

# BROOKLINE SCHOOL DISTRICT

## FINANCIAL REPORT

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

**BROOKLINE SCHOOL DISTRICT  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Assets (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets (Exhibit 4)	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	8
Fiduciary Funds – Statement of Fiduciary Net Assets (Exhibit 7)	9
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	10
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 8)	20
Food Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) (Exhibit 9)	21
Grants Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP Basis) (Exhibit 10)	22
Note to the Required Supplementary Information	23
<b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 11)	24
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Exhibit 12)	25
General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 13)	26
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 14)	27
Schedule of Changes in Unreserved – Undesignated Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 15)	28
Student Activities Funds	
Combining Schedule of Changes in Assets and Liabilities (Exhibit 16)	29
<b>SINGLE AUDIT ACT SCHEDULES AND RELATED INDEPENDENT AUDITOR'S REPORTS</b>	
Schedule of Expenditures of Federal Awards (Exhibit 17)	30
Notes to Schedule of Expenditures of Federal Awards	31
Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	32
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	34
Schedule of Findings and Questioned Costs	36



# Roberts, Greene & Drolet, 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 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 Brookline 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 *Governmental 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 noted in the preceding 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 Brookline 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 Brookline 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 20-22 is not a required part of the basic financial statements, but is 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 Brookline 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 Brookline 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 Brookline 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**  
**BROOKLINE SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 428,563
Investments	387
Intergovernmental receivables	196,276
Other receivables	4,206
Prepaid items	1,960
Capital assets, net of accumulated depreciation:	
Land improvements	119,085
Buildings and building improvements	6,605,825
Machinery, equipment and vehicles	19,015
Total assets	7,375,317
<b>LIABILITIES</b>	
Accounts payable	55,985
Accrued salaries and benefits	18,690
Intergovernmental payable	13,002
Accrued interest payable	114,155
Unearned revenue	7,211
Noncurrent obligations:	
Due within one year:	
Bonds	245,020
Due in more than one year:	
Bonds	1,676,617
Termination benefits	115,177
Total liabilities	2,245,857
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,822,288
Restricted for special purposes	25,228
Unrestricted	281,944
Total net assets	\$ 5,129,460

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, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 4,003,702	\$ 10,308	\$ 362,735	\$ -	\$ (3,630,659)
Support services:					
Student	613,336	-	76,213	-	(537,123)
Instructional staff	218,475	-	40,204	-	(178,271)
General administration	39,073	-	-	-	(39,073)
Executive administration	236,440	-	-	-	(236,440)
School administration	387,151	-	-	-	(387,151)
Business	6,455	-	-	-	(6,455)
Operation and maintenance of plant	536,275	1,820	-	-	(534,455)
Student transportation	404,118	-	-	-	(404,118)
Other	1,316,575	-	-	-	(1,316,575)
Non-instructional services	201,549	-	177,247	-	(24,302)
Facilities acquisition and construction	16,650	-	-	-	(16,650)
Interest on long-term debt	186,428	-	-	79,097	(107,331)
Total governmental activities	<u>\$ 8,166,227</u>	<u>\$ 12,128</u>	<u>\$ 656,399</u>	<u>\$ 79,097</u>	<u>(7,418,603)</u>
General revenues:					
School district assessment					4,880,861
Grants and contributions not restricted to specific programs					2,670,981
Miscellaneous					7,601
Total general revenues					<u>7,559,443</u>
Change in net assets					140,840
Net assets, beginning, as restated (See Note III.D.)					4,988,620
Net assets, ending					<u>\$ 5,129,460</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, 2010**

	General	Food Service	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 385,801	\$ 19,483	\$ -	\$ 23,279	\$ 428,563
Investments	387	-	-	-	387
Receivables:					
Accounts	3,979	-	-	227	4,206
Intergovernmental	8,964	7,479	127,519	52,314	196,276
Interfund receivable	164,091	-	-	-	164,091
Prepaid items	1,960	-	-	-	1,960
Total assets	<u>\$ 565,182</u>	<u>\$ 26,962</u>	<u>\$ 127,519</u>	<u>\$ 75,820</u>	<u>\$ 795,483</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 55,466	\$ -	\$ 519	\$ -	\$ 55,985
Accrued salaries and benefits	18,690	-	-	-	18,690
Intergovernmental payable	13,002	-	-	-	13,002
Interfund payable	-	23,461	125,420	15,210	164,091
Deferred revenue	2,130	3,501	1,580	-	7,211
Total liabilities	<u>89,288</u>	<u>26,962</u>	<u>127,519</u>	<u>15,210</u>	<u>258,979</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	161,871	-	-	-	161,871
Reserved for special purposes	-	-	-	25,228	25,228
Unreserved, undesignated, reported in:					
General fund	314,023	-	-	-	314,023
Special revenue funds	-	-	-	35,382	35,382
Total fund balances	<u>475,894</u>	<u>-</u>	<u>-</u>	<u>60,610</u>	<u>536,504</u>
Total liabilities and fund balances	<u>\$ 565,182</u>	<u>\$ 26,962</u>	<u>\$ 127,519</u>	<u>\$ 75,820</u>	<u>\$ 795,483</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 Assets**  
**June 30, 2010**

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Total fund balances of governmental funds (Exhibit 3)	\$	536,504
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	\$	8,934,243
Less accumulated depreciation		<u>(2,190,318)</u>
		6,743,925
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$	(164,091)
Payables		<u>164,091</u>
		-
Interest on long-term debt is not accrued in governmental funds.		
		(114,155)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$	1,921,637
Termination benefits		<u>115,177</u>
		(2,036,814)
Net assets of governmental activities (Exhibit 1)	<u>\$</u>	<u>5,129,460</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, 2010**

	General	Food Service	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 4,880,861	\$ -	\$ -	\$ -	\$ 4,880,861
Other local	29,978	129,305	-	16,443	175,726
State	2,335,332	2,346	-	-	2,337,678
Federal	671,824	45,775	195,203	-	912,802
Total revenues	<u>7,917,995</u>	<u>177,426</u>	<u>195,203</u>	<u>16,443</u>	<u>8,307,067</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	3,755,481	-	79,901	15,670	3,851,052
Support services:					
Student	537,123	-	76,213	-	613,336
Instructional staff	177,349	-	39,089	2,037	218,475
General administration	39,073	-	-	-	39,073
Executive administration	236,440	-	-	-	236,440
School administration	387,151	-	-	-	387,151
Business	6,455	-	-	-	6,455
Operation and maintenance of plant	536,275	-	-	-	536,275
Student transportation	404,118	-	-	-	404,118
Other	1,316,575	-	-	-	1,316,575
Non-instructional services	-	199,416	-	-	199,416
Debt service:					
Principal	256,937	-	-	-	256,937
Interest	176,025	-	-	-	176,025
Facilities acquisition and construction	1,440	-	-	15,210	16,650
Total expenditures	<u>7,830,442</u>	<u>199,416</u>	<u>195,203</u>	<u>32,917</u>	<u>8,257,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,553</u>	<u>(21,990)</u>	<u>-</u>	<u>(16,474)</u>	<u>49,089</u>
Other financing sources (uses):					
Transfers in	301	25,258	-	10,000	35,559
Transfers out	(35,258)	-	-	(301)	(35,559)
Total other financing sources and uses	<u>(34,957)</u>	<u>25,258</u>	<u>-</u>	<u>9,699</u>	<u>-</u>
Net change in fund balances	52,596	3,268	-	(6,775)	49,089
Fund balances, beginning, as restated (See note III.D.)	423,298	(3,268)	-	67,385	487,415
Fund balances, ending	<u>\$ 475,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,610</u>	<u>\$ 536,504</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, 2010**

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Net change in fund balances of total governmental funds (Exhibit 5)	\$	49,089
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$	-
Depreciation expense		<u>(180,771)</u>
		(180,771)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(35,559)
Transfers out		<u>35,559</u>
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Principal repayments of bonds		256,937
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	\$	(10,403)
Decrease in termination benefits		<u>25,988</u>
		15,585
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>140,840</u></u>

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

**EXHIBIT 7**  
**BROOKLINE SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2010**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,756
<b>LIABILITIES</b>	
Due to student groups	<u>39,756</u>
<b>NET ASSETS</b>	<u><u>\$ -</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, 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 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, 2010.

**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 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 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, 2010**

*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, which are 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 town, tuition, investment income, and federal and state grants. In general, other revenues are recognized when cash is received.

**BROOKLINE 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.

*Food Service Fund* – Reports as a special revenue fund and used to account for the food service program.

*Grants Fund* – Reports as a special revenue fund and accounts for the School District’s federal grant programs.

The School District also reports three nonmajor funds: the expendable trust, other special revenue, and permanent funds.

*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



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

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 to vendors 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	50-75
Machinery, equipment and vehicles	15-20

**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.

**I.C.5 *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.

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

Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.6. 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 (\$6,743,925) less the outstanding bond amount related to capital acquisitions (\$1,921,637) for a total of \$4,822,288; 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 special purposes (permanent funds).

**I.D. 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**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the nonmajor Expendable Trust and Permanent Funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use the beginning unreserved, undesignated fund balance to balance the budget. In the fiscal year 2010, \$347,314 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, business, operation and maintenance of plant, student transportation, other support services, debt service, non-instructional services and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total

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

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, 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.

**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	\$ 230,400	\$ -	\$ 230,400
Buildings and building improvements	8,652,023	-	8,652,023
Machinery, equipment and vehicles	51,820	-	51,820
Total capital assets being depreciated	<u>8,934,243</u>	<u>-</u>	<u>8,934,243</u>
Total all capital assets	<u>8,934,243</u>	<u>-</u>	<u>8,934,243</u>
Less accumulated depreciation:			
Land improvements	(99,795)	(11,520)	(111,315)
Buildings and building improvements	(1,880,071)	(166,127)	(2,046,198)
Machinery, equipment and vehicles	(29,681)	(3,124)	(32,805)
Total accumulated depreciation	<u>(2,009,547)</u>	<u>(180,771)</u>	<u>(2,190,318)</u>
Net book value, capital assets being depreciated	6,924,696	(180,771)	6,743,925
Net book value, all capital assets	<u>\$ 6,924,696</u>	<u>\$ (180,771)</u>	<u>\$ 6,743,925</u>

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

*Depreciation Expense*

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

Governmental activities:		
Instruction	\$	178,638
Non-instructional services		2,133
Total depreciation expense	<u>\$</u>	<u>180,771</u>

**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:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2010</u>	<u>Current Portion</u>
General obligation bonds payable:						
School renovations	\$ 5,367,912	2000	2020	5.2	\$ 1,921,637	\$ 245,020
Termination benefits payable					115,177	-
					<u>\$ 2,036,814</u>	<u>\$ 245,020</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:

	<u>General Obligation Bonds Payable</u>	<u>Termination Benefits Payable</u>	<u>Total</u>
Balance, beginning	\$ 2,178,574	\$ 141,165	\$ 2,319,739
Reductions	(256,937)	(25,988)	(282,925)
Balance, ending	<u>\$ 1,921,637</u>	<u>\$ 115,177</u>	<u>\$ 2,036,814</u>

**BROOKLINE 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	\$ 245,020	\$ 189,424	\$ 434,444
2012	229,249	201,020	430,269
2013	217,855	212,583	430,438
2014	206,654	223,165	429,819
2015	196,449	236,832	433,281
2016-2020	826,410	1,333,465	2,159,875
Totals	<u>\$ 1,921,637</u>	<u>\$ 2,396,489</u>	<u>\$ 4,318,126</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	Food service	\$ 23,461
	Grants	125,420
	Nonmajor	15,210
		<u>\$ 164,091</u>

The amounts due to the General Fund from the Food Service and Grants Funds represent overdrafts of pooled cash. The amount due to the General Fund from the Nonmajor Funds represents a reimbursement for disbursements made on behalf of the Expendable Trust Fund.

**BROOKLINE 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 subsidizing the food service program, an appropriation to the Expendable Trust Fund, and the distribution of income earned in the Permanent Funds. 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:			Total
	General Fund	Food Service Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 25,258	\$ 10,000	\$ 35,258
Nonmajor funds	301	-	-	301
	\$ 301	\$ 25,258	\$ 10,000	\$ 35,559

**III.D. Restatement of Beginning Equity**

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

	Governmental Activities	Food Service Fund
To record deferred revenue for student lunch deposits	(3,268)	(3,268)
Net assets/fund balance, as previously reported	4,991,888	-
Net assets/fund balance, as restated	\$ 4,988,620	\$ (3,268)

**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

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

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.

Contributions paid for fiscal year 2010 to be recorded as an insurance expenditure/expense totaled \$20,975. There were no unpaid contributions for the year ending June 30, 2010. The School District also paid \$18,026 for workers' compensation and \$5,823 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 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, including a medical subsidy percentage. 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 \$186,353, \$208,372 and \$267,759, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2010 was \$102,188. 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 that the chance of disallowance is unlikely, and if it should occur, the amount would not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**



**EXHIBIT 8**  
**BROOKLINE 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)
<b>REVENUES</b>			
School district assessment	\$ 4,880,861	\$ 4,880,861	\$ -
Other local	95,418	29,978	(65,440)
State	2,229,885	2,233,144	3,259
Federal	586,107	671,824	85,717
Total revenues	<u>7,792,271</u>	<u>7,815,807</u>	<u>23,536</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,607,095	3,654,490	(47,395)
Support services:			
Student	677,173	534,303	142,870
Instructional staff	170,690	174,439	(3,749)
General administration	46,965	37,018	9,947
Executive administration	236,440	236,440	-
School administration	391,659	392,691	(1,032)
Business	-	6,455	(6,455)
Operation and maintenance of plant	582,007	633,594	(51,587)
Student transportation	405,881	396,810	9,071
Other	1,578,713	1,316,575	262,138
Debt service:			
Principal	256,937	256,937	-
Interest	176,025	176,025	-
Facilities acquisition and construction	-	(1,635)	1,635
Total expenditures	<u>8,129,585</u>	<u>7,814,142</u>	<u>315,443</u>
Excess (deficiency) of revenues over (under) expenditures	(337,314)	1,665	338,979
Other financing sources (uses):			
Transfers in	-	301	301
Transfers out	(10,000)	(35,258)	(25,258)
Total other financing sources and uses	<u>(10,000)</u>	<u>(34,957)</u>	<u>(24,957)</u>
Net change in fund balance	<u>\$ (347,314)</u>	<u>(33,292)</u>	<u>\$ 314,022</u>
Unreserved fund balance, beginning		<u>347,315</u>	
Unreserved fund balance, ending		<u>\$ 314,023</u>	

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

**EXHIBIT 9**  
**BROOKLINE SCHOOL DISTRICT**  
**Food Service 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)
<b>REVENUES</b>			
Local:			
Sales	\$ 169,552	\$ 128,848	\$ (40,704)
Miscellaneous	-	457	457
State:			
Lunch reimbursement	1,933	2,346	413
Federal:			
Lunch reimbursement	28,515	27,453	(1,062)
Breakfast reimbursement	-	9,349	9,349
USDA commodities	-	8,973	8,973
Total revenues	<u>200,000</u>	<u>177,426</u>	<u>(22,574)</u>
<b>EXPENDITURES</b>			
Current:			
Non-instructional services	<u>200,000</u>	<u>199,416</u>	<u>584</u>
Deficiency of revenues under expenditures	-	(21,990)	(21,990)
Other financing sources:			
Transfers in	<u>-</u>	<u>25,258</u>	<u>25,258</u>
Net change in fund balance	<u>\$ -</u>	<u>3,268</u>	<u>\$ 3,268</u>
Fund balance, beginning, as restated (See note III.D.)		<u>(3,268)</u>	
Fund balance, ending		<u>\$ -</u>	

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

**EXHIBIT 10**  
**BROOKLINE 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)
<b>REVENUES</b>			
Federal	198,000	195,203	(2,797)
<b>EXPENDITURES</b>			
Current:			
Instruction	198,000	79,901	118,099
Support services:			
Student	-	76,213	(76,213)
Instructional staff	-	39,089	(39,089)
Total expenditures	198,000	195,203	2,797
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

**BROOKLINE SCHOOL DISTRICT  
NOTE 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)	\$ 7,816,108
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	102,188
Per Exhibit 5 (GAAP basis)	<u>\$ 7,918,296</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 7,849,400
Adjustments:	
Basis difference:	
Encumbrances, beginning	75,983
Encumbrances, ending	(161,871)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditure on the GAAP basis, but not on the budgetary basis	102,188
Per Exhibit 5 (GAAP basis)	<u>\$ 7,865,700</u>

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

## **COMBINING AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 11**  
**BROOKLINE SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds			Total
	Expendable	Other	Permanent	
	Trust			
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 23,279	\$ -	\$ 23,279
Receivables:				
Accounts	-	227	-	227
Intergovernmental	27,086	-	25,228	52,314
Total assets	<u>\$ 27,086</u>	<u>\$ 23,506</u>	<u>\$ 25,228</u>	<u>\$ 75,820</u>
<b>LIABILITIES</b>				
Interfund payable	15,210	-	-	15,210
<b>FUND BALANCES</b>				
Reserved for special purposes	-	-	25,228	25,228
Unreserved, undesignated	11,876	23,506	-	35,382
Total fund balances	<u>11,876</u>	<u>23,506</u>	<u>25,228</u>	<u>60,610</u>
Total liabilities and fund balances	<u>\$ 27,086</u>	<u>\$ 23,506</u>	<u>\$ 25,228</u>	<u>\$ 75,820</u>

**EXHIBIT 12**  
**BROOKLINE 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			Total
	Expendable Trusts	Other	Permanent	
<b>REVENUES</b>				
Other local	25	16,786	(368)	16,443
<b>EXPENDITURES</b>				
Current:				
Instruction	-	15,670	-	15,670
Support services:				
Instructional staff	-	2,037	-	2,037
Facilities acquisition and construction	15,210	-	-	15,210
Total expenditures	15,210	17,707	-	32,917
Deficiency of revenues under expenditures	(15,185)	(921)	(368)	(16,474)
Other financing sources (uses):				
Transfers in	10,000	-	-	10,000
Transfers out	-	-	(301)	(301)
Total other financing sources and uses	10,000	-	(301)	9,699
Net change in fund balances	(5,185)	(921)	(669)	(6,775)
Fund balances, beginning	17,061	24,427	25,897	67,385
Fund balances, ending	\$ 11,876	\$ 23,506	\$ 25,228	\$ 60,610

**EXHIBIT 13**  
**BROOKLINE 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	\$ 4,880,861	\$ 4,880,861	\$ -
Other local sources:			
Tuition	12,960	10,308	(2,652)
Investment earnings	10,730	2,785	(7,945)
Impact fees	-	10,454	10,454
Rentals	-	1,820	1,820
Miscellaneous	71,728	4,611	(67,117)
Total from other local sources	<u>95,418</u>	<u>29,978</u>	<u>(65,440)</u>
State sources:			
Adequacy aid (grant)	1,488,541	1,488,541	-
Adequacy aid (tax)	611,333	611,333	-
School building aid	79,096	79,097	1
Catastrophic aid	50,915	54,173	3,258
Total from state sources	<u>2,229,885</u>	<u>2,233,144</u>	<u>3,259</u>
Federal sources:			
Medicaid	15,000	100,717	85,717
ARRA - State Fiscal Stabilization Fund	571,107	571,107	-
Total from federal sources	<u>586,107</u>	<u>671,824</u>	<u>85,717</u>
Other financing sources:			
Transfers in	-	301	301
Total revenues and other financing sources	7,792,271	<u>\$ 7,816,108</u>	<u>\$ 23,837</u>
Use of fund balance to reduce school district assessment	<u>347,314</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 8,139,585</u>		



**EXHIBIT 14**  
**BROOKLINE 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)
<b>Current:</b>					
<b>Instruction:</b>					
Regular programs	\$ 4,475	\$ 2,411,194	\$ 2,425,712	\$ 6,793	\$ (16,836)
Special programs	1,202	1,195,901	1,227,581	81	(30,559)
Total instruction	<u>5,677</u>	<u>3,607,095</u>	<u>3,653,293</u>	<u>6,874</u>	<u>(47,395)</u>
<b>Support services:</b>					
Student	4,145	677,173	537,123	1,325	142,870
Instructional staff	8,086	170,690	177,349	5,176	(3,749)
General administration	2,055	46,965	39,073	-	9,947
Executive administration	-	236,440	236,440	-	-
School administration	276	391,659	387,151	5,816	(1,032)
Business	-	-	6,455	-	(6,455)
Operation and maintenance of plant	45,361	582,007	536,275	142,680	(51,587)
Student transportation	7,308	405,881	404,118	-	9,071
Other	-	1,578,713	1,316,575	-	262,138
Total support services	<u>67,231</u>	<u>4,089,528</u>	<u>3,640,559</u>	<u>154,997</u>	<u>361,203</u>
<b>Debt service:</b>					
Principal	-	256,937	256,937	-	-
Interest	-	176,025	176,025	-	-
Total debt service	<u>-</u>	<u>432,962</u>	<u>432,962</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>3,075</u>	<u>-</u>	<u>1,440</u>	<u>-</u>	<u>1,635</u>
<b>Other financing uses:</b>					
Transfers out	<u>-</u>	<u>10,000</u>	<u>35,258</u>	<u>-</u>	<u>(25,258)</u>
<b>Total encumbrances, appropriations, expenditures and other financing uses</b>	<u>\$ 75,983</u>	<u>\$ 8,139,585</u>	<u>\$ 7,763,512</u>	<u>\$ 161,871</u>	<u>\$ 290,185</u>

**EXHIBIT 15**  
**BROOKLINE SCHOOL DISTRICT**  
**General Fund**  
*Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2010**

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Unreserved, undesignated fund balance, beginning	\$	347,315
Changes:		
Unreserved fund balance used to reduce school district assessment		(347,314)
Budget summary:		
Revenue surplus (Exhibit 13)	\$	23,837
Unexpended balance of appropriations (Exhibit 14)		<u>290,185</u>
Budget surplus		<u>314,022</u>
Unreserved, undesignated fund balance, ending	\$	<u><u>314,023</u></u>

**EXHIBIT 16**  
**BROOKLINE SCHOOL DISTRICT**  
**Student Activities Funds**  
**Combining Schedule of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
<b>ASSETS</b>				
Cash and cash equivalents				
Captain Samuel Douglass Academy	\$ 26,226	\$ 32,400	\$ 31,078	\$ 27,548
Richard Maghakian Memorial School	9,813	19,422	17,027	12,208
Total assets	<u>\$ 27,086</u>	<u>\$ 23,506</u>	<u>\$ 25,228</u>	<u>\$ 39,756</u>
<b>LIABILITIES</b>				
Due to student groups	<u>\$ 27,086</u>	<u>\$ 23,506</u>	<u>\$ 25,228</u>	<u>\$ 39,756</u>

**EXHIBIT 17**  
**BROOKLINE 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
CHILD NUTRITION CLUSTER			
Passed Through the State of New Hampshire Department of Education			
School Breakfast Program	10.553	N/A	\$ 9,349
National School Lunch Program	10.555	N/A	36,426
CLUSTER TOTAL			<u>45,775</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the State of New Hampshire Department of Education			
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States: IDEA-B	84.027	02614	107,891
Special Education - Grants to States, Recovery Act: IDEA-B	84.391	100530	10,738
Special Education - Preschool Grants: Preschool	84.173	02799	4,975
Special Education - Preschool Grants, Recovery Act: Preschool	84.392	100520	830
CLUSTER TOTAL			<u>124,434</u>
Safe and Drugfree Schools and Communities - Grants to States: Title IV	84.186	06697	1,677
Improving Teacher Quality State Grants: Title II	84.367	04950	7,219
Rural Education: Rural and Low Income	84.358	80000	12,877
Rural and Low Income	84.358	90003	47,634
Rural and Low Income	84.358	100003	1,362
PROGRAM TOTAL			<u>61,873</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act: State Fiscal Stabilization Fund	84.394	N/A	571,107
GRAND TOTAL			<u>\$ 812,085</u>

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

**BROOKLINE 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 Brookline 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 Brookline School District, it is not intended to and does not present the financial position or changes in net assets of the Brookline 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 Tribe 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  
Brookline School District  
Brookline, New Hampshire

We have audited 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, 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 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.

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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 10-01, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

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

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

*Roberts, Greene + Drolet, PLLC*



# Roberts, Greene & Drolet, PLLC

## 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  
Brookline School District  
Brookline, New Hampshire

### Compliance

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

### Internal Control Over Compliance

Management of the Brookline 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 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



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

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

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

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*

**BROOKLINE 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 was one significant deficiency identified in the internal control over financial reporting that was not considered to be a material weakness.
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 the major program 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 Brookline School District did not qualify as a low-risk auditee.

Audit  
Finding  
Number

**Section II – Financial Statement Findings**

**10-01 Student Activities Funds**

**Criteria:** Because of the custodial nature of agency funds, it is important that strong controls are in place and are followed.

**Condition:** At the Richard Maghakian Memorial School, we reviewed nineteen disbursements and noted that two were issued without the required two signatures. Although the disbursement purposes were appropriate, the School District controls were not being followed.

**Effect:** There is an increased opportunity for student monies to be spent inappropriately.

**Recommendation:** We recommend that management review internal controls and policies over student activities with the appropriate personnel, and periodically monitor to ensure compliance with those policies.

**Management's Response:** We agree with the finding.

### **Section III – Federal Award Findings and Questioned Costs**

NONE