

BROOKLINE SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

**BROOKLINE SCHOOL DISTRICT
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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, 2011, 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. 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 effects of the matters 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, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. They 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 18, 2011

Roberts, Greene & Drolet, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
BROOKLINE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 729,495
Investments	387
Intergovernmental receivables	151,951
Other receivables	4,984
Prepaid items	1,840
Capital assets, net of accumulated depreciation:	
Land improvements	107,565
Buildings and building improvements	6,439,698
Machinery, equipment and vehicles	15,891
Total assets	7,451,811
LIABILITIES	
Accounts payable	71,250
Accrued salaries and benefits	16,282
Intergovernmental payable	38,344
Accrued interest payable	123,511
Unearned revenue	9,196
Noncurrent obligations:	
Due within one year:	
Bonds payable	229,249
Compensated absences	3,548
Due in more than one year:	
Bonds payable	1,447,368
Termination benefits	161,056
Total liabilities	2,099,804
NET ASSETS	
Invested in capital assets, net of related debt	4,886,537
Restricted for special purposes	30,443
Unrestricted	435,027
Total net assets	\$ 5,352,007

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, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 4,318,822	\$ 26,740	\$ 482,020	\$ -
Support services:				
Student	650,239	-	935	-
Instructional staff	201,389	-	31,450	-
General administration	29,189	-	-	-
Executive administration	248,977	-	-	-
School administration	407,309	-	-	-
Operation and maintenance of plant	699,078	-	-	-
Student transportation	355,095	-	-	-
Other	1,407,766	-	-	-
Non-instructional services	198,868	125,979	46,660	-
Interest on long-term debt	198,780	-	-	82,388
Total governmental activities	<u>\$ 8,715,512</u>	<u>\$ 152,719</u>	<u>\$ 561,065</u>	<u>\$ 82,388</u>
General revenues:				
School district assessment				5,456,510
Grants and contributions not restricted to specific programs				2,671,485
Miscellaneous				13,893
Total general revenues				<u>8,141,888</u>
Change in net assets				222,548
Net assets, beginning				5,129,459
Net assets, ending				<u>\$ 5,352,007</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, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 691,653	\$ -	\$ 37,842	\$ 729,495
Investments	387	-	-	387
Receivables:				
Accounts	170	-	4,814	4,984
Intergovernmental	31,895	86,050	34,006	151,951
Interfund receivable	97,667	-	-	97,667
Prepaid items	1,840	-	-	1,840
Total assets	<u>\$ 823,612</u>	<u>\$ 86,050</u>	<u>\$ 76,662</u>	<u>\$ 986,324</u>
LIABILITIES				
Accounts payable	\$ 68,013	\$ 3,237	\$ -	\$ 71,250
Accrued salaries and benefits	16,282	-	-	16,282
Intergovernmental payable	38,129	215	-	38,344
Interfund payable	-	82,598	15,069	97,667
Deferred revenue	4,743	-	4,453	9,196
Total liabilities	<u>127,167</u>	<u>86,050</u>	<u>19,522</u>	<u>232,739</u>
FUND BALANCES				
Restricted for:				
Instruction	-	-	30,443	30,443
Committed for:				
Support services	71,903	-	-	71,903
Assigned to:				
Instruction	10,199	-	26,697	36,896
Support services	37,095	-	-	37,095
Return to Town	577,248	-	-	577,248
Total fund balances	<u>696,445</u>	<u>-</u>	<u>57,140</u>	<u>753,585</u>
Total liabilities and fund balances	<u>\$ 823,612</u>	<u>\$ 86,050</u>	<u>\$ 76,662</u>	<u>\$ 986,324</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, 2011

Total fund balances of governmental funds (Exhibit 3)		\$	753,585
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>(2,371,089)</u>
			6,563,154
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables		\$	(97,667)
Payables			<u>97,667</u>
			-
Interest on long-term debt is not accrued in governmental funds.			(123,511)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bond payable		\$	1,676,617
Compensated absences			3,548
Termination benefits			<u>161,056</u>
			<u>(1,841,221)</u>
Net assets of governmental activities (Exhibit 1)		\$	<u><u>5,352,007</u></u>

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

EXHIBIT 5
BROOKLINE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 5,456,510	\$ -	\$ -	\$ 5,456,510
Other local	40,633	-	157,847	198,480
State	2,844,709	-	1,879	2,846,588
Federal	134,419	257,869	44,194	436,482
Total revenues	<u>8,476,271</u>	<u>257,869</u>	<u>203,920</u>	<u>8,938,060</u>
EXPENDITURES				
Current:				
Instruction	3,844,804	228,284	20,075	4,093,163
Support services:				
Student	649,304	935	-	650,239
Instructional staff	169,939	28,650	2,800	201,389
General administration	29,189	-	-	29,189
Executive administration	248,977	-	-	248,977
School administration	405,697	-	-	405,697
Operation and maintenance of plant	697,142	-	-	697,142
Student transportation	355,095	-	-	355,095
Other	1,407,766	-	-	1,407,766
Non-instructional services	-	-	197,877	197,877
Debt service:				
Principal	245,020	-	-	245,020
Interest	189,424	-	-	189,424
Total expenditures	<u>8,242,357</u>	<u>257,869</u>	<u>220,752</u>	<u>8,720,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>233,914</u>	<u>-</u>	<u>(16,832)</u>	<u>217,082</u>
Other financing sources (uses):				
Transfers in	-	-	25,238	25,238
Transfers out	(25,238)	-	-	(25,238)
Total other financing sources and uses	<u>(25,238)</u>	<u>-</u>	<u>25,238</u>	<u>-</u>
Net change in fund balances	208,676	-	8,406	217,082
Fund balances, beginning	487,769	-	48,734	536,503
Fund balances, ending	<u>\$ 696,445</u>	<u>\$ -</u>	<u>\$ 57,140</u>	<u>\$ 753,585</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, 2011

Net change in fund balances of total governmental funds (Exhibit 5)	\$	217,082
<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 capital outlay in the current period.</p>		
Capital outlay	\$	-
Depreciation expense		(180,771)
		(180,771)
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$	(25,238)
Transfers out		25,238
		-
<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 repayment of bonds		241,472
<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	\$	(9,356)
Increase in compensated absences		(3,548)
Increase in termination benefits		(45,879)
		(58,783)
Change in net assets of governmental activities (Exhibit 2)	\$	219,000

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, 2011

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 31,379
LIABILITIES	
Due to student groups	<u>31,379</u>
NET ASSETS	<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, 2011**

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, 2011.

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
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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, except that 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.

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

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

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

The School District has reported governmental fund balances in accordance with GASB Statement No. 54 for the fiscal year ended June 30, 2011. GASB Statement No. 54 changes the components of fund balance, but does not change the total fund balance from the previous year.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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I.B.4. Fund Types and Major Funds

Governmental Funds

The School District reports the following major governmental funds:

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

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

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

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 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.

**BROOKLINE SCHOOL DISTRICT
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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:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50-115
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.

**BROOKLINE SCHOOL DISTRICT
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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 government-wide statement of net assets reports net assets in the following components:

- Invested in capital assets, net of related debt, which is normally computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the expendable and nonexpendable portions of endowments held by the Town of Brookline Trustees of Trust funds for school district purposes.
- Unrestricted, which consists of the remaining balance of net assets.

The governmental funds report the following components of fund balance:

- Restricted, which represents the expendable portion of the endowment for school purposes held in the Town of Brookline Trust Funds. The amount can only be spent for instruction in accordance with the legal restrictions established by the contributors.
- Committed, which represents the balance of the expendable trust funds, establish at the Annual District Meeting, whose purpose can only be changed by vote of the legislative body, to be used for support services (maintenance).

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- Assigned, which represents encumbrances for instruction and support services, assigned by a vote of the school board or by management through the use of approved purchase orders; and balances of revenues from grants to be used for instruction.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unreserved fund balance to balance the budget. This amount is now recorded as fund balance assigned to be returned to the Town under generally accepted accounting principles. In the fiscal year 2011, \$314,022 of this fund balance from the fiscal year 2010 was used.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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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:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
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	<u>8,934,243</u>	<u>-</u>	<u>-</u>	<u>8,934,243</u>
Less accumulated depreciation:				
Land improvements	(111,315)	(11,520)	-	(122,835)
Buildings and building improvements	(2,046,198)	(166,127)	-	(2,212,325)
Machinery, equipment and vehicles	(32,805)	(3,124)	-	(35,929)
Total accumulated depreciation	<u>(2,190,318)</u>	<u>(180,771)</u>	<u>-</u>	<u>(2,371,089)</u>
Net book value, all capital assets	<u>\$ 6,743,925</u>	<u>\$ (180,771)</u>	<u>\$ -</u>	<u>\$ 6,563,154</u>

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 179,780
Non-instructional services	991
Total depreciation expense	<u>\$ 180,771</u>

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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III.B. Long-Term Debt

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2011	Current Portion
General obligation bonds payable:						
School renovations	\$ 5,367,912	2000	2020	5.2	\$ 1,676,617	\$ 229,249
Compensated absences payable:						
Accrued vacation leave					3,548	3,548
Termination benefits payable					161,056	-
					<u>\$ 1,841,221</u>	<u>\$ 232,797</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2011:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Total
Balance, beginning	\$ 1,921,637	\$ -	\$ 115,177	\$ 2,036,814
Additions	-	3,548	45,879	49,427
Reductions	(245,020)	-	-	(245,020)
Balance, ending	<u>\$ 1,676,617</u>	<u>\$ 3,548</u>	<u>\$ 161,056</u>	<u>\$ 1,841,221</u>

Debt Service Requirements to Maturity

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	182,591	248,234	430,825
2017-2020	643,819	1,085,231	1,729,050
Totals	<u>\$ 1,676,617</u>	<u>\$ 2,207,065</u>	<u>\$ 3,883,682</u>

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

III.C. Restatement of Beginning Equity Balance

The fund balances at July 1, 2010 were restated as follow:

	<u>General Fund</u>	<u>Expendable Trust Fund</u>
To record the expendable trust fund as part of the general fund in accordance with GASB Statement 54	\$ 11,876	\$ (11,876)
Fund balance, as previously reported	<u>475,893</u>	<u>11,876</u>
Fund balance, as restated	<u><u>\$ 487,769</u></u>	<u><u>\$ -</u></u>

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

III.D.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:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Grants	\$ 82,598
General	Nonmajor	<u>15,069</u>
		<u><u>\$ 97,667</u></u>

The amounts due to the General Fund from the Grants Fund represent overdrafts of pooled cash. The amount due from the Nonmajor Funds represents reimbursements of June expenditures paid on behalf of the Food Service Fund.

III.D.2. *Transfers*

Transfers within the reporting entity are for the purposes of adding to capital reserve accounts and distribution of income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns. The amount transferred from the General Fund to the nonmajor Food Service Fund represents a subsidy for the program operations.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

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.

Contributions paid for fiscal year 2011 to be recorded as an insurance expenditure/expense totaled \$22,585. There were no unpaid contributions for the year ended June 30, 2011. The School District also paid \$19,689 for workers' compensation and \$9,201 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 2011, the rates of contribution from the School District were 8.02% for teachers, which represents 75% of the total employer cost, and 9.16% for other employees. The balance of the employer cost for teachers was paid by the State of New Hampshire. Employer contributions from the School District during the fiscal years 2009, 2010 and 2011 were \$208,372, \$267,759 and \$303,271, respectively. The

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2011 was \$92,034. 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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 5,456,510	\$ 5,456,510	\$ -
Other local	40,234	40,606	372
State	2,740,183	2,752,675	12,492
Federal	88,289	134,419	46,130
Total revenues	<u>8,325,216</u>	<u>8,384,210</u>	<u>58,994</u>
EXPENDITURES			
Current:			
Instruction	3,966,167	3,756,095	210,072
Support services:			
Student	653,965	654,456	(491)
Instructional staff	178,706	172,084	6,622
General administration	50,850	29,189	21,661
Executive administration	248,977	248,977	-
School administration	382,083	400,593	(18,510)
Operation and maintenance of plant	603,997	573,377	30,620
Student transportation	382,341	358,765	23,576
Other	1,727,709	1,407,766	319,943
Debt service:			
Principal	245,019	245,020	(1)
Interest	189,424	189,424	-
Total expenditures	<u>8,629,238</u>	<u>8,035,746</u>	<u>593,492</u>
Excess (deficiency) of revenues over (under) expenditures	(304,022)	348,464	652,486
Other financing uses:			
Transfers out	<u>(10,000)</u>	<u>(35,238)</u>	<u>(25,238)</u>
Net change in fund balance	<u>\$ (314,022)</u>	313,226	<u>\$ 627,248</u>
Unreserved fund balance, beginning		<u>314,022</u>	
Unreserved fund balance, ending		<u>\$ 577,248</u>	

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

EXHIBIT 9
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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 198,000	\$ 257,869	\$ 59,869
EXPENDITURES			
Current:			
Instruction	198,000	228,284	(30,284)
Support services:			
Student	-	935	(935)
Instructional staff	-	28,650	(28,650)
Total expenditures	<u>198,000</u>	<u>257,869</u>	<u>(59,869)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 8,384,210
Adjustments:	
Basis difference:	
Expendable trust fund activity that is included on the GAAP basis, but not on the budgetary basis	27
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	<u>92,034</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 8,476,271</u></u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 8,070,984
Adjustments:	
Basis difference:	
Encumbrances, beginning	161,871
Encumbrances, ending	(47,294)
Transfer to expendable trust fund	(10,000)
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	<u>92,034</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 8,267,595</u></u>

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

Excess of Expenditures Over Appropriations

The grants fund has an excess of expenditures over appropriations of \$59,869 for the fiscal year ended June 30, 2011. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 10
BROOKLINE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds		Permanent Fund	Total
	Food Service	Other		
ASSETS				
Cash and cash equivalents	\$ 11,145	\$ 26,697	\$ -	\$ 37,842
Receivables:				
Accounts	4,814	-	-	4,814
Intergovernmental	3,563	-	30,443	34,006
Total assets	<u>\$ 19,522</u>	<u>\$ 26,697</u>	<u>\$ 30,443</u>	<u>\$ 76,662</u>
LIABILITIES				
Interfund payable	\$ 15,069	\$ -	\$ -	\$ 15,069
Deferred revenue	4,453	-	-	4,453
Total liabilities	<u>19,522</u>	<u>-</u>	<u>-</u>	<u>19,522</u>
FUND BALANCES				
Restricted for Instruction	-	-	30,443	30,443
Assigned to Instruction	-	26,697	-	26,697
Total fund balances	<u>-</u>	<u>26,697</u>	<u>30,443</u>	<u>57,140</u>
Total liabilities and fund balances	<u>\$ 19,522</u>	<u>\$ 26,697</u>	<u>\$ 30,443</u>	<u>\$ 76,662</u>

EXHIBIT 11
BROOKLINE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds		Permanent Fund	Total
	Food Service	Other		
REVENUES				
Local	126,566	26,066	5,215	157,847
State	1,879	-	-	1,879
Federal	44,194	-	-	44,194
Total revenues	<u>172,639</u>	<u>26,066</u>	<u>5,215</u>	<u>203,920</u>
EXPENDITURES				
Current:				
Instruction	-	20,075	-	20,075
Support services:				
Instructional staff	-	2,800	-	2,800
Non-instructional services	197,877	-	-	197,877
Total expenditures	<u>197,877</u>	<u>22,875</u>	<u>-</u>	<u>220,752</u>
Excess (deficiency) of revenues over (under) expenditures	(25,238)	3,191	5,215	(16,832)
Other financing sources:				
Transfers in	25,238	-	-	25,238
Net change in fund balances	-	3,191	5,215	8,406
Fund balances, beginning	-	23,506	25,228	48,734
Fund balances, ending	<u>\$ -</u>	<u>\$ 26,697</u>	<u>\$ 30,443</u>	<u>\$ 57,140</u>

EXHIBIT 12
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 5,456,510	\$ 5,456,510	\$ -
Other local sources:			
Tuition	7,977	26,740	18,763
Investment earnings	8,700	2,572	(6,128)
Impact fees	-	9,137	9,137
Rentals	-	1,810	1,810
Miscellaneous	23,557	347	(23,210)
Total other local sources	<u>40,234</u>	<u>40,606</u>	<u>372</u>
State sources:			
Adequacy aid (grant)	1,948,877	1,948,877	-
Adequacy aid (tax)	651,923	651,923	-
School building aid	82,388	82,388	-
Catastrophic aid	56,995	69,487	12,492
Total state sources	<u>2,740,183</u>	<u>2,752,675</u>	<u>12,492</u>
Federal sources:			
Medicaid	17,604	63,734	46,130
Education Jobs grant	70,685	70,685	-
Total federal sources	<u>88,289</u>	<u>134,419</u>	<u>46,130</u>
Total revenues	8,325,216	<u>\$ 8,384,210</u>	<u>\$ 58,994</u>
Use of fund balance to reduce school district assessment	<u>314,022</u>		
Total revenues and use of fund balance	<u>\$ 8,639,238</u>		

EXHIBIT 13
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 6,793	\$ 2,702,876	\$ 2,614,833	\$ 3,683	\$ 91,153
Special programs	81	1,263,291	1,137,937	6,516	118,919
Total instruction	<u>6,874</u>	<u>3,966,167</u>	<u>3,752,770</u>	<u>10,199</u>	<u>210,072</u>
Support services:					
Student	1,325	653,965	649,304	6,477	(491)
Instructional staff	5,176	178,706	169,939	7,321	6,622
General administration	-	50,850	29,189	-	21,661
Executive administration	-	248,977	248,977	-	-
School administration	5,816	382,083	405,697	712	(18,510)
Operation and maintenance of plant	142,680	603,997	697,142	18,915	30,620
Student transportation	-	382,341	355,095	3,670	23,576
Other	-	1,727,709	1,407,766	-	319,943
Total support services	<u>154,997</u>	<u>4,228,628</u>	<u>3,963,109</u>	<u>37,095</u>	<u>383,421</u>
Debt service:					
Principal	-	245,019	245,020	-	(1)
Interest	-	189,424	189,424	-	-
Total debt service	<u>-</u>	<u>434,443</u>	<u>434,444</u>	<u>-</u>	<u>(1)</u>
Other financing uses:					
Transfers out	-	10,000	35,238	-	(25,238)
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 161,871</u>	<u>\$ 8,639,238</u>	<u>\$ 8,185,561</u>	<u>\$ 47,294</u>	<u>\$ 568,254</u>

EXHIBIT 14
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

Unreserved, to be returned to the town, beginning		\$ 314,022
Changes:		
Unreserved fund balance used to reduce school district assessment		(314,022)
Budget summary:		
Revenue surplus (Exhibit 12)	\$ 58,994	
Unexpended balance of appropriations (Exhibit 13)	<u>568,254</u>	
Budget surplus		627,248
Amount voted to expendable trust fund from surplus at 6/30/11		<u>(50,000)</u>
Unreserved, to be returned to the town, ending		<u><u>\$ 577,248</u></u>

EXHIBIT 15
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents:				
Captain Samuel Douglass Academy	\$ 27,548	\$ 28,472	\$ 30,449	\$ 25,571
Richard Maghakian Memorial School	12,208	17,977	24,377	5,808
Total assets	<u>\$ 39,756</u>	<u>\$ 46,449</u>	<u>\$ 54,826</u>	<u>\$ 31,379</u>
Liabilities:				
Due to student groups	<u>\$ 39,756</u>	<u>\$ 46,449</u>	<u>\$ 54,826</u>	<u>\$ 31,379</u>

EXHIBIT 16
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Captain Samuel Douglass Academy
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Field trip	\$ 1,333	\$ 5,589	\$ 6,038	\$ 884
General	1,174	1,561	1,615	1,120
Library	4,799	217	3,020	1,996
Music	7,638	8,924	9,344	7,218
Petty cash	443	4,823	4,482	784
School store	542	-	-	542
Sixth grade	2,128	-	83	2,045
Soda	923	894	1,596	221
Theater club	6,173	2,769	1,579	7,363
Yearbook	2,395	3,695	2,692	3,398
Total	<u>\$ 27,548</u>	<u>\$ 28,472</u>	<u>\$ 30,449</u>	<u>\$ 25,571</u>

EXHIBIT 17
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Richard Maghakian Memorial School
For the Fiscal Year Ended June 30, 2011

	Balance, beginning	Additions	Deductions	Balance, ending
Field trip	\$ 833	\$ 5,151	\$ 5,075	\$ 909
General	2,194	2,935	3,237	1,892
Library	6,217	142	6,280	79
Music	288	1,461	1,680	69
Petty cash	1,230	6,275	6,788	717
Soda	1,446	2,013	1,317	2,142
Total	<u>\$ 12,208</u>	<u>\$ 17,977</u>	<u>\$ 24,377</u>	<u>\$ 5,808</u>



COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To the Members of the School Board
Brookline School District
Brookline, NH

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District as of and for the year ended June 30 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the School District’s internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the School District’s internal control to be significant deficiencies:

Student Activities Funds

Student Activities Funds have been reported as agency funds. Agency funds are used to account for situations where the School District’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals or private organizations. All assets are offset by a liability to the party on whose behalf they are held. We noted the following items:

Captain Samuel Douglass Academy – Multiple accounts within the student activities fund (General, Petty Cash, Soda) do not represent agency fund activity, and therefore, should be reported as part of general School District activity. Also, multiple accounts (Music, Theater Club, Yearbook) are carrying a large balance at year-end, which goes against the purpose of an agency fund.

Richard Maghakian Memorial School – Multiple accounts within the student activities fund (General, Petty Cash, Soda) do not represent agency fund activity, and therefore, should be reported as part of general School District activity.

Recommendation: We recommend that the School District report activity that cannot be properly classified as agency fund activity, within the General Fund, and further consider establishing a revolving fund for student activities, in accordance with RSA 194:3-c, to be reported as a special revenue fund. Monthly activity reports, segregating school district activity from agency fund activity, should be provided by the school building office to the business office so that activity can be captured in the School District's financial statements. Furthermore, the school board should adopt a policy over student activities funds that would identify custodial controls over the agency funds, and allowable activities for the district's student activities funds.

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

October 18, 2011

Roberts, Greene & Drolet, PLLC