital reserve fund and the School Capital Improvement capital reserve fund balances increased \$1125.64 during the year from \$104,203.24 at June 30, 2008, to \$104,328.88 at June 30, 2009. In accordance with statutory requirements, they are held in custody by the Trustees of Trust Funds of the Town of Litchfield and are only released for the restricted specific purposes of the individual funds.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- The beginning General Fund equity was \$1,067,819. General Fund revenues, consisting largely of local taxes and state aid, were \$18,717,871. General Fund expenditures, including fund transfers, were \$19,177,511. The ending fund equity for the District was \$635,456, of which \$522,557 is an unreserved fund balance, an increase of \$55,021 from the prior year's unreserved fund balance. The unreserved fund balance is used to lower the amount of money raised by property taxes.
- General Fund actual revenues were greater than the final adjusted budgeted revenues by \$56,212.
- During the year, the School Board increased its General Fund authorized spending \$31,877 above the appropriated budget as a result of RSA 198:20(b) hearings to accept unanticipated Town of Litchfield impact fee funds made available during the year.
- General Fund expenditures were less than the revised authorized spending by \$516,345. These variances are absorbed in the General Fund ending balance. Significant contributors to the under spend in the general fund budget were:
 - Special Education out-of-district tuition, transportation and student support services were under spent by approximately \$230,000. Services that were budgeted for specific students were not required.
 - Vocational Education tuition was under spent by \$56,000 due to fewer students attending Regional Technology Centers.
 - Self-funded programs, which do not impact the local property tax rate, were under spent by \$50,171.
 - Year-end spending restraints implemented by the Superintendent to help reduce the local property tax rate also contributed to the under spend.

We are constantly making changes to our budget planning processes to improve the accuracy of our budget assessments and reduce the size and frequency of future budget variances. Since it is not possible to know in advance all of the circumstances that might create budget variances, we will continue to estimate future costs based on our experience, judgment, and actual expenditure data.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2009, the District reported capital assets of \$12,540,132 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

There were no additions of land assets during the year. Capital asset additions in 2009 included major building and site improvements, a replacement boiler and a fire system upgrade to Griffin Memorial School, and building renovation, new fencing and track repairs at Campbell High School. The District also annually invests in new furnishings, computers and peripherals, printed media and other equipment, as needed.

Governmental Activities	2009	2008	% Variance
Land & Improvements	460,792	460,792	0.00%
Buildings & Improvements	18,333,311	17,816,145	2.90%
Vehicles	14,000	14,000	0.00%
Furniture & Equipment	105,942	105,942	0.00%
Work In Progress			
Totals at Historical Cost	18,914,045	18,396,879	2.81%
Total Accumulated Depreciation	6,373,913	5,880,175	8.40%
NET CAPITAL ASSETS	12,540,132	12,516,704	0.19%

Long-Term Liabilities

On June 30, 2009, the District had \$4,485,000 of outstanding long-term debt, \$597,872 in compensated absences payable, and \$20,185 in capital leases payable long term liabilities.

Governmental Activities	2009	2008	% Variance
General Obligation Bonds	4,485,000	5,285,000	-15.14%
Compensated Absences	597,872	580,980	2.91%
Capital Leases Payable	20,185	0	-
TOTAL LONG-TERM DEBT	5,105,066	5,867,988	-13.00%

This year the District implemented the provisions of the Governmental Accounting Standards Board Statement 45 (GASB-45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, which requires that the long-term cost of retiree health care and obligations for other OPEB benefits be determined on an actuarial basis and reported in the District's annual financial report. The District does not explicitly subsidize health care benefits of its retirees. All retirees pay 100% of their benefit costs. However, the State of New Hampshire requires that the District include its retirees in the same insurance pool as active employees which may result in an implicit cost to the District as the rates the District pays for its active employees may be higher due to this pooling. This higher rate cost to the District creates a GASB-45 liability to the District. The District has historically funded these higher OPEB costs on a pay-as-you-go basis.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009**

For the fiscal year ending June 30, 2009, the annual required contribution to cover OPEB obligations was \$136,340 which was offset by District pay-as-you-go contributions of \$44,625 leaving a net OPEB obligation of \$91,715. As of June 30, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability for these OPEB benefits was \$1,003,009 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of \$1,003,009.

FUTURE BUDGETARY IMPLICATIONS

In New Hampshire, the public school fiscal year is July 1 to June 30; other programs, i.e., some federal budgets, operate on a different fiscal calendar, but are reflected in the District overall budget as they impact on the District.

The beginning General Fund unreserved equity for the 2009-2010 fiscal year is \$522,557.

The significant activities or events which will have an impact on future district finances include:

1. The Litchfield School Board and the Litchfield Educational Association (teachers) remain in negotiations due to the failure of voters' to approve the previously ratified contract in March 2009. An article to be placed on the 2010 School District Ballot for voter approval is anticipated, and
2. The State of New Hampshire voted to change its adequate education aid funding formula for calculating its required contribution to school districts to be effective in the 2011-2012 year. Unless this new formula is changed, Litchfield is expected to lose almost \$2 million in state funding which will have a significant impact on the town's ability to fund its educational programs, and
3. The District has temporarily suspended its study of our school building needs. It is expected that this issue will be readdressed in the future.

Questions regarding this report should be directed to Elaine Cutler, Ed. D., Superintendent of Schools, or to Mr. Stephen F. Martin, Business Administrator, at (603-578-3570), or by mail at:

Litchfield School District
SAU #27
1 Highlander Court
Litchfield, NH 03052

BASIC FINANCIAL STATEMENTS

EXHIBIT A
LITCHFIELD SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,085,576
Intergovernmental receivable	285,764
Other receivables	5,959
Capital assets, not being depreciated:	
Land	460,792
Capital assets, net of applicable accumulated depreciation:	
Buildings and building improvements	12,019,807
Machinery and equipment	59,533
Total assets	13,917,431
LIABILITIES	
Accounts payable	429,735
Accrued payroll and benefits	55,922
Accrued interest payable	100,913
Unearned revenue	42,170
Noncurrent obligations:	
Due within one year:	
Bond	800,000
Capital lease	4,033
Compensated absences	1,921
Due in more than one year:	
Bond	3,685,000
Capital lease	16,152
Compensated absences	595,951
Other postemployment benefits	91,715
Total liabilities	5,823,512
NET ASSETS	
Invested in capital assets, net of related debt	8,055,132
Unrestricted	38,787
Total net assets	\$ 8,093,919

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

EXHIBIT B
LITCHFIELD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	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	\$ 11,458,942	\$ 95,804	\$ 832,436	\$ -	\$ (10,530,702)
Support services:					
Student	1,505,456	-	125,742	-	(1,379,714)
Instructional staff	555,270	-	500	-	(554,770)
General administration	104,764	-	-	-	(104,764)
Executive administration	471,481	-	-	-	(471,481)
School administration	1,116,256	-	-	-	(1,116,256)
Business	347,284	-	-	-	(347,284)
Operation and maintenance of plant	1,934,745	1,950	-	-	(1,932,795)
Student transportation	667,012	7,152	8,589	-	(651,271)
Other	402,990	-	-	-	(402,990)
Non-instructional services	578,510	473,010	86,106	-	(19,394)
Interest on long-term debt	261,600	-	-	258,005	(3,595)
Facilities acquisition and construction	104,372	-	-	31,877	(72,495)
Total governmental activities	<u>\$ 19,508,682</u>	<u>\$ 577,916</u>	<u>\$ 1,053,373</u>	<u>\$ 289,882</u>	<u>(17,587,511)</u>
General revenues:					
School district assessment					9,870,148
Grants and contributions not restricted to specific programs					7,955,508
Miscellaneous					19,165
Total general revenues					<u>17,844,821</u>
Change in net assets					257,310
Net assets, beginning					7,836,609
Net assets, ending					<u>\$ 8,093,919</u>

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

EXHIBIT C-1
LITCHFIELD SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2009

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 979,107	\$ -	\$ 106,469	\$ 1,085,576
Receivables:				
Accounts	2,341	-	3,618	5,959
Intergovernmental	-	176,186	109,578	285,764
Interfund receivable	140,007	-	-	140,007
Total assets	<u>\$ 1,121,455</u>	<u>\$ 176,186</u>	<u>\$ 219,665</u>	<u>\$ 1,517,306</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 55,574	\$ 348	\$ -	\$ 55,922
Accrued payroll and benefits	429,735	-	-	429,735
Interfund payable	-	140,007	-	140,007
Deferred revenue	690	35,831	5,649	42,170
Total liabilities	<u>485,999</u>	<u>176,186</u>	<u>5,649</u>	<u>667,834</u>
Fund balances:				
Reserved for encumbrances	62,899	-	-	62,899
Reserved for special purposes	50,000	-	-	50,000
Unreserved, undesignated, reported in:				
General fund	522,557	-	-	522,557
Special revenue funds	-	-	214,016	214,016
Total fund balances	<u>635,456</u>	<u>-</u>	<u>214,016</u>	<u>849,472</u>
Total liabilities and fund balances	<u>\$ 1,121,455</u>	<u>\$ 176,186</u>	<u>\$ 219,665</u>	<u>\$ 1,517,306</u>

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

EXHIBIT C-2
LITCHFIELD SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2009

Total fund balances of governmental funds (Exhibit C-1)		\$ 849,472
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 18,914,045	
Less accumulated depreciation	<u>(6,373,913)</u>	12,540,132
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (140,007)	
Payables	<u>140,007</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(100,913)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ (4,485,000)	
Capital lease	(20,185)	
Compensated absences	(597,872)	
OPEB	<u>(91,715)</u>	(5,194,772)
Net assets of governmental activities (Exhibit A)		<u><u>\$ 8,093,919</u></u>

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

EXHIBIT C-3
LITCHFIELD SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2009

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
School district assessment	\$ 9,870,148	\$ -	\$ -	\$ 9,870,148
Other local	155,379	9,187	473,577	638,143
State	8,588,484	17,000	5,138	8,610,622
Federal	103,860	462,250	80,969	647,079
Total revenues	<u>18,717,871</u>	<u>488,437</u>	<u>559,684</u>	<u>19,765,992</u>
Expenditures:				
Current:				
Instruction	10,557,834	353,604	-	10,911,438
Support services:				
Student	1,376,804	125,743	-	1,502,547
Instructional staff	553,146	500	-	553,646
General administration	100,706	-	-	100,706
Executive administration	455,780	-	-	455,780
School administration	1,102,009	-	-	1,102,009
Business	342,494	-	-	342,494
Operation and maintenance of plant	1,929,501	-	-	1,929,501
Student transportation	658,422	8,590	-	667,012
Other	403,814	-	-	403,814
Non-instructional services	-	-	578,510	578,510
Debt service:				
Principal	800,000	-	-	800,000
Interest	275,463	-	-	275,463
Facilities acquisition and construction	621,538	-	-	621,538
Total expenditures	<u>19,177,511</u>	<u>488,437</u>	<u>578,510</u>	<u>20,244,458</u>
Deficiency of revenues under expenditures	<u>(459,640)</u>	<u>-</u>	<u>(18,826)</u>	<u>(478,466)</u>
Other financing uses:				
Capital lease inception	<u>27,277</u>	<u>-</u>	<u>-</u>	<u>27,277</u>
Net change in fund balances	(432,363)	-	(18,826)	(451,189)
Fund balances, beginning	1,067,819	-	232,842	1,300,661
Fund balances, ending	<u>\$ 635,456</u>	<u>\$ -</u>	<u>\$ 214,016</u>	<u>\$ 849,472</u>

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

EXHIBIT C-4
LITCHFIELD 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, 2009

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (451,189)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.</p>		
Capitalized capital outlay	\$ 517,166	
Depreciation expense	<u>(493,738)</u>	23,428
<p>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.</p>		
Inception of capital lease	\$ (27,277)	
Principal repayment of bond	800,000	
Principal repayment of capital lease	<u>7,092</u>	779,815
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued interest expense	\$ 13,863	
Increase in compensated absences payable	(16,892)	
Increase in OPEB liability	<u>(91,715)</u>	(94,744)
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ 257,310</u></u>

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

EXHIBIT D
LITCHFIELD SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 123,504
LIABILITIES	
Due to student groups	<u>123,504</u>
NET ASSETS	<u>\$ -</u>

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity.....	1-A
Financial Statement Presentation	1-B
Basis of Accounting and Measurement Focus	1-C
Cash and Cash Equivalents	1-D
Receivables	1-E
Interfund Receivables and Payables.....	1-F
Capital Assets	1-G
Deferred/Unearned Revenue.....	1-H
Compensated Absences.....	1-I
Other Long-Term Obligations.....	1-J
Equity.....	1-K
Estimates.....	1-L
Receivables.....	2
Capital Assets.....	3
Interfund Balances	4
Deferred/Unearned Revenue	5
Long-Term Liabilities	6
Net Assets	7
Pensions	8
Other Postemployment Benefits (OPEB)	9
Risk Management.....	10
Contingent Liabilities.....	11

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Litchfield School District (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 more significant of the School District's accounting policies are described below.

1-A Reporting Entity

In New Hampshire, each town constitutes a school district except school districts organized under special acts of the State legislature. The Litchfield School District serves the community of Litchfield, New Hampshire and provides public education services for approximately 1,591 students in kindergarten through grade 12.

The School District is a municipal corporation governed by a 5-member board elected by the voters of the School District. The reporting entity is comprised of the primary government and any other organizations 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 organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; 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 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.

1-B Financial Statement Presentation

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the School District'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. Restricted net assets are further classified as either net assets restricted by enabling legislation or net assets that are otherwise restricted.

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

Fund financial statements - The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the School District's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources, and balances of spendable resources available at fiscal year end.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

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

The School District maintains four individual governmental funds. Information is presented separately for the General Fund and Grant Fund, which are considered to be major funds. Data from the other two governmental funds (non-major funds) are combined into a single, aggregated presentation identified as "Other Governmental Funds."

The School District adopts annual appropriated budgets for its General Fund and Grant Fund, which is a major special revenue fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. The largest fiduciary fund is the agency fund. This fund's activities are reported in a separate statement of fiduciary net assets. The School District uses an agency fund to account for assets held for, and due to, the student groups for their student activity funds. This fund is custodial in nature and does not involve measurement of results or operations. Accordingly, it presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

1-C Basis of Accounting and Measurement Focus

The *government-wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Grant and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenue* in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program specific revenues. Accordingly, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources. Nonexchange revenues, in which the School District receives value without directly giving equal value in return, include grants and donations, are recognized when the enforceable legal claim arises and the resources are available. Grant revenues are recognized when all the applicable requirements have been met and the resources are available. All other revenue items are recognized only when cash is received by the School District because they are not measurable until that time.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

The School District reports the following major governmental funds:

The **General Fund** is the School District's primary operating fund. It accounts for all resources of the general government, except those required to be accounted for in other funds.

The **Grants Fund** accounts for the resources received from various federal and state agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

The School District also reports two nonmajor governmental funds.

The School District reports the following fiduciary fund:

The **Agency Fund** is used to account for assets held for, and due to, the student groups for their student activity funds.

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.

1-D Cash and Cash Equivalents

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

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

1-F Interfund Receivables and Payables

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 Capital Assets

General capital assets are those assets of a capital nature which the School District owns. These assets generally result from expenditures in governmental funds. The School District reports these assets in the governmental activities column of the government-wide statement of net assets and does not report them in the governmental fund financial statements.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$10,000 and more than five years of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building improvements	20 - 30
Machinery and equipment	5 - 15

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. The deferred revenue in the governmental fund types has primarily resulted as an offset to federal funds received in advance of eligible expenditures. On the government-wide statement of net-assets, deferred revenue is classified as unearned revenue.

1-I Compensated Absences

General leave for the School District includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid in full for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations.

1-J Other Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

1-K Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The School District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. All other net assets are reported as unrestricted.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

1-L Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

NOTE 2 - RECEIVABLES

Receivables at June 30, 2009, consisted of accounts (tuition and reimbursements) and intergovernmental amounts arising from grants and the trust funds being in the custody of the Town of Litchfield trustees of trust funds.

Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 460,792	\$ -	\$ 460,792
Being depreciated:			
Buildings and building improvements	17,816,145	517,166	18,333,311
Equipment	119,942	-	119,942
Total capital assets being depreciated	<u>17,936,087</u>	<u>517,166</u>	<u>18,453,253</u>
Total all capital assets	<u>18,396,879</u>	<u>517,166</u>	<u>18,914,045</u>
Less accumulated depreciation:			
Buildings and building improvements	(5,836,957)	(476,547)	(6,313,504)
Equipment	(43,218)	(17,191)	(60,409)
Total accumulated depreciation	<u>(5,880,175)</u>	<u>(493,738)</u>	<u>(6,373,913)</u>
Net book value, capital assets being depreciated	<u>12,055,912</u>	<u>23,428</u>	<u>12,079,340</u>
Net book value, all capital assets	<u>\$ 12,516,704</u>	<u>\$ 23,428</u>	<u>\$ 12,540,132</u>

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

Governmental activities:	
Instruction	\$ 486,235
Support services:	
Executive administration	774
Operation and maintenance of plant	6,729
Total depreciation expense	<u>\$ 493,738</u>

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

NOTE 4 - INTERFUND BALANCES

The interfund balance at June 30, 2009 consists of an overdraft in the pooled cash.

Interfund receivable and payable balances at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$140,007

NOTE 5 - DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at June 30, 2009 consists of the following:

General fund:		
Fees collected in advance for miscellaneous programs	\$	690
Food service fund:		
Fees for lunch and milk sales collected in advance		5,649
Grants fund:		
Federal grant revenue collected in advance of eligible expenditures being made		35,831
Total	\$	42,170

NOTE 6 - LONG-TERM LIABILITIES

Changes in the School District's long-term obligations consisted of the following for the year ended June 30, 2009:

	General Obligation Bond Payable	Capital Lease Payable	Compensated Absences Payable	OPEB	Total
Balance, beginning	\$ 5,285,000	\$ -	\$ 580,980	\$ -	\$ 5,865,980
Additions	-	27,277	16,892	136,340	180,509
Reductions	(800,000)	(7,092)	-	(44,625)	(851,717)
Balance, ending	\$ 4,485,000	\$ 20,185	\$ 597,872	\$ 91,715	\$ 5,194,772

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2009	Current Portion
General obligation bond payable:						
High School construction	\$11,685,500	2000	2015	4.5-5.25	\$ 4,485,000	\$ 800,000
Capital lease payable:						
Music equipment	\$27,277	2009	2013	15.15	20,185	4,033
OPEB					91,715	-
Vested sick leave					208,650	-
Accrued vacation leave					160,550	1,921
Vested retirement stipend					228,672	-
					597,872	1,921
Total					\$ 5,194,772	\$ 805,954

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

The annual requirements to amortize all general obligation bond outstanding as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 800,000	\$ 235,463	\$ 1,035,463
2011	800,000	193,463	993,463
2012	800,000	151,463	951,463
2013	800,000	109,463	909,463
2014	800,000	67,463	867,463
2015	485,000	25,462	510,462
Totals	<u>\$ 4,485,000</u>	<u>\$ 782,777</u>	<u>\$ 5,267,777</u>

The annual requirements to amortize the capital lease payable as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 4,033	\$ 3,059	\$ 7,092
2011	4,645	2,447	7,092
2012	5,348	1,744	7,092
2013	6,159	933	7,092
Totals	<u>\$ 20,185</u>	<u>\$ 8,183</u>	<u>\$ 28,368</u>

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 - NET ASSETS

At June 30, 2009, net assets of the School District consisted of the following:

Invested in capital assets, net of related debt:	
Net property, buildings, machinery, and equipment	\$ 12,540,132
Less: general obligation bonds payable	<u>(4,485,000)</u>
Total invested in capital assets, net of related debt	8,055,132
Unrestricted	38,787
Total net assets	<u>\$ 8,093,919</u>

None of the net assets are restricted by enabling legislation.

NOTE 8 - PENSIONS

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.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

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 5% of earnable compensation. For fiscal year 2009, the School District contributed 3.70% for teachers and 6.81% for other employees. The contribution requirements for the Litchfield School District for the fiscal years 2007, 2008, and 2009 were \$344,758, \$555,117, and \$591,649 respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for teachers employed by the School District. This amount, \$249,741, is reported as an "on-behalf" payment, as an expenditure and revenue on the governmental funds statement of revenues, expenditures, and changes in fund balances, and as an expense and revenue on the statement of activities.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, was implemented by the School District during fiscal year 2009, 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 45 does not mandate the pre-funding of postemployment benefit liabilities. However, 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 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 thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2009:

Annual required contribution/OPEB cost	\$	136,340
Contributions made (pay-as-you-go)		<u>(44,625)</u>
Increase in net OPEB obligation		91,715
Net OPEB obligations, beginning		-
Net OPEB obligations, ending		<u><u>\$ 91,715</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 2009 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2009	\$136,340	\$44,625	32.73%	\$91,715

As of June 30, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,003,009 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,003,009.

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 healthcare 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, 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.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

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 June 30, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return per annum. The projected annual healthcare cost trend is 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2009 was thirty years.

NOTE 10 - 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 2009, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each workers' compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from July 1 through June 30. The estimated net contribution from the Litchfield School District billed and paid for the year ended June 30, 2009 was \$68,811 for property/liability, and \$46,054 for workers' compensation. The member participation agreements permit Primex 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. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

NOTE 11 - 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.

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E-1
LITCHFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
School district assessment	\$ 9,870,148	\$ 9,870,148	\$ 9,870,148	\$ -
Other local	143,790	175,667	155,379	(20,288)
State	8,306,103	8,306,103	8,338,743	32,640
Federal	60,000	60,000	103,860	43,860
Total revenues	<u>18,380,041</u>	<u>18,411,918</u>	<u>18,468,130</u>	<u>56,212</u>
Expenditures:				
Current:				
Instruction	10,667,759	10,667,759	10,291,160	376,599
Support services:				
Student	1,353,665	1,353,665	1,374,831	(21,166)
Instructional staff	562,786	562,786	522,511	40,275
General administration	86,393	86,393	100,706	(14,313)
Executive administration	493,772	493,772	453,877	39,895
School administration	1,106,449	1,106,449	1,099,802	6,647
Business	368,927	368,927	317,962	50,965
Operation and maintenance of plant	1,897,886	1,897,886	1,868,897	28,989
Student transportation	757,363	757,363	658,422	98,941
Other	380,487	380,487	382,419	(1,932)
Debt service:				
Principal	800,000	800,000	800,000	-
Interest	275,463	275,463	275,463	-
Facilities acquisition and construction	96,627	128,504	217,059	(88,555)
Total expenditures	<u>18,847,577</u>	<u>18,879,454</u>	<u>18,363,109</u>	<u>516,345</u>
Net change in fund balance	<u>\$ (467,536)</u>	<u>\$ (467,536)</u>	105,021	<u>\$ (460,133)</u>
Increase in fund balance reserved for special purposes			(50,000)	
Unreserved fund balance, beginning			467,536	
Unreserved fund balance, ending			<u>\$ 522,557</u>	

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

EXHIBIT E-2
LITCHFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Local	\$ -	\$ 9,187	\$ 9,187
State	-	17,000	17,000
Federal	535,000	462,250	(72,750)
Total revenues	<u>535,000</u>	<u>488,437</u>	<u>(46,563)</u>
Expenditures:			
Current:			
Instruction	535,000	353,604	181,396
Support services:			
Student	-	125,743	(125,743)
Instructional staff	-	500	(500)
Student transportation	-	8,590	(8,590)
Total expenditures	<u>535,000</u>	<u>488,437</u>	<u>46,563</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

General Budget Policies 1
Budgetary Reconciliation 2

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

1. General Budget Policies

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 general and grants funds, as well as the nonmajor food service fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. 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 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 unreserved fund balance to achieve that end. In the fiscal year 2009, \$467,536 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

Revenues:	
Per Exhibit E-1 (budgetary basis)	\$ 18,468,130
Adjustments:	
Basis difference:	
Capital lease inception	27,277
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	249,741
Per Exhibit C-3 (GAAP basis)	<u>\$ 18,745,148</u>
Expenditures:	
Per Exhibit E-1 (budgetary basis)	\$ 18,363,109
Adjustments:	
Basis difference:	
Encumbrances, beginning	600,283
Encumbrances, ending	(62,899)
Capital lease inception	27,277
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	249,741
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,177,511</u>

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 9,870,148	\$ 9,870,148	\$ -
Other local sources:			
Tuition	89,790	95,804	6,014
Transportation	7,000	7,152	152
Investment earnings	25,000	14,939	(10,061)
Impact fees	-	31,877	31,877
Rentals	-	1,950	1,950
Miscellaneous	22,000	3,657	(18,343)
Total from other local sources	<u>143,790</u>	<u>155,379</u>	<u>11,589</u>
State sources:			
Adequacy aid (taxes)	1,895,198	1,895,198	-
Adequacy aid (grant)	6,060,310	6,060,310	-
School building aid	255,371	258,005	2,634
Catastrophic aid	93,224	120,852	27,628
Vocational aid	2,000	4,378	2,378
Total from state sources	<u>8,306,103</u>	<u>8,338,743</u>	<u>32,640</u>
Federal sources:			
Medicaid	60,000	103,860	43,860
Total revenues	18,380,041	<u>\$ 18,468,130</u>	<u>\$ 88,089</u>
Use of fund balance to reduce school district assessment	467,536		
Total revenues and use of fund balance	<u>\$ 18,847,577</u>		

SCHEDULE 2
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 13,306	\$ 7,628,449	\$ 7,601,610	\$ 7,192	\$ 32,953
Special programs	2,614	2,448,896	2,187,148	961	263,401
Vocational programs	9,345	34,072	27,040	-	16,377
Adult and community programs	-	-	-	179	(179)
Other	-	556,342	492,295	-	64,047
Total instruction	25,265	10,667,759	10,308,093	8,332	376,599
Support services:					
Student	2,838	1,353,665	1,376,804	865	(21,166)
Instructional staff	34,688	562,786	553,146	4,053	40,275
General administration	-	86,393	100,706	-	(14,313)
Executive administration	1,903	493,772	455,780	-	39,895
School administration	2,207	1,106,449	1,102,009	-	6,647
Business	39,282	368,927	342,494	14,750	50,965
Operation and maintenance of plant	60,964	1,897,886	1,929,501	360	28,989
Student transportation	-	757,363	658,422	-	98,941
Other	21,434	380,487	403,814	39	(1,932)
Total support services	163,316	7,007,728	6,922,676	20,067	228,301
Debt service:					
Principal of long-term debt	-	800,000	800,000	-	-
Interest on long-term debt	-	275,463	275,463	-	-
Total debt service	-	1,075,463	1,075,463	-	-
Facilities acquisition and construction	411,702	96,627	594,261	34,500	(120,432)
Total appropriations, expenditures, and encumbrances	\$ 600,283	\$ 18,847,577	\$ 18,900,493	\$ 62,899	\$ 484,468

SCHEDULE 3
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

Unreserved, undesignated fund balance, beginning		\$ 467,536
Changes:		
Unreserved fund balance used to reduce school district assessment		(467,536)
2008-2009 Budget summary:		
Revenue surplus (Schedule 1)	\$ 88,089	
Unexpended balance of appropriations (Schedule 2)	<u>484,468</u>	
2008-2009 Budget surplus		572,557
Increase in reserve for special purposes		<u>(50,000)</u>
Unreserved, undesignated fund balance, ending		<u>\$ 522,557</u>

SCHEDULE 4
LITCHFIELD SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue Funds		Total
	Food Service	Expendable Trust	
ASSETS			
Cash and cash equivalents	\$ 106,469	\$ -	\$ 106,469
Receivables:			
Accounts	3,618	-	3,618
Intergovernmental	5,250	104,328	109,578
Total assets	<u>\$ 115,337</u>	<u>\$ 104,328</u>	<u>\$ 219,665</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 5,649	\$ -	\$ 5,649
Fund balances:			
Unreserved, undesignated	109,688	104,328	214,016
Total liabilities and fund balances	<u>\$ 115,337</u>	<u>\$ 104,328</u>	<u>\$ 219,665</u>

SCHEDULE 5
LITCHFIELD SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds		Total
	Food Service	Expendable Trust	
Revenues:			
Other local	\$ 473,453	\$ 124	\$ 473,577
State	5,138	-	5,138
Federal	80,969	-	80,969
Total revenues	<u>559,560</u>	<u>124</u>	<u>559,684</u>
Expenditures:			
Non-instructional services	<u>578,510</u>		<u>578,510</u>
Net change in fund balances	(18,950)	124	(18,826)
Fund balances, beginning	128,638	104,204	232,842
Fund balances, ending	<u>\$ 109,688</u>	<u>\$ 104,328</u>	<u>\$ 214,016</u>

SCHEDULE 6
LITCHFIELD SCHOOL DISTRICT
Agency Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2009

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Schools:				
Campbell High	\$ 151,767	\$ 368,693	\$ 435,079	\$ 85,381
Litchfield Middle	42,102	191,739	202,291	31,550
Griffin Memorial	5,120	31,315	29,862	6,573
Totals	<u>\$ 198,989</u>	<u>\$ 591,747</u>	<u>\$ 667,232</u>	<u>\$ 123,504</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
Litchfield School District
Litchfield, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Litchfield School District as of and for the year ended June 30, 2009, and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Litchfield 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 Litchfield School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Litchfield School District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Litchfield 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*.

Litchfield 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*

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.

Margaret A. Colby, CPA

January 15, 2010

PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

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

Compliance

We have audited the compliance of the Litchfield School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Litchfield School District's major federal program is 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 its major federal program is the responsibility of the Litchfield School District's management. Our responsibility is to express an opinion on the Litchfield 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 Litchfield 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 on the Litchfield School District's compliance with those requirements.

In our opinion, the Litchfield School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Litchfield 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 Litchfield School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Litchfield School District's internal control over compliance.

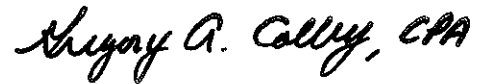
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Litchfield School District
Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, 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

January 15, 2010

SCHEDULE I
LITCHFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were no significant deficiencies identified which 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 which 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 are no audit findings required to be reported in accordance with Circular A-133.
5. The program tested as a major program is the Special Education Cluster.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Litchfield School District was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
LITCHFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
National School Lunch Program (Note 2)	10.555	N/A	\$ 80,968
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
After School Program	84.010	80077	10,664
SINI	84.010	80187	4,970
Title I 08-09	84.010	90086	67,888
SINI	84.010	90264	14,906
<i>PROGRAM TOTAL</i>			<u>98,428</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA - B	84.027	82562	582
IDEA - B	84.027	92546	289,559
Special Education - Preschool Grants:			
SPED - preschool	84.173	82746	(526)
SPED - preschool	84.173	92738	4,001
<i>CLUSTER TOTAL</i>			<u>293,616</u>
Safe and Drug-Free Schools and Communities - State Grants:			
Title IV Round 2 Redistribution	84.186	84332	10,511
Title IV Redistribution	84.186	84377	7,403
Title IV	84.186	86582	(486)
Title IV	84.186	96588	5,391
<i>PROGRAM TOTAL</i>			<u>22,819</u>
Education Technology State Grants:			
Title IID Digital Port	84.318	94505	3,547
Title IID	84.318	94506	3,244
<i>PROGRAM TOTAL</i>			<u>6,791</u>
Improving Teacher Quality State Grants:			
Targeted HPQD	84.367	84706	966
Title IIA	84.367	84867	13,210
Title IIA 2009	84.367	94871	26,420
<i>PROGRAM TOTAL</i>			<u>40,595</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1812-DR-NH	3,479
GRAND TOTAL			<u>\$ 546,697</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Litchfield School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Food Donation

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