

BROOKLINE SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**BROOKLINE SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Brookline School District as of June 30, 2016, and the respective changes in financial position thereof, and

the budgetary comparisons for the General Fund and Grants Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the OPEB and pension schedules, on pages 3-9 and 35-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

April 17, 2017

Roberts & Heene, PLLC

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

This section of the Brookline School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2016. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

DISTRICT-WIDE STATEMENTS

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

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school district do financially during the 2015-16 school year?" These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

In the district-wide financial statements the district's activities are listed as governmental activities, which includes most of the district's basic service, such as regular and special education, transportation, and administration. Property taxes and state revenue finance most of the activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the district's most significant funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The district establishes other funds to control and manage money for particular purposes (like repaying long-term debts) or to show that it is properly using certain revenues (like federal grants).

The district has two types of funds:

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

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Brookline School District

Statement of Net Position

Change in net position for fiscal year 2016 compared to fiscal year 2015:

	2015	2016	Increase (Decrease)	% Increase (Decrease)
Current and other assets	648,802	681,434	32,632	5.03%
Capital assets	6,231,496	6,169,865	(61,631)	-0.99%
Total Assets	6,880,298	6,851,299	(28,999)	-0.42%
Deferred outflows of resources	519,558	554,953	35,395	6.81%
Long-term liabilities outstanding	6,473,772	6,488,633	14,861	0.23%
Other liability	250,450	254,977	4,527	1.81%
Total liabilities	6,724,222	6,743,610	19,388	0.29%
Deferred inflows of resources	648,566	392,640	(255,926)	-39.46%
Net Position:				
Net investment in capital assets	5,082,406	5,245,577	163,171	3.21%
Restricted	40,573	31,079	(9,494)	-23.40%
Unrestricted	(5,095,866)	(5,006,654)	89,212	-1.75%
Total Net Position	27,113	270,002	242,889	895.84%

Statement of Activities

Change in fund revenue and expenses for fiscal year 2016 compared to fiscal year 2015:

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Revenues:	2015	2016	Change	%Change
Program Revenues				
Charges for Services	256,573	278,579	22,006	8.6%
Operating Grants and Contributions	487,624	309,447	(178,177)	-36.5%
Capital Grants and Contributions	67,504	61,914	(5,590)	-8.3%
General Revenues:				
Assessment	5,667,161	5,252,147	(415,014)	-7.3%
Grants and Contributions	2,532,141	2,497,923	(34,218)	-1.4%
Miscellaneous	102,982	102,312	(670)	-0.7%
Total Revenues	9,113,985	8,502,322	(611,663)	-6.7%
Program Expenses:				
Instruction	4,055,689	3,741,047	(314,642)	-7.8%
Student Support	639,320	569,663	(69,657)	-10.9%
Instructional Staff	265,746	265,091	(655)	-0.2%
General Administration	34,663	34,821	158	0.5%
Executive Administration	255,180	263,878	8,698	3.4%
School Administration	497,419	464,954	(32,465)	-6.5%
Operation and Maintenance of Plant	597,663	524,822	(72,841)	-12.2%
Student Transportation	334,668	297,923	(36,745)	-11.0%
Central	260	-	(260)	-100.0%
Other	1,616,319	1,672,357	56,038	3.5%
Non-instructional Services	152,442	158,457	6,015	3.9%
Interest on Long-Term Debt	256,242	266,420	10,178	4.0%
Total Expenses	8,705,611	8,259,433	(446,178)	-5.1%
Change in Net Position	408,374	242,889	(165,485)	-40.5%
Net Position - Beginning	(381,261)	27,113	408,374	-107.1%
Net Position - Ending	27,113	270,002	242,889	895.8%

Specific areas of variance are evidenced above in the change in net position. Some larger variances are due to the following:

Revenues – In FY16 the district received revenue greater than in FY15 in three areas: in federal grants of approximately \$55,000, in kindergarten and pre-school tuition revenue of approximately \$13,000 and in lunch revenue of approximately \$7,000. Revenue was lower in FY16 than in FY15 in several areas: in catastrophic aid (\$155,000), in Medicaid revenue (\$76,000), in the tax assessment (\$415,000) and in the combination of the state adequacy grant and education tax revenue (\$34,000)

Expenditures – Expenditures higher in FY16 than in FY15 were primarily found in employee benefits. Ited in lower expenditures in FY16 over FY15 across the board. A reduction in special education tuition, related services, staffing and transportation accounted for approximately \$377,000 in expenses lower in

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

FY16 than in FY15. Other factors contributing to lower expenses in FY16 as compared to FY15 were dropping the foreign language program and the unfilled curriculum administrator position. Lastly, because of the milder than usual winter, the district also enjoyed savings in heating and snow removal costs.

General Fund Budgetary Highlights

Revenues

Revenue recognized by the Brookline School District's general fund amounted to \$43,259 more than was budgeted, as detailed below. Funds received in excess of what was budgeted came from catastrophic aid, Medicaid, kindergarten and pre-school tuition and from the LGC contribution holiday refund.

**Brookline School District General Fund Revenues FY16 - Budget vs Actuals
(without transfers)**

Revenue	Original Budget	Actual	Variance
School District Assessment	\$ 5,252,147	\$ 5,252,147	\$ -
Other Local	\$ 189,010	\$ 245,610	\$ 56,600
State	\$ 2,644,247	\$ 2,617,085	\$ (27,162)
Federal	\$ 11,000	\$ 24,821	\$ 13,821
Total Revenues	\$ 8,096,404	\$ 8,139,663	\$ 43,259
Use of Fund Balance to Reduce School District Assessment & Other Funding	\$ 347,751		
Total Revenues and Use of Fund Balance	\$ 8,444,155		

Expenditures

The general fund surplus can be attributed to:

- Savings in the unfilled curriculum administrator position
- Savings in professional development and hiring savings
- Savings in snow plowing, electrical and heating oil
- Savings in the purchase of computer equipment
- Overages in board approved year end building/security improvements
- Saving in employee benefits

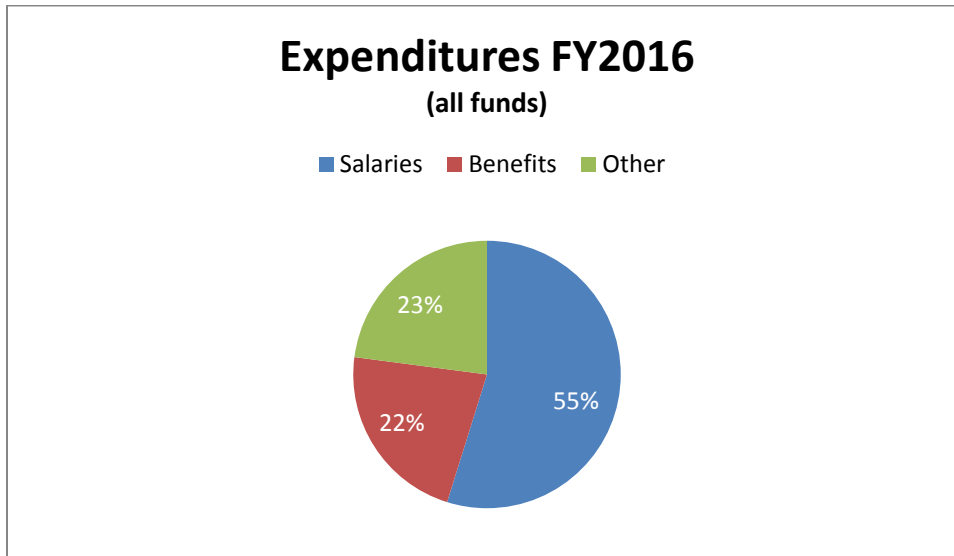
**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

**Brookline School District General Fund Expenditures FY16 - Budget vs Actuals
(without transfers)**

<u>Expenditures</u>	Original		
	Budget	Actual	Variance
Instruction	\$ 3,350,099	\$ 3,268,000	\$ 82,099
Student & Instructional Support	\$ 912,041	\$ 792,610	\$ 119,431
General, Executive & School Administration	\$ 837,046	\$ 765,355	\$ 71,691
Operation & Maintenance of Plant	\$ 613,386	\$ 640,066	\$ (26,680)
Student Transportation	\$ 364,412	\$ 297,923	\$ 66,489
Other Support Services	\$ 1,886,846	\$ 1,837,873	\$ 48,973
Debt Service	\$ 480,325	\$ 480,325	\$ -
Total Appropriations & Expenditures	\$ 8,444,155	\$ 8,082,152	\$ 362,003

Brookline School District Activities

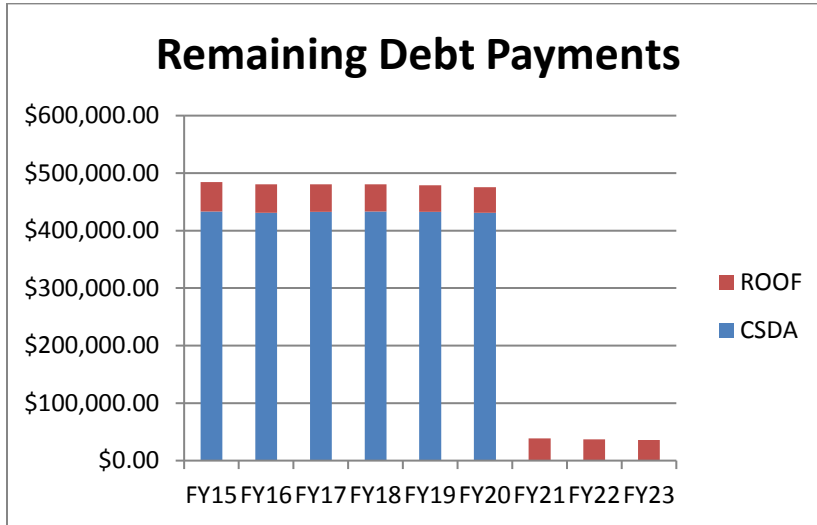
The district's expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials.



DEBT ADMINISTRATION

The Brookline School District carries debt for the construction of Captain Samuel Douglas Academy and the roof repair of the same.

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**



OTHER DISCUSSION

The district’s financial status is sound. Being that the majority of cost is associated to salary and benefits the budget is rather predictable from year to year. Alternative methods to provide access to reserve/contingency funds should be explored to ensure availability for funds should revenues fall below estimates or significant expenses arise throughout the course of the year.

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

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
BROOKLINE SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 462,740
Investments	388
Intergovernmental receivables	199,756
Other receivables	7,711
Inventory	5,574
Prepaid items	5,265
Capital assets, net of accumulated depreciation:	
Land improvements	49,965
Buildings and building improvements	6,116,432
Machinery, equipment and vehicles	3,468
Total assets	6,851,299
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	554,953
LIABILITIES	
Accounts payable	34,966
Accrued salaries and benefits	29,527
Intergovernmental payable	8,581
Accrued interest payable	181,903
Noncurrent obligations:	
Due within one year:	
Bonds payable	213,870
Unamortized bond premium	2,210
Compensated absences payable	2,923
Termination benefits payable	25,921
Due in more than one year:	
Bonds payable	694,948
Unamortized bond premium	13,260
Termination benefits payable	263,670
Other postemployment benefits payable	181,226
Net pension liability	5,090,605
Total liabilities	6,743,610
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	10,287
Amounts related to pensions	382,353
Total deferred inflows of resources	392,640
NET POSITION	
Net investment in capital assets	5,245,577
Restricted for other purposes	31,079
Unrestricted	(5,006,654)
Total net position	\$ 270,002

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

EXHIBIT 2
BROOKLINE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 3,741,047	\$ 153,144	\$ 200,106	\$ -
Support services:				
Student	569,663	-	36,975	-
Instructional staff	265,091	-	27,965	-
General administration	34,821	-	-	-
Executive administration	263,878	-	-	-
School administration	464,954	-	-	-
Operation and maintenance of plant	524,822	2,590	-	-
Student transportation	297,923	-	-	-
Other	1,672,357	-	2,700	-
Non-instructional services	158,457	122,845	41,701	-
Interest on long-term debt	266,420	-	-	61,914
Total primary government	<u>\$ 8,259,433</u>	<u>\$ 278,579</u>	<u>\$ 309,447</u>	<u>\$ 61,914</u>

General revenues:	
School district assessment	5,252,147
Grants and contributions not restricted to specific programs	2,497,923
Miscellaneous	102,312
Total general revenues	<u>7,852,382</u>
Change in net position	242,889
Net position, beginning	27,113
Net position, ending	<u>\$ 270,002</u>

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

EXHIBIT 3
BROOKLINE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 374,703	\$ -	\$ 88,037	\$ 462,740
Investments	388	-	-	388
Receivables (net of allowance):				
Accounts	7,711	-	-	7,711
Intergovernmental	49,463	117,239	33,054	199,756
Interfund receivable	110,701	-	-	110,701
Inventory	-	-	5,574	5,574
Prepaid items	5,265	-	-	5,265
Total assets	<u>\$ 548,231</u>	<u>\$ 117,239</u>	<u>\$ 126,665</u>	<u>\$ 792,135</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 29,243	\$ 3,838	\$ 1,885	\$ 34,966
Accrued salaries and benefits	29,527	-	-	29,527
Intergovernmental payable	5,270	2,700	611	8,581
Interfund payable	-	110,701	-	110,701
Total liabilities	<u>64,040</u>	<u>117,239</u>	<u>2,496</u>	<u>183,775</u>
Deferred inflows of resources:				
Deferred revenue	<u>2,710</u>	<u>-</u>	<u>7,577</u>	<u>10,287</u>
Fund balances:				
Nonspendable	5,265	-	37,175	42,440
Committed	23,689	-	79,939	103,628
Assigned	61,433	-	-	61,433
Unassigned	391,094	-	(522)	390,572
Total fund balances	<u>481,481</u>	<u>-</u>	<u>116,592</u>	<u>598,073</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 548,231</u>	<u>\$ 117,239</u>	<u>\$ 126,665</u>	<u>\$ 792,135</u>

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

EXHIBIT 4
BROOKLINE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2016

Total fund balances of governmental funds (Exhibit 3)	\$	598,073
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$	9,500,409
Less accumulated depreciation		<u>(3,330,544)</u>
		6,169,865
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(110,701)
Payables		<u>110,701</u>
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(181,903)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$	908,818
Unamortized bond premium		15,470
Compensated absences payable		2,923
Termination benefits payable		289,591
Other postemployment benefits payable		181,226
Net pension liability		<u>5,090,605</u>
		(6,488,633)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$	554,953
Deferred inflows of resources related to pensions		<u>(382,353)</u>
		172,600
Net position of governmental activities (Exhibit 1)	\$	<u><u>270,002</u></u>

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

EXHIBIT 5
BROOKLINE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 5,252,147	\$ -	\$ -	\$ 5,252,147
Other local	245,653	-	135,238	380,891
State	2,617,085	-	2,104	2,619,189
Federal	24,821	185,677	39,597	250,095
Total revenues	<u>8,139,706</u>	<u>185,677</u>	<u>176,939</u>	<u>8,502,322</u>
EXPENDITURES				
Current:				
Instruction	3,268,000	142,858	12,609	3,423,467
Support services:				
Student	557,509	12,154	-	569,663
Instructional staff	234,710	27,965	2,416	265,091
General administration	34,821	-	-	34,821
Executive administration	263,878	-	-	263,878
School administration	465,296	-	-	465,296
Operation and maintenance of plant	652,917	-	-	652,917
Student transportation	297,923	-	-	297,923
Other	1,837,873	2,700	-	1,840,573
Non-instructional services	-	-	158,457	158,457
Debt service:				
Principal	222,592	-	-	222,592
Interest	257,733	-	-	257,733
Facilities acquisition and construction	-	-	8,575	8,575
Total expenditures	<u>8,093,252</u>	<u>185,677</u>	<u>182,057</u>	<u>8,460,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,454</u>	<u>-</u>	<u>(5,118)</u>	<u>41,336</u>
Other financing sources (uses):				
Transfers in	1,097	-	-	1,097
Transfers out	-	-	(1,097)	(1,097)
Total other financing sources and uses	<u>1,097</u>	<u>-</u>	<u>(1,097)</u>	<u>-</u>
Net change in fund balances	47,551	-	(6,215)	41,336
Fund balances, beginning	433,930	-	122,807	556,737
Fund balances, ending	<u>\$ 481,481</u>	<u>\$ -</u>	<u>\$ 116,592</u>	<u>\$ 598,073</u>

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

EXHIBIT 6
BROOKLINE 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, 2016

Net change in fund balances of total governmental funds (Exhibit 5)	\$	41,336
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$	137,274
Depreciation expense		<u>(198,905)</u>
		(61,631)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(1,097)
Transfers out		<u>1,097</u>
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Principal repayment of bonds	\$	222,592
Amortization of bond premium		<u>2,210</u>
		224,802
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$	(10,897)
Increase in compensated absences payable		(262)
Increase in termination benefits payable		(82,951)
Increase in other postemployment benefits payable		<u>(35,724)</u>
		(129,834)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
School District pension contributions	\$	544,031
Cost of benefits, net of employee contributions		<u>(375,815)</u>
		168,216
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>242,889</u></u>

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

EXHIBIT 7
BROOKLINE SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 5,252,147	\$ 5,252,147	\$ -
Other local	189,010	245,610	56,600
State	2,644,247	2,617,085	(27,162)
Federal	11,000	24,821	13,821
Total revenues	<u>8,096,404</u>	<u>8,139,663</u>	<u>43,259</u>
EXPENDITURES			
Current:			
Instruction	3,350,099	3,268,000	82,099
Support services:			
Student	622,023	557,509	64,514
Instructional staff	290,018	235,101	54,917
General administration	30,900	34,989	(4,089)
Executive administration	261,901	263,878	(1,977)
School administration	544,245	466,488	77,757
Operation and maintenance of plant	613,386	640,066	(26,680)
Student transportation	364,412	297,923	66,489
Other	1,886,846	1,837,873	48,973
Debt service:			
Principal	222,592	222,592	-
Interest	257,733	257,733	-
Total expenditures	<u>8,444,155</u>	<u>8,082,152</u>	<u>362,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(347,751)</u>	<u>57,511</u>	<u>405,262</u>
Other financing sources (uses):			
Transfers in	-	1,097	1,097
Transfers out	(10,000)	(10,000)	-
Total other financing sources and uses	<u>(10,000)</u>	<u>(8,903)</u>	<u>1,097</u>
Net change in fund balance	<u>\$ (357,751)</u>	48,608	<u>\$ 406,359</u>
Decrease in nonspendable fund balance		2,329	
Unassigned fund balance, beginning		<u>340,157</u>	
Unassigned fund balance, ending		<u>\$ 391,094</u>	

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

EXHIBIT 8
BROOKLINE SCHOOL DISTRICT
Grants Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 278,987	\$ 185,677	\$ (93,310)
EXPENDITURES			
Current:			
Instruction	256,287	142,858	113,429
Support services:			
Student	16,000	12,154	3,846
Instructional staff	4,000	27,965	(23,965)
Other	2,700	2,700	-
Total expenditures	<u>278,987</u>	<u>185,677</u>	<u>93,310</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

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

EXHIBIT 9
BROOKLINE SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 27,863
LIABILITIES	
Due to student groups	<u>27,863</u>
NET POSITION	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Brookline School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2016.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

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

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

Government-Wide Financial Statements

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Fund Financial Statements

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

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

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

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

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

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

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

Governmental Funds

The School District reports the following major governmental funds:

General Fund – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

Grants Fund – Reports as a special revenue fund and accounts for the revenues and expenditures of the School District's federal grant programs.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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

Fiduciary Funds

The School District reports the following type of fiduciary fund:

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

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

I.C.1. Cash and Investments

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

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

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

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

**BROOKLINE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE FISCAL YEAR ENDED
 JUNE 30, 2016**

I.C.2. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out (FIFO) method. The inventory of governmental funds is recorded as expenditures when consumed rather than when purchased.

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

I.C.3. Capital Assets and Depreciation

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

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

I.C.4. Deferred Outflows/Inflows of Resources

In Governmental Funds, although certain revenues and expenditures are measurable, they are not available or recognized, because the activity represents a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then.

Deferred inflows of resources in the governmental fund financial statements represent parent deposits for the 2017 kindergarten program; and donated commodities that are held in inventory to be used in the subsequent year. Deferred outflows and inflows of resources in the governmental activities consist of resources related to pensions that will be recognized in a subsequent period.

I.C.5. Long-Term Debt

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

I.C.6. *Compensated Absences*

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

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

I.C.7. *Termination Benefits*

Teachers are entitled to a retirement incentive after meeting certain employment requirements. Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.8. *Equity*

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

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

The governmental funds report the following components of fund balance:

- Nonspendable, which represents the balance of inventory reported in the Food Service Fund; expenditures paid in advance for contract services, staff courses and summer events reported in the General Fund; and the principal portion of endowments for school purposes held in the Town of Brookline Trust Funds.
- Committed, which represents the balance of the expendable trust funds, established by the School District Meeting for support services (maintenance), whose purpose can only be changed by vote of the same, and the balances of special revenue funds.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

- Assigned, which represents encumbrances for professional development and a new gym floor, authorized by approved purchase orders.
- Unassigned, which represents fund balance in the General Fund in excess of that classified as nonspendable, restricted, committed or assigned. It also includes the deficit expendable portion of the endowment for school purposes held in the Town of Brookline trust funds.

I.C.9. *Estimates*

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

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2016, \$357,751 of the fund balance from the fiscal year 2015 was used.

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 8,140,760
Adjustment:	
Perspective difference:	
Expendable trust fund income	43
Per Exhibit 5 (GAAP basis)	<u>\$ 8,140,803</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 8,092,152
Adjustments:	
Basis difference:	
Encumbrances, beginning	23,033
Encumbrances, ending	(61,433)
Perspective difference:	
Expendable trust fund expenditures	49,500
Transfer to expendable trust fund	(10,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 8,093,252</u>

For the Grants Fund, there is no difference between the budgetary basis and GAAP.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

Significant receivables consist of reimbursements and intergovernmental amounts arising from Medicaid, grants, reimbursements from other school districts for shared services and the trust funds being in the custody of the Town of Brookline 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 collectability.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

III.A.2. Capital Assets

Changes in Capital Assets

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

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Land improvements	\$ 230,400	\$ -	\$ 230,400
Buildings and building improvements	9,080,915	137,274	9,218,189
Machinery, equipment and vehicles	51,820	-	51,820
Total all capital assets	<u>9,363,135</u>	<u>137,274</u>	<u>9,500,409</u>
Less accumulated depreciation:			
Land improvements	(168,915)	(11,520)	(180,435)
Buildings and building improvements	(2,915,363)	(186,394)	(3,101,757)
Machinery, equipment and vehicles	(47,361)	(991)	(48,352)
Total accumulated depreciation	<u>(3,131,639)</u>	<u>(198,905)</u>	<u>(3,330,544)</u>
Net book value	<u>\$ 6,231,496</u>	<u>\$ (61,631)</u>	<u>\$ 6,169,865</u>

Depreciation Expense

Depreciation expense in the amount of \$198,905 was charged to the instruction function of the School District.

III.B. Long-Term Debt

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2016	Current Portion
General obligation bonds payable:						
School renovations	\$ 5,367,912	2000	2020	5.2	\$ 643,818	\$ 173,870
CSDA roof renovations	\$ 386,400	2013	2023	2.32	<u>265,000</u>	<u>40,000</u>
					908,818	213,870
Unamortized bond premium					15,470	2,210
Compensated absences payable:						
Accrued vacation leave					2,923	2,923
Termination benefits payable					289,591	25,921
Other postemployment benefits payable					181,226	-
Net pension liability					<u>5,090,605</u>	-
					<u>\$ 6,488,633</u>	<u>\$ 244,924</u>

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Termination Benefits Payable	Other Postemployment Benefits Payable	Net Pension Liability	Total
Balance, beginning	\$ 1,131,410	\$ 17,680	\$ 2,661	\$ 206,640	\$ 145,502	\$ 4,969,879	\$ 6,473,772
Additions	-	-	262	112,535	35,724	120,726	269,247
Reductions	(222,592)	(2,210)	-	(29,584)	-	-	(254,386)
Balance, ending	<u>\$ 908,818</u>	<u>\$ 15,470</u>	<u>\$ 2,923</u>	<u>\$ 289,591</u>	<u>\$ 181,226</u>	<u>\$ 5,090,605</u>	<u>\$ 6,488,633</u>

Debt Service Requirements to Maturity

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 213,870	\$ 266,880	\$ 480,750
2018	205,169	275,156	480,325
2019	196,526	282,124	478,650
2021	188,253	287,522	475,775
2021	35,000	3,500	38,500
2022-2023	70,000	2,800	72,800
Totals	<u>\$ 908,818</u>	<u>\$ 1,117,982</u>	<u>\$ 2,026,800</u>

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

III.C.1. Receivables and Payables

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

The \$110,701 due to the General Fund represents an overdraft of pooled cash from the Grants Fund.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

III.C.2. Transfers

Transfers within the reporting entity are for the purpose of distribution of income earned on Permanent Funds in the amount of \$1,097. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

III.D. Components of Fund Balance

The components of fund balance, as described in Note I.C.8, are classified for the following purposes:

	General	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Endowment	\$ -	\$ 31,601	\$ 31,601
Inventory	-	5,574	5,574
Prepaid items	5,265	-	5,265
Total nonspendable	<u>5,265</u>	<u>37,175</u>	<u>42,440</u>
Committed for:			
Support services	23,689	35,624	59,313
Non-instructional services	-	44,315	44,315
Total committed	<u>23,689</u>	<u>79,939</u>	<u>103,628</u>
Assigned to support services	<u>61,433</u>	-	<u>61,433</u>
Unassigned	<u>391,094</u>	<u>(522)</u>	<u>390,572</u>
Total fund balances	<u>\$ 481,481</u>	<u>\$ 116,592</u>	<u>\$ 598,073</u>

IV. Other Information

IV.A. Risk Management

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Contributions paid for fiscal year 2016 to be recorded as an insurance expenditure/expense totaled \$22,062. There were no unpaid contributions for the year ended June 30, 2016. The School District also paid \$31,277 for workers' compensation and \$11,656 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

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

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rates of contribution from the School District were 15.67% for teachers and 11.17% for other employees. Employer contributions from the School District during the fiscal years 2014, 2015 and 2016 were \$503,413, \$505,609 and \$544,031, respectively. The amounts are paid on a monthly basis as due.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the School District reported a liability of \$5,090,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2015, the School District's proportion was 0.1285%, which was a decrease of 0.0039% from its proportion measured as of June 30, 2014.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

For the year ended June 30, 2016, the School District recognized pension expense of \$382,353. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 10,922	\$ 134,593
Differences between expected and actual experience	-	111,708
Net differences between projected and actual earnings on pension plan investments	-	136,052
School District contributions subsequent to the measurement date	544,031	-
	\$ 554,953	\$ 382,353

The School District reported \$544,031 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended June 30,	
2016	\$ (125,611)
2017	(125,611)
2018	(125,611)
2019	27,493
2020	(22,091)
	\$ (371,431)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$ 6,701,120	\$ 5,090,605	\$ 3,717,632

Other actuarial assumptions, as well as detailed information about the pension plan’s fiduciary net position, are available in the separately issued NHRS report.

IV.C. Contingent Liabilities

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

IV.D. Other Postemployment Benefits

Plan Description

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School District “shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees . . .” In addition, the statute states “Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree’s participation.”

Since the same premiums are charged to active employees and retirees, and the School District is unable to obtain age-adjusted premium information for the retirees, GASB 45 requires the School District to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The School District offers postemployment medical benefits to School District retirees and their covered dependents. The School District offers coverage as follows:

- Employees hired before July 1, 2011: retire after (1) attaining age 60 or (2) attaining age 50 with 10 or more years of service or (3) age plus service is at least 70 with 20 or more years of service
- Employees hired on or after July 1, 2011: retire after (1) attaining age 65 or (2) attaining age 60 with 30 or more years of service

Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

Currently, there are 112 active and retired employees that receive health benefits from the School District. The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2016, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

The School District has obtained a valuation report as of July 1, 2015 which indicated that the total liability for other postemployment benefits is \$477,560 (\$16,130 related to retirees and \$461,430 related to employees).

The School District’s annual other postemployment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined 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 to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following is a brief description of the retiree medical plan:

- Participant Contributions: Retired employees contribute 100% of the total premium cost.
- Continuation of Coverage to Spouse After Death of Retiree: Surviving spouse may continue coverage for lifetime by paying the required medical premium rates.
- Life Insurance Benefit: None
- Medical Premiums Rates: The total monthly costs by plan are shown below:

<u>Non-Medicare Plans</u>	<u>Single</u>	<u>2-Person</u>
BC3T5RDR(07) –R\$2/15M\$1	928.01	1,856.02
BC3T10(07)-RX10/20/30	892.63	1,785.26

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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BC3T15IPDED(07)-RX10/20/45	834.44	1,668.88
MTB05(07)-R\$3/5M\$1	865.31	1,730.62
MTB05(07)-RX10/20/30	828.80	1,657.60
MTB10IPDED(07)-RX10/20/45	789.23	1,578.46
MTBSOS20/40/1KDED(07)- RX10/20/45	608.22	1,216.44
LUMENOS25000(07)	621.11	1,242.22

Medicare Plans

MC3(07)-R\$100M\$1	565.35
MC3(07)-RX10/20/30	552.29
MC3(07)-RX10/20/45	537.06
MCNRX(07)	214.78

The following methods and assumptions were used:

Valuation Date: July 1, 2015

Discount Rate: 4.00% pay-as-you-go

Amortization Method: Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go

Heath Care Costs Trend Rates:	<u>Year</u>	<u>Trend</u>
	1	7.00%
	2	6.50%
	3	6.00%
	4	5.50%
	5	5.00%
	Ultimate	5.00%

Mortality Table: RP-2000 Combined Mortality Table, projected to 2021, using Scale AA

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Actuarial Cost Method: Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2015- 6/30/2016</u>
1. Annual Required Contribution (ARC)	\$ 47,556
2. Interest on net OPEB Obligation	5,820
3. Adjustment to ARC	<u>(8,415)</u>
4. Annual OPEB Cost (Expense)	\$ 44,961
5. Contribution made	<u>(9,237)</u>
6. Increase in net OPEB Obligation	35,724
7. Net OPEB Obligation - beginning of year	<u>145,502</u>
8. Net OPEB Obligation - end of year	<u><u>\$ 181,226</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2015 and 2016 are as follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2014	\$ 89,942	19.5%	\$ 72,387	\$ 3,633,782	2.48%
6/30/2015	\$ 93,795	22.0%	\$ 145,502	\$ 4,265,395	2.20%
6/30/2016	\$ 44,961	20.5%	\$ 181,226	\$ 4,418,024	1.02%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
BROOKLINE SCHOOL DISTRICT
Other Postemployment Benefits
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
7/1/2013	\$ -	\$ 783,032	\$ 783,032	0.0%	\$ 4,789,114	16.4%
7/1/2014	\$ -	\$ 841,101	\$ 841,101	0.0%	\$ 4,677,383	18.0%
7/1/2015	\$ -	\$ 477,560	\$ 477,560	0.0%	\$ 4,593,361	10.4%

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

EXHIBIT 11
BROOKLINE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
School District's proportion of the net pension liability	0.1285%	0.1324%	0.1320%
School District's proportionate share of the net pension liability	\$ 5,090,605	\$ 4,969,879	\$ 5,681,386
School District's covered-employee payroll	\$ 3,574,549	\$ 3,649,101	\$ 3,633,782
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	142.41%	136.19%	156.35%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.82%

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

EXHIBIT 12
BROOKLINE SCHOOL DISTRICT
Schedule of the School District's Pension Contributions
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 544,755	\$ 505,609	\$ 503,143
Contributions in relation to the contractually required contribution	<u>(544,755)</u>	<u>(505,609)</u>	<u>(503,143)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,574,549	\$ 3,649,101	\$ 3,633,782
Contributions as a percentage of covered-employee payroll	15.24%	13.86%	13.85%

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

BROOKLINE SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

The Schedule of Funding Progress, the Schedule of the School District's Proportionate Share of the Net Pension Liability and the Schedule of the School District's Pension Contributions are meant to present related information for ten years. Because this is the third year that the School District has reported the OPEB schedule, and the second year that the School District has presented the pension information, only three years are reported. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
BROOKLINE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds			Total
	Food Service	Other	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 52,413	\$ 35,624	\$ -	\$ 88,037
Intergovernmental receivable	1,975	-	31,079	33,054
Inventory	5,574	-	-	5,574
Total assets	<u>\$ 59,962</u>	<u>\$ 35,624</u>	<u>\$ 31,079</u>	<u>\$ 126,665</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,885	\$ -	\$ -	\$ 1,885
Intergovernmental payable	611	-	-	611
Total liabilities	<u>2,496</u>	<u>-</u>	<u>-</u>	<u>2,496</u>
Deferred inflows of resources:				
Deferred revenue	<u>7,577</u>	<u>-</u>	<u>-</u>	<u>7,577</u>
Fund balances:				
Nonspendable	5,574	-	31,601	37,175
Committed	44,315	35,624	-	79,939
Unassigned	-	-	(522)	(522)
Total fund balances	<u>49,889</u>	<u>35,624</u>	<u>31,079</u>	<u>116,592</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,962</u>	<u>\$ 35,624</u>	<u>\$ 31,079</u>	<u>\$ 126,665</u>

EXHIBIT 14
BROOKLINE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Capital Project Fund	Permanent Fund	Total
	Food Service	Other			
REVENUES					
Local	\$ 122,860	\$ 12,200	\$ -	\$ 178	\$ 135,238
State	2,104	-	-	-	2,104
Federal	39,597	-	-	-	39,597
Total revenues	164,561	12,200	-	178	176,939
EXPENDITURES					
Current:					
Instruction	-	12,609	-	-	12,609
Support services:					
Instructional staff	-	2,416	-	-	2,416
Non-instructional services	158,457	-	-	-	158,457
Facilities acquisition and construction	-	-	8,575	-	8,575
Total expenditures	158,457	15,025	8,575	-	182,057
Excess (deficiency) of revenues over (under) expenditures	6,104	(2,825)	(8,575)	178	(5,118)
Other financing uses:					
Transfers out	-	-	-	(1,097)	(1,097)
Net change in fund balances	6,104	(2,825)	(8,575)	(919)	(6,215)
Fund balances, beginning	43,785	38,449	8,575	31,998	122,807
Fund balances, ending	\$ 49,889	\$ 35,624	\$ -	\$ 31,079	\$ 116,592

EXHIBIT 15
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 5,252,147	\$ 5,252,147	\$ -
Other local sources:			
Tuition	123,210	153,144	29,934
Investment earnings	1,500	697	(803)
Impact fees	-	15,654	15,654
Rentals	-	2,590	2,590
Refund of prior year expenditures	-	2,721	2,721
Miscellaneous	64,300	70,804	6,504
Total from other local sources	<u>189,010</u>	<u>245,610</u>	<u>56,600</u>
State sources:			
Adequacy aid (grant)	1,925,071	1,925,071	-
Adequacy aid (tax)	572,852	572,852	-
School building aid	56,324	61,914	5,590
Catastrophic aid	90,000	57,248	(32,752)
Total from state sources	<u>2,644,247</u>	<u>2,617,085</u>	<u>(27,162)</u>
Federal sources:			
Medicaid	11,000	24,821	13,821
Other financing sources:			
Transfers in	-	1,097	1,097
Total revenues and other financing sources	8,096,404	<u>\$ 8,140,760</u>	<u>\$ 44,356</u>
Use of fund balance to reduce school district assessment	<u>357,751</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 8,454,155</u>		

EXHIBIT 16
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 2,365,766	\$ 2,347,274	\$ -	\$ 18,492
Special programs	-	984,333	920,726	-	63,607
Total instruction	<u>-</u>	<u>3,350,099</u>	<u>3,268,000</u>	<u>-</u>	<u>82,099</u>
Support services:					
Student	-	622,023	557,509	-	64,514
Instructional staff	1,543	290,018	234,710	1,934	54,917
General administration	-	30,900	34,821	168	(4,089)
Executive administration	-	261,901	263,878	-	(1,977)
School administration	-	544,245	465,296	1,192	77,757
Operation and maintenance of plant	21,490	613,386	603,417	58,139	(26,680)
Student transportation	-	364,412	297,923	-	66,489
Other	-	1,886,846	1,837,873	-	48,973
Total support services	<u>23,033</u>	<u>4,613,731</u>	<u>4,295,427</u>	<u>61,433</u>	<u>279,904</u>
Debt service:					
Principal	-	222,592	222,592	-	-
Interest	-	257,733	257,733	-	-
Total debt service	<u>-</u>	<u>480,325</u>	<u>480,325</u>	<u>-</u>	<u>-</u>
Other financing uses:					
Transfers out	-	10,000	10,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 23,033</u>	<u>\$ 8,454,155</u>	<u>\$ 8,053,752</u>	<u>\$ 61,433</u>	<u>\$ 362,003</u>

EXHIBIT 17
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

Unassigned fund balance, beginning		\$ 340,157
Changes:		
Fund balance used to reduce school district assessment		(357,751)
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 44,356	
Unexpended balance of appropriations (Exhibit 16)	<u>362,003</u>	
Budget surplus		406,359
Decrease in nonspendable fund balance		<u>2,329</u>
Unassigned fund balance, ending		<u><u>\$ 391,094</u></u>

EXHIBIT 18
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Assets:				
Cash and cash equivalents:				
Captain Samuel Douglass Academy	\$ 22,310	\$ 39,246	\$ 37,280	\$ 24,276
Richard Maghakian Memorial School	3,172	12,541	12,126	3,587
Total assets	<u>\$ 25,482</u>	<u>\$ 51,787</u>	<u>\$ 49,406</u>	<u>\$ 27,863</u>
Liabilities:				
Due to student groups	<u>\$ 25,482</u>	<u>\$ 51,787</u>	<u>\$ 49,406</u>	<u>\$ 27,863</u>

EXHIBIT 19
BROOKLINE SCHOOL DISTRICT
Student Activities Fund
Summary of Activity - Captain Samuel Douglass Academy
For the Fiscal Year Ended June 30, 2016

	Balance, beginning	Additions	Deductions	Balance, ending
Field Trips	\$ 1,655	\$ 9,307	\$ 9,289	\$ 1,673
General	1,858	1,763	1,484	2,137
Library	1,998	156	405	1,749
Miscellaneous	981	3,451	3,515	917
Music	6,594	17,686	16,056	8,224
Running Club	125	-	-	125
School Store	269	177	-	446
Science	-	30	-	30
Soda	477	356	237	596
Theater Club	5,366	2,075	1,303	6,138
Yearbook	2,987	4,245	4,991	2,241
Total	<u>\$ 22,310</u>	<u>\$ 39,246</u>	<u>\$ 37,280</u>	<u>\$ 24,276</u>

EXHIBIT 20
BROOKLINE SCHOOL DISTRICT
Student Activities Fund
Summary of Activity - Richard Maghakian Memorial School
For the Fiscal Year Ended June 30, 2016

	Balance, beginning	Additions	Deductions	Balance, ending
Field Trips	\$ 1,017	\$ 4,612	\$ 4,849	\$ 780
General	232	2,317	1,553	996
Library	368	168	217	319
Miscellaneous	1,286	3,491	3,834	943
Music	129	539	420	248
Soda	140	1,414	1,253	301
Total	<u>\$ 3,172</u>	<u>\$ 12,541</u>	<u>\$ 12,126</u>	<u>\$ 3,587</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Brookline School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

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

April 17, 2017

Roberts & Greene, PLLC