

HOLLIS-BROOKLINE
COOPERATIVE SCHOOL
DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
FINANCIAL REPORT
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Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hollis-Brookline Cooperative School District
Hollis, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis-Brookline Cooperative School District as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hollis-Brookline Cooperative School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I.B.3 to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net assets, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effect of the matter mentioned in the previous paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Hollis-Brookline Cooperative School District as of June 30, 2010, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of each major fund and the aggregate remaining fund information of the Hollis-Brookline Cooperative School District as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2010 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 21 and 22 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.

The Hollis-Brookline Cooperative School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hollis-Brookline Cooperative School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Hollis School District. The combining and individual fund schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 22, 2010

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 957,402
Investments	7,786
Intergovernmental receivables	573,299
Other receivables	2,249
Prepaid items	2,606
Capital assets, net of accumulated depreciation:	
Land improvements	327,367
Buildings and building improvements	22,837,540
Machinery, equipment and vehicles	94,935
Total assets	24,803,184
LIABILITIES	
Accounts payable	139,970
Accrued salaries and benefits	45,058
Intergovernmental payable	31,070
Accrued interest payable	470,448
Unearned revenue	7,811
Noncurrent obligations:	
Due within one year:	
Bonds	999,576
Compensated absences	16,259
Due in more than one year:	
Bonds	9,700,657
Termination benefits	172,609
Total liabilities	11,583,458
NET ASSETS	
Invested in capital assets, net of related debt	12,559,609
Restricted for special purposes	261,384
Unrestricted	398,733
Total net assets	\$ 13,219,726

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

EXHIBIT 2
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 9,180,521	\$ 44,612	\$ 601,027	\$ -	\$ (8,534,882)
Support services:					
Student	1,135,898	-	151,952	-	(983,946)
Instructional staff	516,586	-	11,207	-	(505,379)
General administration	60,651	-	-	-	(60,651)
Executive administration	635,336	-	-	-	(635,336)
School administration	778,041	-	4,858	-	(773,183)
Business	22,594	-	-	-	(22,594)
Operation and maintenance of plant	1,121,212	900	-	-	(1,120,312)
Student transportation	641,372	-	-	-	(641,372)
Other	2,981,882	-	-	-	(2,981,882)
Non-instructional services	499,877	465,981	62,223	-	28,327
Facilities acquisition and construction	4,858	-	-	-	(4,858)
Interest on long-term debt	913,540	-	-	397,486	(516,054)
Total governmental activities	<u>\$ 18,492,368</u>	<u>\$ 511,493</u>	<u>\$ 831,267</u>	<u>\$ 397,486</u>	<u>(16,752,122)</u>
General revenues:					
School district assessment					11,903,618
Grants and contributions not restricted to specific programs					5,007,734
Miscellaneous					10,940
Total general revenues					<u>16,922,292</u>
Change in net assets					170,170
Net assets, beginning, as restated (See Note III.D)					<u>13,049,556</u>
Net assets, ending					<u>\$ 13,219,726</u>

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

EXHIBIT 3
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2010

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 718,600	\$ -	\$ -	\$ 238,802	\$ 957,402
Investments	7,786	-	-	-	7,786
Receivables:					
Accounts	2,249	-	-	-	2,249
Intergovernmental	26,771	274,593	263,320	8,615	573,299
Interfund receivable	273,400	-	-	-	273,400
Prepaid items	1,895	-	-	711	2,606
Total assets	<u>\$ 1,030,701</u>	<u>\$ 274,593</u>	<u>\$ 263,320</u>	<u>\$ 248,128</u>	<u>\$ 1,816,742</u>
LIABILITIES					
Accounts payable	\$ 131,237	\$ 8,316	\$ -	\$ 417	\$ 139,970
Accrued salaries and benefits	43,679	1,033	-	346	45,058
Intergovernmental payable	31,070	-	-	-	31,070
Interfund payable	-	265,244	1,936	6,220	273,400
Deferred revenue	-	-	-	7,811	7,811
Total liabilities	<u>205,986</u>	<u>274,593</u>	<u>1,936</u>	<u>14,794</u>	<u>497,309</u>
FUND BALANCES					
Reserved for encumbrances	312,306	-	-	400	312,706
Reserved for endowments	-	-	261,384	-	261,384
Unreserved, undesignated, reported in:					
General fund	512,409	-	-	-	512,409
Special revenue funds	-	-	-	232,934	232,934
Total fund balances	<u>824,715</u>	<u>-</u>	<u>261,384</u>	<u>233,334</u>	<u>1,319,433</u>
Total liabilities and fund balances	<u>\$ 1,030,701</u>	<u>\$ 274,593</u>	<u>\$ 263,320</u>	<u>\$ 248,128</u>	<u>\$ 1,816,742</u>

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

EXHIBIT 4
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2010

Total fund balances of governmental funds (Exhibit 3)		\$	1,319,433
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost		\$	33,647,260
Less accumulated depreciation			<u>(10,387,418)</u>
			23,259,842
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables		\$	(273,400)
Payables			<u>273,400</u>
			-
Interest on long-term debt is not accrued in governmental funds.			(470,448)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bonds		\$	10,700,233
Compensated absences			16,259
Termination benefits			<u>172,609</u>
			(10,889,101)
Net assets of governmental activities (Exhibit 1)		<u>\$</u>	<u>13,219,726</u>

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

EXHIBIT 5
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 11,903,618	\$ -	\$ -	\$ -	\$ 11,903,618
Other local	41,891	-	19,807	485,589	547,287
State	4,906,445	-	-	11,691	4,918,136
Federal	934,224	300,941	-	58,332	1,293,497
Total revenues	<u>17,786,178</u>	<u>300,941</u>	<u>19,807</u>	<u>555,612</u>	<u>18,662,538</u>
EXPENDITURES					
Current:					
Instruction	8,308,622	132,924	-	28,940	8,470,486
Support services:					
Student	983,946	151,952	-	-	1,135,898
Instructional staff	508,271	11,207	-	-	519,478
General administration	60,651	-	-	-	60,651
Executive administration	635,336	-	-	-	635,336
School administration	775,800	-	-	-	775,800
Business	22,594	-	-	-	22,594
Operation and maintenance of plant	1,116,260	-	-	2,377	1,118,637
Student transportation	641,372	-	-	-	641,372
Other	2,981,617	-	-	265	2,981,882
Non-instructional services	-	-	-	496,834	496,834
Debt service:					
Principal	1,004,762	-	-	-	1,004,762
Interest	898,170	-	-	-	898,170
Facilities acquisition and construction	-	4,858	-	-	4,858
Total expenditures	<u>17,937,401</u>	<u>300,941</u>	<u>-</u>	<u>528,416</u>	<u>18,766,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(151,223)</u>	<u>-</u>	<u>19,807</u>	<u>27,196</u>	<u>(104,220)</u>
Other financing sources (uses):					
Transfers in	8,095	-	-	1,129	9,224
Transfers out	-	-	(9,224)	-	(9,224)
Total other financing sources and uses	<u>8,095</u>	<u>-</u>	<u>(9,224)</u>	<u>1,129</u>	<u>-</u>
Net change in fund balances	(143,128)	-	10,583	28,325	(104,220)
Fund balances, beginning, as restated (See Note III.D)	967,843	-	250,801	205,009	1,423,653
Fund balances, ending	<u>\$ 824,715</u>	<u>\$ -</u>	<u>\$ 261,384</u>	<u>\$ 233,334</u>	<u>\$ 1,319,433</u>

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

EXHIBIT 6
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net change in fund balances of total governmental funds (Exhibit 5)	\$	(104,220)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.</p>		
Capitalized capital outlay included in instruction	\$ 11,668	
Depreciation expense	<u>(701,246)</u>	(689,578)
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$ (9,224)	
Transfers out	<u>9,224</u>	-
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.</p>		
Principal repayments of bonds		1,004,762
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>		
Increase in accrued interest expense	\$ (21,022)	
Decrease in prepaid expense	5,652	
Increase in compensated absences payable	(2,368)	
Increase in termination benefits payable	<u>(23,056)</u>	(40,794)
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>170,170</u></u>

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

EXHIBIT 7
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 315,784
LIABILITIES	
Due to student groups	<u>315,784</u>
NET ASSETS	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis-Brookline Cooperative 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, 2010.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Hollis-Brookline Cooperative School District serves the communities of Hollis and Brookline, New Hampshire, and is a municipal corporation governed by a school board consisting of seven 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 assets 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 towns, unrestricted state aid and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns 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. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. 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. The agency funds are custodial in nature and do not measure results of operations.

The School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, as required by GASB Statement No. 45.

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 towns, tuition, investment income and federal and state grants. In general, any other revenues are recognized when cash is received.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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 School District’s local, state and federal grant programs.

Permanent Fund – Used to account for funds held in trust with only the income used for school purposes.

The School District also reports two nonmajor funds: the food service fund and other special revenue fund.

Fiduciary Funds

The School District reports the following fiduciary funds:

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 Assets 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

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
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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.

I.C.2. *Prepays*

Prepays are payments that benefit future reporting periods and are reported on the consumption basis. Prepays 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
Machinery, equipment and vehicles	10-20

I.C.4. *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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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I.C.5 *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 and vacation 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.6. *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.7. *Fund Equity*

The governmental activities report net assets in three components: invested in capital assets, net of related debt which is computed as the capital assets less accumulated depreciation (\$23,259,842) less the outstanding debt amounts related to capital acquisitions (\$10,700,233) for a total of \$12,559,609; restricted, which represents the balance of permanent funds; and unrestricted, which represents the balance of the net assets.

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund. Included in these are amounts for encumbrances (unexpended balances of amounts appropriated), and endowments (Permanent Funds).

I.C.8. *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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Permanent Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unreserved, undesignated fund balance to balance the budget. In the fiscal year 2010, \$742,765 of the unreserved fund balance from the fiscal year 2009 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted in 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, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Education.

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, Cobra refunds, reimbursements from other school districts for shared services and the trust funds being in the custody of the Town of Hollis 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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

III.A.2. Capital Assets

Changes in Capital Assets

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

	Balance, beginning	Changes	Balance, ending
Governmental activities:			
At cost:			
Being depreciated:			
Land improvements	\$ 741,700	\$ -	\$ 741,700
Buildings and building improvements	32,719,849	-	32,719,849
Machinery, equipment and vehicles	174,043	11,668	185,711
Total capital assets	33,635,592	11,668	33,647,260
Less accumulated depreciation:			
Land improvements	(377,248)	(37,085)	(414,333)
Buildings and building improvements	(9,227,912)	(654,397)	(9,882,309)
Machinery, equipment and vehicles	(81,012)	(9,764)	(90,776)
Total accumulated depreciation	(9,686,172)	(701,246)	(10,387,418)
Net book value, capital assets	\$ 23,949,420	\$ (689,578)	\$ 23,259,842

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 697,899
Non-instructional services	3,347
Total depreciation expense	\$ 701,246

These notes are continued on the next page.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

III.B. Long-Term Debt

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2010	Current Portion
General obligation bonds payable:						
High school addition	\$ 8,100,000	1997	2017	6.0	\$ 1,805,242	\$ 302,258
High school addition	\$ 2,700,000	1997	2017	6.0	1,305,000	155,000
High school classroom addition	\$ 3,200,000	2001	2016	5.2	969,991	182,318
Track	\$ 650,000	2003	2013	2.5-3.5	195,000	65,000
Middle school renovations	\$ 7,703,400	2005	2025	3.0-5.0	6,425,000	295,000
					<u>10,700,233</u>	<u>999,576</u>
Compensated absences payable:						
Vested sick leave					10,468	10,468
Accrued vacation leave					5,791	5,791
					<u>16,259</u>	<u>16,259</u>
Termination benefits payable					172,609	-
					<u>\$ 10,889,101</u>	<u>\$ 1,015,835</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2010:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Total
Balance, beginning	\$ 11,704,995	\$ 13,891	\$ 149,553	\$ 11,868,439
Additions	-	2,368	23,056	25,424
Reductions	(1,004,762)	-	-	(1,004,762)
Balance, ending	<u>\$ 10,700,233</u>	<u>\$ 16,259</u>	<u>\$ 172,609</u>	<u>\$ 10,889,101</u>

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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
2011	\$ 999,576	\$ 895,218	\$ 1,894,794
2012	1,001,517	901,024	1,902,541
2013	1,000,830	895,551	1,896,381
2014	943,143	878,250	1,821,393
2015	948,399	872,024	1,820,423
2016-2020	3,121,768	2,034,537	5,156,305
2021-2025	2,685,000	348,269	3,033,269
Totals	<u>\$ 10,700,233</u>	<u>\$ 6,824,873</u>	<u>\$ 17,525,106</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 following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable fund	Payable fund	Amount
General	Grants	\$ 265,244
General	Permanent	1,936
General	Nonmajor	6,220
		<u>\$ 273,400</u>

The amount due to the General Fund from the Grants Fund represents an overdraft of pooled cash. The amount due to the General Fund from the Permanent Fund represents a transfer of income earned on endowments. The amount due to the General Fund from the Nonmajor funds represents a reimbursement of expenses paid out of the General Fund on behalf of the Food Service Fund.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

III.C.2. Transfers

Transfers within the reporting entity are for the purpose of distributing trust income to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
Permanent Fund	\$ 8,095	\$ 1,129	\$ 9,224

III.D. Restatement of Beginning Fund Equity

Net assets and fund balances at July 1, 2009 were restated to reflect the following adjustments:

	Governmental Activities	Food Service	Permanent
To record deferred revenue for student balances	\$ (7,359)	\$ (7,359)	\$ -
To remove funds belonging to another district	(5,373)	-	(5,373)
Net assets/fund balances, as previously reported	13,062,288	118,585	256,174
Net assets/fund balances, as restated	\$ 13,049,556	\$ 111,226	\$ 250,801

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 Local Government Center 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.

Local Government Center 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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

Contributions paid for fiscal year 2010 to be recorded as an insurance expenditure/expense totaled \$51,074. There were no unpaid contributions for the year ended June 30, 2010. The Trust provides statutory coverage for workers' compensation. The School District paid \$34,825 for workers' compensation and \$9,973 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 the 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 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 5% of gross earnings for all employees. During fiscal year 2010, the rates of contribution from the School District were 7.49% for teachers, which represents 70% of the total employer cost, and 9.16% for other employees. The balance of the employer cost was paid by the State of New Hampshire. Employer contributions from the School District during the fiscal years 2008, 2009 and 2010 were \$470,262, \$485,344 and \$601,693, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2010 was \$225,617. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

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 the chance of disallowance is unlikely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 11,903,618	\$ 11,903,618	\$ -
Other local	36,213	41,891	5,678
State	4,676,827	4,680,828	4,001
Federal	832,353	934,224	101,871
Total revenues	<u>17,449,011</u>	<u>17,560,561</u>	<u>111,550</u>
EXPENDITURES			
Current:			
Instruction	8,276,008	8,109,970	166,038
Support services:			
Student	1,054,277	985,880	68,397
Instructional staff	422,531	508,429	(85,898)
General administration	37,999	57,651	(19,652)
Executive administration	635,336	635,336	-
School administration	767,753	784,189	(16,436)
Business	-	22,594	(22,594)
Operation and maintenance of plant	1,168,758	1,167,351	1,407
Student transportation	708,605	643,063	65,542
Other	3,227,250	2,981,617	245,633
Debt service:			
Principal	1,004,763	1,004,762	1
Interest	893,496	898,170	(4,674)
Total expenditures	<u>18,196,776</u>	<u>17,799,012</u>	<u>397,764</u>
Deficiency of revenues under expenditures	(747,765)	(238,451)	509,314
Other financing sources:			
Transfers in	<u>5,000</u>	<u>8,095</u>	<u>3,095</u>
Net change in fund balance	<u>\$ (742,765)</u>	<u>(230,356)</u>	<u>\$ 512,409</u>
Unreserved fund balance, beginning		<u>742,765</u>	
Unreserved fund balance, ending		<u>\$ 512,409</u>	

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

EXHIBIT 9
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 169,511	\$ 300,941	\$ 131,430
EXPENDITURES			
Current:			
Instruction	169,511	132,924	36,587
Support services:			
Student	-	151,952	(151,952)
Instructional staff	-	11,207	(11,207)
Facilities acquisition and construction	-	4,858	(4,858)
Total expenditures	<u>169,511</u>	<u>300,941</u>	<u>(131,430)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 17,568,656
Adjustment:	
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	225,617
Per Exhibit 5 (GAAP basis)	<u>\$ 17,794,273</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 17,799,012
Adjustments:	
Basis difference:	
Encumbrances, beginning	225,078
Encumbrances, ending	(312,306)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	225,617
Per Exhibit 5 (GAAP basis)	<u>\$ 17,937,401</u>

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

Excess of Expenditures Over Appropriations

The Grants Fund had an excess of expenditures over appropriations of \$131,430 for the fiscal year ended June 30, 2010. Overexpenditures were mostly due to the receipt and expenditure of unanticipated funds.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 10
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds		
	Food Service	Other	Total
ASSETS			
Cash and cash equivalents	\$ 147,648	\$ 91,154	\$ 238,802
Intergovernmental receivables	8,615	-	8,615
Prepaid items	711	-	711
Total assets	<u>\$ 156,974</u>	<u>\$ 91,154</u>	<u>\$ 248,128</u>
LIABILITIES			
Accounts payable	\$ -	\$ 417	\$ 417
Accrued salaries and benefits	346	-	346
Interfund payable	6,220	-	6,220
Deferred revenue	7,811	-	7,811
Total liabilities	<u>14,377</u>	<u>417</u>	<u>14,794</u>
FUND BALANCES			
Reserved for encumbrances	400	-	400
Unreserved, undesignated	142,197	90,737	232,934
Total fund balances	<u>142,597</u>	<u>90,737</u>	<u>233,334</u>
Total liabilities and fund balances	<u>\$ 156,974</u>	<u>\$ 91,154</u>	<u>\$ 248,128</u>

EXHIBIT 11
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds		
	Food Service	Other	Total
REVENUES			
Local	\$ 465,982	\$ 19,607	\$ 485,589
State	3,891	7,800	11,691
Federal	58,332	-	58,332
Total revenues	<u>528,205</u>	<u>27,407</u>	<u>555,612</u>
EXPENDITURES			
Current:			
Instruction	-	28,940	28,940
Support services:			
Operation and maintenance of plant	-	2,377	2,377
Other	-	265	265
Non-instructional services	496,834	-	496,834
Total expenditures	<u>496,834</u>	<u>31,582</u>	<u>528,416</u>
Excess (deficiency) of revenues over (under) expenditures	31,371	(4,175)	27,196
Other financing sources:			
Transfers in	-	1,129	1,129
Net change in fund balances	31,371	(3,046)	28,325
Fund balances, beginning, as restated (See Note III.D)	111,226	93,783	205,009
Fund balances, ending	<u>\$ 142,597</u>	<u>\$ 90,737</u>	<u>\$ 233,334</u>

EXHIBIT 12
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 11,903,618	\$ 11,903,618	\$ -
Other local sources:			
Tuition	-	15,279	15,279
Investment earnings	21,050	5,186	(15,864)
Impact fees	15,163	14,773	(390)
Rentals	-	900	900
Miscellaneous	-	5,753	5,753
Total from other local sources	<u>36,213</u>	<u>41,891</u>	<u>5,678</u>
State sources:			
Adequacy aid (grant)	2,114,723	2,114,723	-
Adequacy aid (tax)	2,081,658	2,081,658	-
School building aid	397,486	397,486	-
Catastrophic aid	77,760	82,736	4,976
Vocational tuition aid	5,200	4,225	(975)
Total from state sources	<u>4,676,827</u>	<u>4,680,828</u>	<u>4,001</u>
Federal sources:			
Medicaid	21,000	122,871	101,871
ARRA - State Fiscal Stabilization Fund	811,353	811,353	-
Total from federal sources	<u>832,353</u>	<u>934,224</u>	<u>101,871</u>
Other financing sources:			
Transfers in	5,000	8,095	3,095
Total revenues and other financing sources	17,454,011	<u>\$ 17,568,656</u>	<u>\$ 114,645</u>
Use of fund balance to reduce school district assessment	<u>742,765</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 18,196,776</u>		

EXHIBIT 13
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 9,419	\$ 5,348,282	\$ 5,361,438	\$ 112,023	\$ (115,760)
Special programs	82,520	2,375,275	2,158,861	7,178	291,756
Vocational programs	786	92,688	91,715	128	1,631
Other	1,977	459,763	470,991	2,338	(11,589)
Total instruction	<u>94,702</u>	<u>8,276,008</u>	<u>8,083,005</u>	<u>121,667</u>	<u>166,038</u>
Support services:					
Student	5,169	1,054,277	983,946	7,103	68,397
Instructional staff	17,171	422,531	508,271	17,329	(85,898)
General administration	3,000	37,999	60,651	-	(19,652)
Executive administration	-	635,336	635,336	-	-
School administration	1,224	767,753	775,800	9,613	(16,436)
Business	-	-	22,594	-	(22,594)
Operation and maintenance of plant	103,812	1,168,758	1,116,260	154,903	1,407
Student transportation	-	708,605	641,372	1,691	65,542
Other	-	3,227,250	2,981,617	-	245,633
Total support services	<u>130,376</u>	<u>8,022,509</u>	<u>7,725,847</u>	<u>190,639</u>	<u>236,399</u>
Debt service:					
Principal	-	1,004,763	1,004,762	-	1
Interest	-	893,496	898,170	-	(4,674)
Total debt service	<u>-</u>	<u>1,898,259</u>	<u>1,902,932</u>	<u>-</u>	<u>(4,673)</u>
Total encumbrances, appropriations, and expenditures	<u>\$ 225,078</u>	<u>\$ 18,196,776</u>	<u>\$ 17,711,784</u>	<u>\$ 312,306</u>	<u>\$ 397,764</u>

EXHIBIT 14
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

Unreserved, undesignated fund balance, beginning		\$	742,765
Changes:			
Unreserved fund balance used to reduce school district assessment			(742,765)
Budget summary:			
Revenue surplus (Exhibit 12)	\$	114,645	
Unexpended balance of appropriations (Exhibit 13)		<u>397,764</u>	
Budget surplus			<u>512,409</u>
Unreserved, undesignated fund balance, ending		\$	<u><u>512,409</u></u>

EXHIBIT 15
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2010

	Balance, beginning	Additions	Deducations	Balance, ending
ASSETS				
Cash and cash equivalents				
High school	\$ 247,065	\$ 561,000	\$ 563,832	\$ 244,233
Middle school	61,857	226,140	216,446	71,551
Total assets	<u>\$ 308,922</u>	<u>\$ 787,140</u>	<u>\$ 780,278</u>	<u>\$ 315,784</u>
LIABILITIES				
Due to student groups	<u>\$ 308,922</u>	<u>\$ 787,140</u>	<u>\$ 780,278</u>	<u>\$ 315,784</u>

EXHIBIT 16
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
CHILD NUTRITION CLUSTER			
Passed Through the State of New Hampshire Department of Education			
School Breakfast Program	10.553	N/A	\$ 2,022
National School Lunch Program	10.555	N/A	56,310
CLUSTER TOTAL			<u>58,332</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of New Hampshire Department of Transportation			
Highway Planning and Construction - Safe Routes to Schools	20.205	15855	<u>4,858</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of New Hampshire Department of Education			
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA-B	84.027	02616	228,006
Special Education - Grants to States, Recovery Act:			
IDEA-B	84.391	100540	41,158
CLUSTER TOTAL			<u>269,164</u>
Safe and Drugfree Schools and Communities - Grants to States:			
Title IV	84.186	06455	<u>3,394</u>
State Grants for Innovative Programs:			
Title V	84.298	96168	<u>135</u>
Improving Teacher Quality State Grants:			
Title II	84.367	84850	11,286
Title II	84.367	84854	1,805
PROGRAM TOTAL			<u>13,091</u>

(continued)

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

EXHIBIT 16 (continued)
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act: State Fiscal Stabilization Fund	84.394	N/A	<u>811,353</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the State of New Hampshire Department of Health and Human Services			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	102602	<u>10,299</u>
GRAND TOTAL			<u>\$ 1,170,626</u>

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

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hollis-Brookline Cooperative School District under programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Hollis-Brookline Cooperative School District, it is not intended to and does not present the financial position or changes in net assets of the Hollis-Brookline Cooperative School District.

2. Summary of Significant Accounting Policies

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

3. Commodities Donated

Included in the expenditures reported under the National School Lunch Program is the value of food commodities received during the year from the Department of Agriculture Surplus Distribution Program.



Roberts, Greene & Drolet, PLLC

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

To the Members of the School Board
Hollis-Brookline Cooperative School District
Hollis, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis-Brookline Cooperative School District, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

October 22, 2010

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

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

Compliance

We have audited the compliance of the Hollis-Brookline Cooperative School District (School District), with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2010. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the Hollis-Brookline Cooperative School District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

October 22, 2010

Roberts, Greene & Drolet, PLLC

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

1. The auditor’s report issued contained an adverse opinion on the financial statements of the governmental activities, and an unqualified opinion on each major fund and the aggregate remaining fund information.
2. There were no material weaknesses identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There was no noncompliance material to the financial statements noted.

Federal Awards

1. There were no material weaknesses identified in the internal control over major programs.
2. There were no significant deficiencies identified in the internal control over major programs that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for major programs contained an unqualified opinion.
4. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The program tested as a major program was CFDA No. 84.394: State Fiscal Stabilization Fund (SFSF) – Education Grant Funds, Recovery Act.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The Hollis-Brookline Cooperative School District did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE