

Maine School Administrative District 4

**REPORT ON FINANCIAL STATEMENTS**  
**(with required and other supplementary information)**

For the Year Ended June 30, 2009

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## Independent Auditor's Report

Board of Directors  
Maine School Administrative District 4

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of Maine School Administrative District 4, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Maine School Administrative District 4's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Maine School Administrative District 4, 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 our report dated January 18, 2010, on our consideration of Maine School Administrative District 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 6 through 11 and 28 through 29, 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 Maine School Administrative District 4's basic financial statements. The other supplementary information described in the accompanying table of contents is presented for purposes of additional analysis and is 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 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 Maine School Administrative District 4. The other supplementary information and the schedule 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.

*Barbara Thibodeau & Associates*

Bangor, Maine  
January 18, 2010

**Maine School Administrative District 4  
Management's Discussion and Analysis (MD&A) (Unaudited)  
June 30, 2009**

As management of the Maine School Administrative District 4, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The total balance of the District's cash, cash equivalents and investments at June 30, 2009 was \$1,206,289.
- The District's total bonds payable decreased by \$360,725 during the year to \$1,772,939.
- Under the government-wide basis of reporting, the District's total net assets increased by \$356,798.
- The fund balance as reported on the District's fund financial statements increased by \$142,683.
- On a budget basis, the District's revenues exceeded its expenditures by \$269,201. The District had originally budgeted a deficiency of \$455,617. This resulted in a positive budget variance of \$724,818.

**OVERVIEW OF FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, transportation, administration, and adult education. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 12 - 13 of this report.

The government-wide financial statements of this District have only one category.

**Government activities** – The District's basic services are included here, such as instruction, various support services, district and school administration, operation and maintenance of plant, student transportation, and interest on long-term liabilities. Local assessments and state and federal grants finance most of these activities.

**Fund financial statements** - A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, 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.

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the District cannot use these funds to finance its operations. The district uses an agency fund to account for resources held for student groups. The basic fiduciary fund financial statement can be found on page 18 of this report.

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 - 27 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,328,454 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, and furniture 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.

### Net Assets for the Period Ending June 30, 2009

The current year's financial statements are compared with the results prior years.

	2009	2008
Current and other assets	\$ 1,307,587	\$ 1,239,754
Capital assets	<u>7,378,838</u>	<u>7,515,562</u>
Total Assets	8,686,425	8,755,316
Current liabilities	363,992	438,839
Noncurrent liabilities	<u>1,993,979</u>	<u>2,344,821</u>
Total Liabilities	2,357,971	2,783,660
Net Assets		
Investment in capital assets (net of debt)	5,605,899	5,410,957
Restricted	120,856	55,689
Unrestricted	<u>601,699</u>	<u>505,010</u>
Total Net Assets	\$ 6,328,454	\$ 5,971,656

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Much of the District's bonded debt is paid by the State of Maine. The principal portion of these debt payments made on behalf of the District is recorded as general revenue from state sources and totaled \$320,325 for the year ended June 30, 2009.
- The District recorded depreciation expense of \$282,664 and interest expense of \$90,931 for the year ended June 30, 2009.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expense for the fiscal year ended June 30, 2009 and 2008.

	2009	2008
<b>REVENUES</b>		
Charges for services and other	\$ 207,056	\$ 216,584
Operating grants and contributions	1,965,354	1,947,055
Capital grants	-	401,601
General revenues		
Local assessments	2,654,376	2,600,625
State subsidy	4,076,683	3,899,454
Interest income	4,308	14,535
Miscellaneous	<u>58,789</u>	<u>53,118</u>
<b>Total Revenues</b>	<u><b>8,966,566</b></u>	<u><b>9,132,972</b></u>
<b>EXPENSES</b>		
Pre K through grade 12 instruction	3,735,048	4,685,522
Other education	-	162,499
Administration	-	321,783
Instructional support	494,635	-
Leadership	740,219	-
On-behalf payments -- State of Maine	646,354	646,354
Special education	-	724,910
Grants and other contributions	972,224	916,992
Adult education	42,251	36,054
School food service	274,886	299,640
Operation and maintenance of plant	1,126,088	237,973
Transportation	421,134	388,571
Capital outlay	72,122	60,414
Interest on long-term debt	<u>90,931</u>	<u>72,159</u>
<b>Total Expenses</b>	<u><b>8,609,768</b></u>	<u><b>8,552,871</b></u>
<b>CHANGE IN NET ASSETS</b>	356,798	580,101
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,971,656</u>	<u>5,391,555</u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 6,328,454</b></u>	<u><b>\$ 5,971,656</b></u>

The narrative that follows discusses the operations of governmental activities.

- For the year ended June 30, 2009, the district's net assets for governmental activities increased by \$356,798.
- During the year, the District received program specific operating grants and contributions totaling \$1,965,354. These grants and contributions represent resources that are restricted for use in particular programs and are meant to directly offset the District's costs for these various programs. Most of these grants and contributions come from state and federal sources.
- Expenses of governmental activities include depreciation expense of \$282,664. Depreciation expense has been allocated and is included in the various function/program expenses of the District.
- Charges for services and other represent revenues earned by the District in return for services provided by the District. These revenues consisted of school lunch revenues, tuition and transportation charges. Charges for services totaled \$207,056 for the year ended June 30, 2009.
- General revenues consist of all revenues that are not considered to be program revenues or charges for services. General revenues for the year ended June 30, 2009 totaled \$6,794,156. Of this amount, \$2,654,376 was from local assessments paid by the Towns of Abbot, Cambridge, Guilford, Parkman, Sangerville and Wellington, Maine and \$4,076,683 was from the State of Maine. An additional \$63,097 came from interest and other miscellaneous sources.

## Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$943,598, \$142,683 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the District's governmental funds is as follows:

- Revenues include state and federal sources totaling \$5,381,019 and local assessments totaling \$2,654,376.
- Charges for services contributed \$186,301 in total revenue during the year.
- Total governmental fund expenditures for the year were \$8,758,815 compared with \$8,915,041 for 2008.
- The District's debt service totaled \$432,427 for the year. Of this amount, \$411,256 was paid directly by the State on behalf of the District and is included in the \$5,381,019 in state and federal source revenues noted above.

**Capital Asset and Debt Administration** - In addition to the information provided below, more information on the District's capital assets and debt can be found in the notes to the basic financial statements.

**Capital Assets** – The summary of the capital assets, as of June 30, 2009, are the following:

	Beginning Balance	Additions	Retire-ments	Ending Balance
<i>Governmental Activities</i>				
Land	\$ 185,139	\$ -	\$ -	\$ 185,139
Construction in process	34,272	50,838	-	85,110
Land improvements	212,145	-	-	212,145
Buildings	9,675,511	-	-	9,675,511
Equipment	554,263	24,000	(56,465)	521,798
Vehicles	1,017,289	71,102	(119,825)	968,566
Total capital assets	11,678,619	145,940	(176,290)	11,648,269
Accumulated depreciation	(4,163,057)	(282,664)	176,290	(4,269,431)
Capital assets, net	<u>\$ 7,515,562</u>	<u>\$ (136,724)</u>	<u>\$ -</u>	<u>\$ 7,378,838</u>

**Debt Administration** - A summary of the District's debt activity for the year ended June 30, 2009, is as follows:

	Beginning Balance	Additions	Principal Payments	Ending Balance	Total Interest Paid
Bonds payable	<u>\$2,133,664</u>	<u>\$ -</u>	<u>\$360,725</u>	<u>\$1,772,939</u>	<u>\$90,931</u>

## **General Fund Budgetary Highlights**

The District recognized revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). The principle difference between the two methods is as follows:

- GAAP basis revenues and expenditures include teachers' retirement plan payments made by the state on behalf of the District. The District's budget basis revenues and expenditures do not include these revenues and expenditures.

The budget basis expenditures include teachers' summer salaries in the year they are paid rather than in the year they are earned. GAAP basis expenditures include the teachers' summer salaries in the year in which they are earned.

During the year, actual revenues exceeded budgeted revenues by \$145,312. Most of this variance resulted from unanticipated intergovernmental and miscellaneous revenues.

Budgeted expenditures exceeded actual expenditures by \$571,139.

## **Factors Bearing on the District's Financial Future**

The district will not be exempt from the affects of the depressed economy. Layoffs in the community will likely lead to escalating declination in enrollment.

The state public school funding model has two components that have a dramatic impact on the local school budget. These two critical factors are state valuation and pupil enrollment. Total enrollment for the district is expected to fall by 30 pupils to 700 pre-K – 12 students in the 2010 school year. We expect to hit our lowest enrollment in 2011. We are then projected to rebound to 841 students by 2017. This 10% growth must be considered as we plan for the future.

Following our 5-year Strategic Plan, we, thus far, have been able to address declining enrollment by making difficult staffing decisions while still being able to increase student opportunities and add quality to existing programs. These efforts will continue with renewed urgency caused by the \$27,000,000 statewide GPA curtailment in the present year (2009), and projected "flat" funding for the 2010-2011 biennial budget. It seems highly unlikely that the district will be able to maintain present programming and staffing levels with the projected state subsidy outlook.

Under the present consolidation law the district must choose between financial penalties imposed by the state if the do not re-organize, or be negatively impacted by known and unanticipated costs if they do. Unknown future adjustments by the Maine legislature on the school funding formula create uncertainty as well.

Volatility in energy costs remain a concern. Energy related projects are being continued. Occupancy sensors are being installed in critical areas. The district works closely with Energy Maine in identifying areas for improved efficiency.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide information to the readers of the report with a general overview of the District's finances. If you have questions about this report or need any additional information, contact the Superintendent's Office at 25 Campus Drive, Drop #2, Guilford, Maine, 04443 or call (207) 876-3444.

**Maine School Administrative District 4**  
**Statement of Net Assets**  
**June 30, 2009**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 1,206,289
Receivables	10,415
Due from other governments	79,350
Inventories	11,533
Capital assets, net	7,378,838
Total assets	8,686,425
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	16,429
Accrued summer teacher pay	347,563
Long-term liabilities	
Due within one year	
Bonds payable	341,496
Due in more than one year	
Bonds payable	1,431,443
Compensated absences	221,040
Total liabilities	2,357,971
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,605,899
Restricted for	
Capital projects	120,856
Unrestricted	601,699
Total net assets	\$ 6,328,454

Maine School Administrative District 4  
Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Pre-K through grade 12 instruction	\$ 3,735,048	\$ 94,852	\$ -	\$ (3,640,196)
Instructional support	494,635	10,456	-	(484,179)
Leadership	740,219	-	-	(740,219)
On-behalf payments - State of Maine	640,230	-	640,230	-
Grants and other contributions	972,224	-	1,108,531	136,307
Adult education	42,251	-	4,485	(37,766)
School food service	274,886	67,404	212,108	4,626
Operation and maintenance of plant	1,126,088	-	-	(1,126,088)
Transportation	421,134	34,344	-	(386,790)
Capital outlay	72,122	-	-	(72,122)
Interest on long-term debt	90,931	-	-	(90,931)
<b>Total governmental activities</b>	<b>\$ 8,609,768</b>	<b>\$ 207,056</b>	<b>\$ 1,965,354</b>	<b>(6,437,358)</b>
<b>General revenues</b>				
Assessments				
Local assessments, levied for general purposes				2,619,423
Local assessments, levied for adult education				34,953
State subsidy allocation				4,076,683
Unrestricted interest earnings				4,308
Miscellaneous				58,789
<b>Total general revenues</b>				<b>6,794,156</b>
Change in net assets				356,798
Net assets - beginning				5,971,656
Net assets - ending				<b>\$ 6,328,454</b>

**Maine School Administrative District 4  
Balance Sheet  
Governmental Funds  
June 30, 2009**

	General Fund	Special Revenue Fund	Other Governmental Fund- Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,206,289	\$ -	\$ -	\$ 1,206,289
Due from other funds	-	52,802	120,856	173,658
Receivable from other governments	20,861	68,905	-	89,766
Inventories	-	11,533	-	11,533
<b>Total assets</b>	<b>\$ 1,227,150</b>	<b>\$ 133,240</b>	<b>\$ 120,856</b>	<b>\$ 1,481,246</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,366	\$ -	\$ -	\$ 3,366
Due to other funds	173,658	-	-	173,658
Accrued wages	346,784	778	-	347,562
Other accrued expenses	13,062	-	-	13,062
<b>Total liabilities</b>	<b>536,870</b>	<b>778</b>	<b>-</b>	<b>537,648</b>
<b>Fund balances</b>				
Reserved for capital projects	-	-	120,856	120,856
Designated for				
Other purposes	8,367	-	-	8,367
Unreserved, undesignated	681,913	132,462	-	814,375
<b>Total fund balances</b>	<b>690,280</b>	<b>132,462</b>	<b>120,856</b>	<b>943,598</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,227,150</b>	<b>\$ 133,240</b>	<b>\$ 120,856</b>	<b>\$ 1,481,246</b>

**Maine School Administrative District 4  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2009**

Total fund balance, governmental funds	\$	943,598
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		7,378,838
Some liabilities, (such as Capital Lease Contract Payable, Long-term Compensated Absences and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(1,993,982)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u><u>6,328,454</u></u>

Maine School Administrative District 4  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Other Governmental Fund- Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Assessments	\$ 2,619,423	\$ 34,953	\$ -	\$ 2,654,376
Intergovernmental	4,181,319	1,199,700	-	5,381,019
On-behalf payments - State of Maine	640,230	-	-	640,230
Tuition	87,683	-	-	87,683
Charges for services	34,344	63,890	-	98,234
Investment earnings	4,308	-	-	4,308
Miscellaneous	66,636	24,302	-	92,938
<b>Total revenues</b>	<b>7,635,943</b>	<b>1,322,845</b>	<b>-</b>	<b>8,958,788</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Pre K to grade 12 instruction	3,731,993	-	-	3,731,993
Instructional support	483,671	-	-	483,671
Leadership	737,848	-	-	737,848
On-behalf payments - State of Maine	640,230	-	-	640,230
Special grants and contributions expenditures	-	997,668	-	997,668
School lunch program	-	277,391	-	277,391
Adult education	-	34,983	-	34,983
Transportation	430,139	-	-	430,139
Operation and maintenance of plant	905,516	-	-	905,516
<b>Debt service</b>				
Principal	341,496	-	-	341,496
Interest and other charges	90,931	-	-	90,931
Capital outlay	15,990	-	70,959	86,949
<b>Total expenditures</b>	<b>7,377,814</b>	<b>1,310,042</b>	<b>70,959</b>	<b>8,758,815</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>258,129</b>	<b>12,803</b>	<b>(70,959)</b>	<b>199,973</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Return of unused proceeds from long-term debt	-	-	(55,240)	(55,240)
Laptop insurance charges	10,456	-	-	10,456
Laptop repair costs	(9,530)	-	-	(9,530)
Sale of surplus property expenses	-	(2,976)	-	(2,976)
Transfers in	21,171	-	100,000	121,171
Transfers out	(100,000)	-	(21,171)	(121,171)
<b>Total other financing sources (uses)</b>	<b>(77,903)</b>	<b>(2,976)</b>	<b>23,589</b>	<b>(57,290)</b>
<b>Net change in fund balances</b>	<b>180,226</b>	<b>9,827</b>	<b>(47,370)</b>	<b>142,683</b>
Fund balances - beginning	510,054	122,635	168,226	800,915
<b>Fund balances - ending</b>	<b>\$ 690,280</b>	<b>\$ 132,462</b>	<b>\$ 120,856</b>	<b>\$ 943,598</b>

**Maine School Administrative District 4  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2009**

Net change in fund balances - total governmental funds: \$ 142,683

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	145,940	
Depreciation	<u>(282,664)</u>	(136,724)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Debt returned	19,226	
Principal repaid, net of debt modification and forgiveness	<u>341,496</u>	360,722

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued compensated absences		(9,883)
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Change in net assets of governmental activities		<u><u>\$ 356,798</u></u>
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Maine School Administrative District 4  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

	<u>Student Activity</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 68,303
<b>LIABILITIES</b>	
Due to school groups	\$ 68,303

**Maine School Administrative District 4**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Maine School Administrative District 4 was incorporated in 1970 under the laws of the State of Maine to provide educational services.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board, when applicable. As allowed in section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

**Financial Reporting Entity**

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

**Basis of Presentation**

*Government-wide financial statements*

The government-wide financial statements report information of all activities of the District, except for fiduciary funds. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

**Maine School Administrative District 4  
Notes to Basic Financial Statements  
June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Fund Financial Statements*

The District segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The major funds of the District are described below:

*General Fund*

The General Fund is the primary operating fund of the District and always classified as a major fund. This fund is used to account for all financial resources not accounted for in other funds.

*Special Revenue Fund*

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific purposes and the school lunch program.

**Fiduciary Funds (not included in the government-wide statements)**

Fiduciary Funds are not included in the government-wide statements. The District has presented the following Fiduciary Funds:

*Agency Funds*

Agency funds account for assets held by the District in a purely custodial capacity and includes student activity funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Maine School Administrative District 4**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus/Basis of Accounting (Continued)**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net assets and the operating statements present increases, revenues, and decreases, expenses, in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency funds are also presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are intergovernmental revenues. All other governmental fund revenues are recognized when received.

**Budgets and Budgetary Accounting**

The District's general fund operating budget is approved by referendum in June or July for the upcoming fiscal year. Assessments are levied against the member towns after the budget is adopted.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine Public Employees Retirement System for District teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund in accordance with generally accepted accounting principles.

Appropriations for the general fund lapse at the end of the fiscal year.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the Special Revenue Funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the District's fiscal year.

The District prepares its general fund annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in Exhibit 1, the Budget and Actual (with Budget to GAAP Differences) – General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the general fund are summer teacher pay, compensated absences and payments made by the State of Maine to the Maine Public Employees Retirement System which are recognized for GAAP basis only.

**Maine School Administrative District 4  
Notes to Basic Financial Statements  
June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

Adjustments necessary to convert the general funds' net change in fund balances on the budget basis to a GAAP basis are provided below:

Net change in fund balances – budget basis	\$	269,201
On behalf payments revenue		640,230
On behalf payments expenditures		(640,230)
End of year adjustment for accrued wages not recognized as expenditures		(88,975)
Net change in fund balances – GAAP basis (Exhibit 1)	\$	<u>180,226</u>

**Deposits**

For purposes of the statement of net assets, demand deposits include all checking accounts of the District. Additional information is presented in Note 2.

**Inventories**

Inventories of food and supplies for the food service program are valued at the lower of cost or market value.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the Governmental Funds.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 years
Improvements	24-100 years
Machinery and Equipment	3-30 years

The District elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the District to retroactively capitalize certain infrastructure assets.

**Maine School Administrative District 4**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds and compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**Compensated Absences and Summer Teacher Pay and Other Absences**

Teachers are generally paid their annual salaries in twenty-six payments each fiscal year. At June 30th each year the teachers have earned the salaries that they will receive in the following months of July and August. The financial statements reflect the liability that has been earned.

Vacation time is non-vesting. Sick leave can accrue and carry year to year for all employees to specified maximums. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**2. DEPOSITS**

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2009, the District reported deposits of \$1,274,592 with bank balances of \$1,485,683. Of the District's total bank balance of \$1,485,683, \$0 was exposed to custodial credit risk. The entire balance of \$1,485,683 was collateralized by underlying securities held by the related bank, which were not in the District's name.

**Maine School Administrative District 4  
Notes to Basic Financial Statements  
June 30, 2009**

**2. DEPOSITS (CONTINUED)**

Deposits have been reported as follows:

Reported on the Statement of Net Assets	\$1,206,289
Reported in agency funds	<u>68,303</u>
<b>Total deposits</b>	<b><u>\$1,274,592</u></b>

**3. CAPITAL ASSETS**

Governmental activities capital asset activity for the year ended June 30, 2009 is as follows:

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Retire- ments</b>	<b>Balance June 30, 2009</b>
<i>Capital assets not being depreciated</i>				
Land	\$ 185,139	\$ -	\$ -	\$ 185,139
Construction in process	<u>34,272</u>	<u>50,838</u>	<u>-</u>	<u>85,110</u>
Total capital assets not being depreciated	<u>219,411</u>	<u>50,838</u>	<u>-</u>	<u>270,249</u>
<i>Capital assets being depreciated</i>				
Buildings	9,675,511		-	9,675,511
Equipment	554,263	24,000	(56,465)	521,798
Vehicles	1,017,289	71,102	(119,825)	968,566
Land Improvements	<u>212,145</u>	<u>-</u>	<u>-</u>	<u>212,145</u>
Total capital assets being depreciated	<u>11,459,208</u>	<u>95,102</u>	<u>(176,290)</u>	<u>11,378,020</u>
<i>Less accumulated depreciation for</i>				
Buildings	(2,986,447)	(182,701)	-	(3,169,148)
Equipment	(332,496)	(29,570)	56,465	(305,601)
Vehicles	(735,139)	(62,734)	119,825	(678,048)
Land improvements	<u>(108,975)</u>	<u>(7,659)</u>	<u>-</u>	<u>(116,634)</u>
Total accumulated depreciation	<u>(4,163,057)</u>	<u>(282,664)</u>	<u>176,290</u>	<u>(4,269,431)</u>
Total capital assets being depreciated, net	<u>7,296,151</u>	<u>(187,562)</u>	<u>-</u>	<u>7,108,589</u>
Capital assets, net	<u>\$7,515,562</u>	<u>\$(136,724)</u>	<u>\$ -</u>	<u>\$7,378,838</u>

Depreciation expense was charged to governmental activities as follows:

Elementary education	\$50,140
Middle school education	100,763
Secondary education	64,221
Administration	2,371
Operation and maintenance of plant	1,926
Transportation	<u>63,243</u>
<b>Total depreciation expense</b>	<b><u>\$282,664</u></b>

**Maine School Administrative District 4  
Notes to Basic Financial Statements  
June 30, 2009**

**4. LONG-TERM DEBT**

**General Obligation Bonds Payable**

The following is a summary of bonds payable for the year ended June 30, 2009.

	Balance June 30, 2008	Bonds Retired	Balance June 30, 2009
<i>Maine Municipal Bond Bank</i>			
1993 School construction bond, due 2013 with annual principal payments and semi-annual interest payments. Interest ranges from 4.7% to 5.3%.	\$ 1,921,950	\$ (320,325)	\$ 1,601,625
2007 School revolving renovation bond, due 2018 with annual principal payments, 0% interest	<u>211,714</u>	<u>(40,400)</u>	<u>171,314</u>
Total long-term debt	<u>\$ 2,133,664</u>	<u>\$ (360,725)</u>	<u>\$ 1,772,939</u>

Future maturities of long-term debt are as follows:

Year ended June 30	Principal	Interest	Total
2010	\$ 341,496	76,398	417,894
2011	341,496	59,421	400,917
2012	341,496	42,444	383,940
2013	341,497	25,466	366,963
2014	341,497	8,489	349,986
2015-2018	<u>65,457</u>	<u>-</u>	<u>65,457</u>
	<u>\$1,772,939</u>	<u>\$ 212,218</u>	<u>\$1,985,157</u>

**5. INTER-FUND TRANSACTIONS**

During the course of normal operations the District has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2009, arising from these transactions were as follows:

	Receivables	Payables
General fund	\$ -	\$ 173,658
Special revenue fund	52,802	-
Capital projects fund	<u>120,856</u>	<u>-</u>
	<u>\$ 173,658</u>	<u>\$ 173,658</u>

**Maine School Administrative District 4  
Notes to Basic Financial Statements  
June 30, 2009**

**6. DESIGNATED FUND BALANCES**

At June 30, 2009 the designated fund balance of the general fund consisted of:

Laptop repair fund	<u>\$8,367</u>
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**7. DEFINED BENEFIT PENSION PLAN**

**Maine Public Employees Retirement System**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation established by the Maine State Legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the teacher's group. That report may be obtained by calling 1-800-441-9800.

Plan members are required to contribute 7.65% of their compensation to the retirement system. The Districts' payroll for employees covered by this group, for the fiscal year ended June 30, 2009, was approximately \$3,412,738. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to \$640,230 (18.76%) of compensation for the year ended June 30, 2009. There is no contribution required by the District except for Federally funded teachers for which the District contributes 18.76% of their compensation. This cost amounted to \$74,584 for the year ended June 30, 2009, and is chargeable to the applicable grant.

**8. PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The District is a member of the Maine School Management Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its worker's compensation coverage. The District's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member districts for claims in excess of \$400,000 with an excess limit of \$25,000,000.

The District is also a member of the Maine School Management Association - Unemployment Compensation Trust Fund ("MSMA"). MSMA was created to formulate, develop and administer a program of modified self-funding for MSMA's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The District contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. If the reserve is higher than is determined by the actuary, excess contributions are returned to the member. The annual rate set by MSMA's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

**Maine School Administrative-District 4**  
**Notes to Basic Financial Statements**  
**June 30, 2009**

**9. JOINT VENTURE**

The District shares in the financial and governing responsibility of the Tri-County Technical Center with Maine School Administrative Districts 12, 41, 46, 48, 68 and Union 60. The Districts fund the operations of this entity through yearly assessments. Maine School Administrative District 4's share of these assessments for the year ended June 30, 2009 was \$65,270.

**10. SCHOOL ADMINISTRATIVE REORGANIZATION**

On June 6, 2007, the Maine House and Senate enacted a two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as School Administrative Units (SAUs).

SAUs are required to submit a reorganization plan. Reorganization plans approved by the Department of Education ("DOE") are submitted to the voters in the proposed regional school unit ("RSU").

SAU's, not otherwise exempt, that fail to approve a reorganization plan by November 4, 2009 and to implement that plan by July 1, 2009 will face financial penalties, starting July 1, 2010. Penalties for SAUs that do not form appropriate RSUs by the beginning of FY2010 include:

- Less favorable consideration in approval and funding for school construction;
- The percentage of state subsidy will not increase to the highest level as called for in the four-year "ramp-up" of state funding for education (i.e., GPA will be consistent with a statewide average contribution of 53.86% instead of the 55% overall state share.)

On January 27, 2009 the District's citizens voted not to reorganize with any other school systems.

**11. CONTINGENCIES**

The District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Maine School Administrative District 4  
Budget and Actual (with Budget to GAAP Differences)  
General Fund  
For the Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Budget				
		Changes	Final			
<b>REVENUES</b>						
Assessments	\$ 2,619,423	\$ -	\$ 2,619,423	\$ 2,619,423	\$ -	\$ 2,619,423
Tuition	95,202	-	95,202	87,683	-	87,683
Intergovernmental	4,084,076	-	4,084,076	4,181,319	-	4,181,319
On-behalf payments - State of Maine	-	-	-	-	640,230	640,230
Charges for services	20,700	-	20,700	34,344	-	34,344
Investment earnings	6,000	-	6,000	4,308	-	4,308
Miscellaneous	25,000	-	25,000	68,636	-	68,636
<b>Total revenues</b>	<b>6,850,401</b>	<b>-</b>	<b>6,850,401</b>	<b>6,995,713</b>	<b>640,230</b>	<b>7,635,943</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
Pre K to grade 12 instruction	3,873,596	-	3,873,596	3,643,629	88,381	3,732,010
Instructional support	620,053	-	620,053	483,654	-	483,654
On-behalf payments - State of Maine	-	-	-	-	640,230	640,230
Transportation	453,928	-	453,928	429,847	292	430,139
Leadership	845,122	-	845,122	737,848	-	737,848
Operation and maintenance of plant	994,622	-	994,622	905,214	302	905,516
<b>Debt service</b>						
Principal	341,496	-	341,496	341,496	-	341,496
Interest and other charges	90,931	-	90,931	90,931	-	90,931
<b>Total expenditures</b>	<b>7,219,748</b>	<b>-</b>	<b>7,219,748</b>	<b>6,648,609</b>	<b>729,205</b>	<b>7,377,814</b>
Excess (deficiency) of revenues over expenditures	(369,347)	-	(369,347)	347,104	(88,975)	258,129
<b>OTHER FINANCING SOURCES (USES)</b>						
Laptop insurance charges and repairs, net	-	(7,441)	(7,441)	926	-	926
Transfers in	21,171	-	21,171	21,171	-	21,171
Transfers out	(100,000)	-	(100,000)	(100,000)	-	(100,000)
<b>Total other financing sources and uses</b>	<b>(78,829)</b>	<b>(7,441)</b>	<b>(86,270)</b>	<b>(77,903)</b>	<b>-</b>	<b>(77,903)</b>
<b>Net change in fund balances</b>	<b>(448,176)</b>	<b>(7,441)</b>	<b>(455,617)</b>	<b>269,201</b>	<b>(88,975)</b>	<b>180,226</b>
Fund balances - beginning	767,863	-	767,863	767,863	(257,809)	510,054
Fund balances - ending	\$ 319,687	\$ (7,441)	\$ 312,246	\$ 1,037,064	\$ (346,784)	\$ 690,280

**Maine School Administrative District 4  
Budget and Actual (with Variances)  
General Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Assessments	\$ 2,619,423	\$ -	\$ 2,619,423	\$ 2,619,423	\$ -
Tuition	95,202	-	95,202	87,683	(7,519)
Intergovernmental	4,084,076	-	4,084,076	4,181,319	97,243
Charges for services	20,700	-	20,700	34,344	13,644
Investment earnings	6,000	-	6,000	4,308	(1,692)
Miscellaneous	25,000	-	25,000	68,636	43,636
<b>Total revenues</b>	<b>6,850,401</b>	<b>-</b>	<b>6,850,401</b>	<b>6,995,713</b>	<b>145,312</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Pre K to Grade 12 instruction	3,873,596	-	3,873,596	3,643,629	229,967
Instructional support	620,053	-	620,053	483,654	136,399
Transportation	453,928	-	453,928	429,847	24,081
Leadership	845,122	-	845,122	737,848	107,274
Operation and maintenance of plant	994,622	-	994,622	905,214	89,408
<b>Debt service</b>					
Principal	341,496	-	341,496	341,496	-
Interest and other charges	90,931	-	90,931	90,931	-
<b>Total expenditures</b>	<b>7,219,748</b>	<b>-</b>	<b>7,219,748</b>	<b>6,648,609</b>	<b>571,139</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(369,347)</b>	<b>-</b>	<b>(369,347)</b>	<b>347,104</b>	<b>716,451</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Laptop insurance charges and repairs, net	-	(7,441)	(7,441)	926	8,367
Transfers in	21,171	-	21,171	21,171	-
Transfers out	(100,000)	-	(100,000)	(100,000)	-
<b>Total other financing sources and uses</b>	<b>(78,829)</b>	<b>(7,441)</b>	<b>(86,270)</b>	<b>(77,903)</b>	<b>8,367</b>
<b>Net change in fund balances</b>	<b>(448,176)</b>	<b>(7,441)</b>	<b>(455,617)</b>	<b>269,201</b>	<b>\$ 724,818</b>
Fund balances - beginning	767,863	-	767,863	767,863	
<b>Fund balances - ending</b>	<b>\$ 319,687</b>	<b>\$ (7,441)</b>	<b>\$ 312,246</b>	<b>\$ 1,037,064</b>	

**Maine School Administrative District 4  
Budget and Assessment  
For the Year Ended June 30, 2009**

**BUDGET REQUIREMENTS**

Operations	\$ 6,787,321
Indebtedness	432,427
Designated carryover	7,441
Transfer out	<u>100,000</u>
 Total budget requirements	 <u>7,327,189</u>

**REDUCTIONS OF REQUIREMENTS**

Estimated revenues	4,230,978
Transfer in	21,171
Utilization of fund balance	<u>455,617</u>
 Total reductions of requirements	 <u>4,707,766</u>
 Net budget requirements	 <u>\$ 2,619,423</u>

**ASSESSMENTS**

Abbot	\$ 453,227
Cambridge	156,387
Guilford	1,009,363
Parkman	315,207
Sangerville	554,893
Wellington	<u>130,346</u>
 Total assessments	 <u>\$ 2,619,423</u>

**Maine School Administrative District 4  
Combining Schedule of Special Revenue Fund Activity  
For the Year Ended June 30, 2009**

	<u>6/30/2008</u>				<u>6/30/2009</u>
	<u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u>
Adult education	\$ -	\$ 34,953	\$ 34,953	\$ -	\$ -
ARRA- medicaid	-	6,065	355	-	5,710
ARRA- State stabilization	-	76,980	76,980	-	-
Appleyard	-	11,070	10,877	-	193
ATM monitors	172	-	-	-	172
Computer learning center	23,332	77,068	90,730	-	9,670
Dental oral health	-	617	617	-	-
Dental sealant	111	966	1,070	-	7
Gear up	-	56,833	56,833	-	-
ITV	3,180	4,485	7,328	-	337
Local entitlement	27,994	188,345	154,916	-	61,423
Preschool	1	4,054	1,047	-	3,008
Reading first	14,957	87,500	91,719	-	10,738
Sale of surplus property	6,438	-	2,977	-	3,461
School lunch	12,683	279,512	277,391	-	14,804
Suicide prevention	-	766	766	-	-
Title IA	22,220	354,449	355,246	-	21,423
Title IV- Drug free schools	-	6,910	6,910	-	-
Title VI	-	18,330	18,330	-	-
Title IIA	2,639	73,588	74,727	(1,500)	-
Title IID	-	4,422	4,422	-	-
Performing Pirates	2,712	-	2,275	-	437
Melmac Capital Planning Grant	3,651	-	3,523	-	128
Melmac Implementation Grant	-	14,000	13,049	-	951
RSU Planning	2,419	6,199	8,618	-	-
AP Grant	-	15,733	15,733	-	-
Title V	126	-	1,626	1,500	-
	<u>\$ 122,635</u>	<u>\$ 1,322,845</u>	<u>\$ 1,313,018</u>	<u>\$ -</u>	<u>\$ 132,462</u>

**Maine School Administrative District 4  
Combined Schedule of Agency Fund Activity  
For the Year Ended June 30, 2008**

	<u>6/30/2008</u>				<u>6/30/2008</u>
	<u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u>
<b>Guilford Middle School</b>					
Band	\$ 2	\$ 90	\$ 73	\$ -	\$ 19
Advisor	-	1,554	463	-	1,091
Chess club	23	-	-	-	23
Coca Cola	1,166	1,139	1,409	-	896
Computer	94	-	-	-	94
D.A.R.E.	1,120	-	-	-	1,120
General miscellaneous	519	9,345	7,707	-	2,157
Gift fund	2,011	475	645	-	1,841
Health	126	300	414	-	12
H.E.R.O.	695	750	1,249	-	196
Intramural	201	711	119	-	793
Library	694	-	-	-	694
Nurse's account	-	200	-	-	200
QSP	2,373	6,612	8,836	-	149
Science	274	-	-	-	274
Sports	1,417	9,916	8,394	-	2,939
Sports Boosters	2,066	5,626	5,112	-	2,580
Student council	1,185	4,123	4,134	-	1,174
Sunshine	(50)	1,204	1,153	-	1
Yearbook	1,433	2,405	2,735	-	1,103
Grade 4	-	707	495	-	212
Grade 5	555	883	1,134	-	304
Grade 6	1,261	785	1,944	-	102
Grade 7	976	1,961	1,486	-	1,451
Grade 8	917	781	1,393	1,284	1,589
Class of 2012	1,284	-	-	(1,284)	-
Wellness	1,031	865	1,441	-	455
5th grade ski program	1,913	-	317	-	1,596
Fast track grant	57	-	-	-	57
	<u>\$ 23,343</u>	<u>\$ 50,432</u>	<u>\$ 50,653</u>	<u>\$ -</u>	<u>\$ 23,122</u>

- continued -

Maine School Administrative District 4  
Combined Schedule of Agency Fund Activity  
For the Year Ended June 30, 2009

	6/30/2008		6/30/2009	
	Balance	Revenues	Expenditures	Balance
<b>Piscataquis High School</b>				
AFS	\$ 1,326	\$ -	\$ -	\$ 1,326
Art club	83	-	30	53
Art portfolio project	400	-	274	126
Athletics	10,527	25,735	21,760	14,502
Band	626	10,221	893	9,954
Class of 2008	162	-	6,806	(6,644)
Class of 2009	1,451	1,740	3,058	133
Class of 2010	754	403	42	1,115
Class of 2011	681	75	9	747
Class of 2012	-	1,284	-	1,284
Community reads	129	-	-	129
Drama club	2,525	644	496	2,673
General	75	232	107	200
Janitorial	124	16	139	1
Key club	307	5,551	5,647	211
Library media	61	-	-	61
National honor society	746	1,352	1,519	579
Oak grove grants	-	9,392	9,312	80
Pirate café	-	642	477	165
Postage	(81)	1,862	2,161	(380)
Prom committee	13	3,738	3,079	672
Readiness grant	836	-	666	170
Scholarship	7,233	1,475	1,575	7,133
Spanish club	44	-	-	44
Student activities	1,308	787	769	1,326
Student council	1,833	964	710	2,087
Temporary	(229)	2,123	1,378	516
Traveler - Dyer	35	-	-	35
Traveler - Leavitt	155	-	44	111
Yearbook	(2,313)	8,002	5,689	(0)
	<u>\$ 28,810</u>	<u>\$ 76,238</u>	<u>\$ 66,640</u>	<u>\$ 38,408</u>

- continued -

Maine School Administrative District 4  
Combined Schedule of Agency Fund Activity  
For the Year Ended June 30, 2009

	6/30/2008				6/30/2009
	Balance	Revenues	Expenditures	Transfers	Balance
<b>Guildford Primary School</b>					
Principal's	\$ 99	\$ 2,290	\$ 1,995	\$ -	\$ 394
Arts alive	-	2,235	2,050	-	185
Sunshine	77	448	490	-	35
Computers for education	879	164	177	-	866
Hannaford	352	363	-	-	715
Cambridge church	-	95	12	-	83
Technology fund	-	1,500	1,300	-	200
Picture money	449	177	-	-	626
Books for boys	-	150	150	-	-
	<u>\$ 1,856</u>	<u>\$ 7,422</u>	<u>\$ 6,174</u>	<u>\$ -</u>	<u>\$ 3,104</u>
<b>McKusick Elementary</b>					
General	\$ 2,108	\$ 1,774	\$ 2,037	\$ -	\$ 1,845
School pictures	526	195	-	-	721
Arts alive	386	105	-	-	491
Going on a tree hunt	12	-	-	-	12
Move and improve	-	500	-	-	500
Cambridge church	-	100	-	-	100
	<u>\$ 3,032</u>	<u>\$ 2,674</u>	<u>\$ 2,037</u>	<u>\$ -</u>	<u>\$ 3,669</u>
<b>Total student activities</b>	<u>\$ 57,041</u>	<u>\$ 136,766</u>	<u>\$ 125,504</u>	<u>\$ -</u>	<u>\$ 68,303</u>

**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***

Board of Directors  
Maine School Administrative District 4

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of Maine School Administrative District 4, as of and for the year ended June 30, 2009, which collectively comprise Maine School Administrative District 4's basic financial statements and have issued our report thereon dated January 18, 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 Maine School Administrative District 4'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 Maine School Administrative District 4's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maine School Administrative District 4's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Maine School Administrative District 4'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 Maine School Administrative District 4's financial statements that is more than inconsequential will not be prevented or detected by Maine School Administrative District 4's internal control. We consider the deficiency described as items #2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 Maine School Administrative District 4's internal control.

Our consideration of the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Maine School Administrative District 4'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*.

Maine School Administrative District 4's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Maine School Administrative District 4's response, and accordingly, we express no opinion on it.

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

*Christina Thibodeau & Associates*

Bangor, Maine  
January 18, 2010



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**Report on Compliance With Requirements Applicable  
to Each Major Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133**

Board of Directors  
Maine School Administrative District 4

**Compliance**

We have audited the compliance of Maine School Administrative District 4, 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 each of its major federal programs for the year ended June 30, 2009. Maine School Administrative District 4's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Maine School Administrative District 4's management. Our responsibility is to express an opinion on Maine School Administrative District 4'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 Maine School Administrative District 4'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 Maine School Administrative District 4's compliance with those requirements.

In our opinion, Maine School Administrative District 4 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of Maine School Administrative District 4, 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 Maine School Administrative District 4's internal control over compliance with the 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 Maine School Administrative District 4'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.

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, board of directors, 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.

*Grantur Hibbard & Associates*

Bangor, Maine  
January 18, 2010

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Email: bta@btacpa.com

**Report on Compliance Based  
on Requirements of the Maine  
School Finance Acts**

Board of Directors  
Maine School Administrative District 4

With regard to the accompanying audit report of Maine School Administrative District 4 for the year ended June 30, 2009, we state the following assurances:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits.
2. Budgetary controls were in place.
3. The District has complied with applicable provisions of the Essential Program and Services Funding Act.
4. The District is in compliance with the applicable provisions of the Maine School Finance Acts of 1985 and 1995.

Bangor, Maine  
January 18, 2010

*Brantner Thibodeau & Associates*

Maine School Administrative District 4  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
U.S. Department of Education			
<i>Passed through State Department of Education</i>			
ARRA -State Funds Stabilization Funds (Basic)	84.394	20-2077-1	\$ 76,980
Title IA	84.010A	13-05A-6334-13	355,246
21st century community learning	84.287C	13-05A-1103-13	90,730
Title V innovative	84.298A	13-05A-1088-03	1,626 *
Title IIA Improving teacher quality.	84.367A	13-05A-1138-11	74,727 *
Title IID - education technology state grant	84.318X	13-05A-1086-02	4,422
Advanced placement	84.330C	13-05A-5110-62	15,733
Gear up	84.334S	13-05A-6341-13	56,833
Reading first	84.357A	13-05A-1101-13	91,719
Title VI - rural and low income	84.358B	13-05A-1078-03	18,330
<b>Cluster</b>			
Preschool - handicapped	84.173A	13-05A-6241-23	1,047
Local entitlement	84.027A	13-05A-6317-12	154,916
<i>Passed through State Office of Substance Abuse</i>			
Drug free school	84.186A	13-05A-6346-57	<u>6,910</u>
Total U.S. Department of Education			<u>949,219</u>
U.S. Department of Agriculture			
<i>Passed through State Department of Education</i>			
<b>Cluster</b>			
National School Lunch Program	10.555	13-05A-8121-05	171,887
National School Lunch -After school snack	10.555	13-05A-7142-05	2,347
School breakfast program	10.553	13-05A-7127-05	47,524
<i>Passed through Maine School Administrative District 48</i>			
Distance learning and telemedicine	10.855	ME 724-A16	<u>24,000</u>
Total U.S. Department of Agriculture			<u>245,758</u>
U.S. Department of Health and Human Services			
<i>Passed through State Department of Health and Human Services</i>			
ARRA - FMAP Medicaid	None known	None known	<u>355</u>
Total federal programs			<u>\$ 1,195,332</u>
* transferred funds between grants			
Title V			\$ 1,500
Title IIA			\$ (1,500)

**Maine School Administrative District 4  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009**

**PURPOSE OF THE SCHEDULE**

Office of Management and Budget (OMB) Circular A-133, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

**SIGNIFICANT ACCOUNTING POLICIES**

**1. REPORTING ENTITY**

The accompanying schedule includes all federal award programs of the District for the fiscal year ended June 30, 2009. The reporting entity is defined in the Notes to the Financial Statements of Maine School Administrative District 4.

**2. BASIS OF PRESENTATION**

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

- a. Pursuant to OMB Circular A-133, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. OMB Circular A-133 establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the District have been identified in the Schedule of Findings and Questioned Costs.

**3. BASIS OF ACCOUNTING**

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the District's general purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general purpose financial statements.

**Maine School Administrative District 4  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

**Section I — Summary of Auditor's Results**

***Financial Statements***

- Type of auditor's report issued – Government-wide Financial Statements - *Unqualified opinion*
- Internal control over financial reporting
- Material weakness(es) identified? -  yes  no
  - Significant deficiencies identified that are not considered to be material weaknesses? -  yes  no
- Noncompliance material to financial statements noted? -  yes  no

***Federal Awards***

- Internal control over major programs
- Material weakness(es) identified? -  yes  no
  - Significant deficiencies identified that are not considered to be material weakness(es)? -  yes  none reported
- Type of auditor's report issued on compliance for major programs - *Unqualified opinion*
- Any audit findings disclosed that are required to be reported in accordance with Section .410(a) of Circular A-133? -  yes  no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553,10.555	School lunch cluster
84.010	Title IA
84.287	21 <sup>st</sup> Century Community Learning

- Dollar threshold used to distinguish between Type A and Type B programs - \$300,000
- Auditee qualified as low-risk auditee? -  yes  no

**Maine School Administrative District 4  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2009**

**Section II — Financial Statement Findings**

<i>Criteria or specific requirement</i>	#2009-1 Additional services needed including significant assistance with the preparation of the financial statements.
<i>Condition</i>	Inappropriate reviews and approvals of transactions, accounting entries or system outputs leading to accounting services and material adjustments to financial statements.
<i>Context</i>	District relied on auditor for the preparation of many support schedules, and reports.
<i>Effect</i>	Failure to perform certain management functions could result in misstated information and unreliable reporting.
<i>Cause</i>	Lack of adequate oversight and fiscal management.
<i>Recommendation</i>	District should have more oversight of its financial reporting and entries and supporting documentation.
<i>Management's response</i>	Due to the lack of personnel and appropriate training the District was unable to these functions; however progress is being made in the 2009-2010 fiscal year.

**Section III — Federal Award Findings and Questioned Costs**

<i>Information on the federal program</i>	None
<i>Criteria or specific requirement (including statutory, regulatory, or other citation)</i>	
<i>Condition</i>	
<i>Questioned costs</i>	
<i>Effect</i>	
<i>Cause</i>	
<i>Recommendation</i>	
<i>Management's response</i>	

**Maine School Administrative District 4  
Summary Schedule of Prior Findings and Questioned Costs  
For the Year Ended June 30, 2009**

<i>Condition</i>	#2008-1 Management does not control the preparation of the financial statements.
<i>Management's response and corrective action plan</i>	The condition was improved for the year ended June 30, 2009.