

BROOKLINE SCHOOL DISTRICT

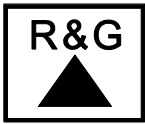
FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

**BROOKLINE SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

Brookline School District
Independent Auditor's Report

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

Other Information

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

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

April 23, 2015

Roberts & Heine, PLLC

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

This section of the Brookline School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2014. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

DISTRICT-WIDE STATEMENTS

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

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school district do financially during the 2013-14 school year?" These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

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

FUND FINANCIAL STATEMENTS

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

The district has two types of funds:

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

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

included in the district-wide financial statements because the district cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Statement of Net Position

	2013	2014	Increase (Decrease)	% Increase (Decrease)
Current and other assets	481,826	416,392	(65,434)	-13.6%
Capital assets	6,623,077	6,426,753	(196,324)	-3.0%
Total Assets	7,104,903	6,843,145	(261,758)	-3.7%
Long-term liabilities outstanding	1,808,701	1,371,873	(436,828)	-24.2%
Other liabilities	321,253	484,732	163,479	50.9%
Total liabilities	2,129,954	1,856,605	(273,349)	-12.8%
Net Position:				
Net Investment in Capital Costs	5,007,164	5,039,004	31,840	0.6%
Restricted	51,842	63,053	11,211	21.6%
Unrestricted	(84,057)	(200,790)	(116,733)	138.9%
Total Net Position	4,974,949	4,901,267	(73,682)	-1.5%

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

Government-Wide Financial Analysis

Statement of Activities

Change in fund revenue and expenses for fiscal year 2014 compared to fiscal year 2013:

Revenues:	2014	2013	Change	% Change
Program Revenues:				
Charges for Services	58,473	157,668	(99,195)	-63%
Operating Grants and Contributions	566,405	375,156	191,249	51%
Capital Grants and Contributions	70,583	74,032	(3,449)	-5%
General Revenues:				
Assessment	5,728,618	5,156,644	571,974	11%
Grants and Contributions	2,593,152	2,675,157	(82,005)	-3%
Miscellaneous	135,025	24,578	110,447	449%
Total Revenues	9,152,256	8,463,235	689,021	8%
Program Expenses:				
Instruction	4,153,772	4,031,660	122,112	3%
Student Support	816,711	671,427	145,284	22%
Instructional Staff	216,547	210,144	6,403	3%
General Administration	32,200	25,296	6,904	27%
Executive Administration	256,633	261,105	(4,472)	-2%
School Administration	465,863	441,185	24,678	6%
Operation and Maintenance of Plant	599,965	573,251	26,714	5%
Student Transportation	467,680	454,329	13,351	3%
Central	300	-	300	0%
Other	1,806,085	1,622,916	183,169	11%
Non-instructional Services	154,863	163,879	(9,016)	-6%
Facilities Acquisition and Construction	9,950	-	9,950	-
Interest on Long-term Debt	245,369	239,633	5,736	2%
Total Expenses	9,225,938	8,694,825	531,113	6%
Change in Net Position	(73,682)	(231,590)	157,908	-68%
Net Position - Beginning	4,974,949	5,206,539	(231,590)	-4%
Net Position - Ending	4,901,267	4,974,949	(73,682)	-1%

**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

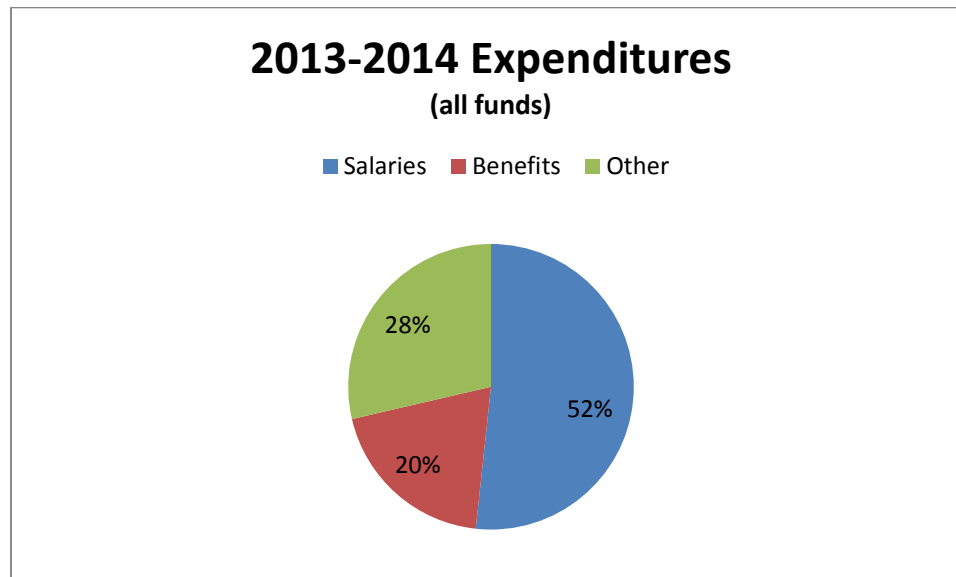
Specific areas of variance are evidenced above in the change in net position. Some larger variances are due to the following:

Revenues – Operating grants and contributions were up due to additional IDEA and the recapture of REAP funding. The increase under “Miscellaneous” revenues was driven by larger impact fee collection by the Town of Brookline and payments from the Local Government Center as are result of a mandated return of surplus funds to member districts.

Program Expenses – Under the category of “Other”, this variance was driven by additional enrollments in the district provided health coverage and a rate change in the employer component of the New Hampshire Retirement System. “Student Support” costs increased as additional resources were required for students covered by an Individualized Education Plan. Finally, “General Administration” costs were higher due to administrative contract termination requirements and the acquisition of a new copier.

Brookline School District Activities

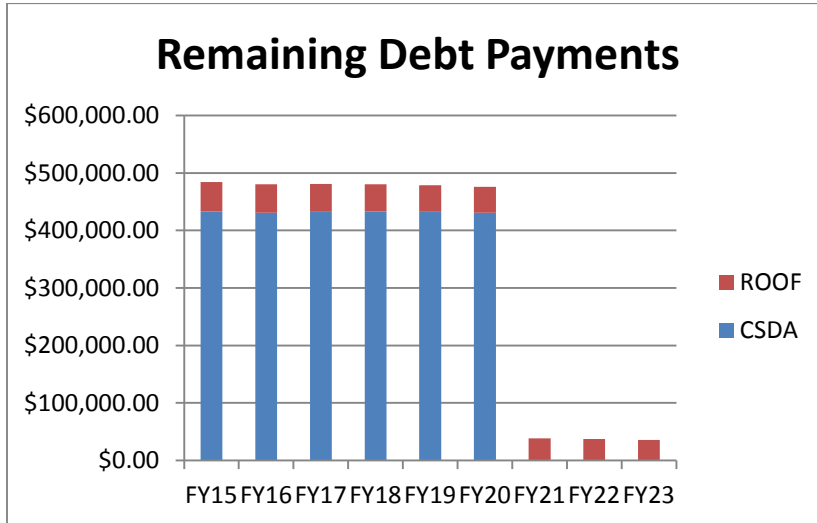
The district’s expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials.



**BROOKLINE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

DEBT ADMINISTRATION

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



OTHER DISCUSSION

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator at SAU #41, PO Box 1588, 4 Lund Lane, Brookline, NH 03049, by telephone at 603-324-5999, or via email at eric.horton@sau41.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
BROOKLINE SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 125,776
Investments	387
Intergovernmental receivables	271,629
Other receivables	4,863
Inventory	7,165
Prepaid items	6,572
Capital assets, net of accumulated depreciation:	
Land improvements	73,005
Buildings and building improvements	6,347,231
Machinery, equipment and vehicles	6,517
Total assets	<u>6,843,145</u>
LIABILITIES	
Accounts payable	79,999
Accrued salaries and benefits	58,419
Intergovernmental payable	1,200
Accrued interest payable	160,286
Other current liabilities	149
Noncurrent obligations:	
Due within one year:	
Bonds	236,449
Unamortized bond premium	2,210
Compensated absences	3,061
Termination benefits	15,346
Due in more than one year:	
Bonds	1,131,410
Unamortized bond premium	17,680
Termination benefits	150,396
Other postemployment benefits	72,387
Total liabilities	<u>1,928,992</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>12,886</u>
NET POSITION	
Net investment in capital assets	5,039,004
Restricted for special purposes	63,053
Unrestricted	(200,790)
Total net position	<u>\$ 4,901,267</u>

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, 2014

		Program Revenues		
		Operating	Capital	Net (Expense)
	Expenses	Charges for	Grants and	Revenue and
		Services	Contributions	Changes In
			Contributions	Net Position
Governmental activities:				
Instruction	\$ 4,153,772	\$ 58,473	\$ 234,967	\$ -
Support services:				\$ (3,860,332)
Student	816,711	-	-	-
Instructional staff	216,547	-	130,005	-
General administration	32,200	-	-	-
Executive administration	256,633	-	-	-
School administration	465,863	-	-	-
Operation and maintenance of plant	599,965	-	-	-
Student transportation	467,680	-	4,769	-
Central	300	-	-	-
Other	1,806,085	-	37,071	-
Non-instructional services	154,863	-	159,593	-
Facilities acquisition and construction	9,950	-	-	-
Interest on long-term debt	245,369	-	-	70,583
Total governmental activities	<u>\$ 9,225,938</u>	<u>\$ 58,473</u>	<u>\$ 566,405</u>	<u>\$ 70,583</u>
General revenues:				
School district assessment				5,728,618
Grants and contributions not restricted to specific programs				2,593,152
Miscellaneous				135,025
Total general revenues				<u>8,456,795</u>
Change in net position				(73,682)
Net position, beginning				<u>4,974,949</u>
Net position, ending				<u>\$ 4,901,267</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, 2014

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 45,326	\$ -	\$ -	\$ 80,450	\$ 125,776
Investments	387	-	-	-	387
Receivables:					
Accounts	3,600	-	-	1,263	4,863
Intergovernmental	105,160	109,120	54,478	2,871	271,629
Interfund receivable	102,691	-	-	-	102,691
Inventory	-	-	-	7,165	7,165
Prepaid items	6,572	-	-	-	6,572
Total assets	<u>\$ 263,736</u>	<u>\$ 109,120</u>	<u>\$ 54,478</u>	<u>\$ 91,749</u>	<u>\$ 519,083</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 73,475	\$ 6,429	\$ -	\$ 95	\$ 79,999
Accrued salaries and benefits	58,419	-	-	-	58,419
Intergovernmental payable	1,200	-	-	-	1,200
Interfund payable	-	102,691	-	-	102,691
Other current liabilities	149	-	-	-	149
Total liabilities	<u>133,243</u>	<u>109,120</u>	<u>-</u>	<u>95</u>	<u>242,458</u>
Deferred inflows of resources:					
Deferred revenue	<u>1,632</u>	<u>-</u>	<u>-</u>	<u>11,254</u>	<u>12,886</u>
Fund balances:					
Nonspendable	6,572	-	43,807	7,165	57,544
Restricted	-	-	10,671	-	10,671
Committed	53,104	-	-	73,235	126,339
Assigned	1,882	-	-	-	1,882
Unassigned	67,303	-	-	-	67,303
Total fund balances	<u>128,861</u>	<u>-</u>	<u>54,478</u>	<u>80,400</u>	<u>263,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 263,736</u>	<u>\$ 109,120</u>	<u>\$ 54,478</u>	<u>\$ 91,749</u>	<u>\$ 519,083</u>

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

EXHIBIT 4
BROOKLINE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit 3)		\$ 263,739
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 9,363,135	
Less accumulated depreciation	<u>(2,936,382)</u>	
		6,426,753
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (102,691)	
Payables	<u>102,691</u>	
Interest on long-term debt is not accrued in governmental funds.		(160,286)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ 1,367,859	
Unamortized bond premium	19,890	
Compensated absences payable	3,061	
Termination benefits payable	165,742	
Other postemployment benefits payable	<u>72,387</u>	
		(1,628,939)
Net position of governmental activities (Exhibit 1)		<u><u>\$ 4,901,267</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, 2014

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 5,728,618	\$ -	\$ -	\$ -	\$ 5,728,618
Other local	186,057	-	7,379	117,864	311,300
State	2,728,494	-	-	2,581	2,731,075
Federal	112,097	223,269	-	45,897	381,263
Total revenues	<u>8,755,266</u>	<u>223,269</u>	<u>7,379</u>	<u>166,342</u>	<u>9,152,256</u>
EXPENDITURES					
Current:					
Instruction	3,695,095	110,959	-	3,080	3,809,134
Support services:					
Student	816,274	437	-	-	816,711
Instructional staff	189,264	26,593	-	690	216,547
General administration	32,200	78,533	-	-	110,733
Executive administration	256,633	-	-	-	256,633
School administration	466,271	-	-	-	466,271
Operation and maintenance of plant	600,970	-	-	-	600,970
Student transportation	467,680	-	-	-	467,680
Other	1,799,338	6,747	-	-	1,806,085
Non-instructional services	-	-	-	152,729	152,729
Debt service:					
Principal	248,054	-	-	-	248,054
Interest	235,486	-	-	-	235,486
Facilities acquisition and construction	9,950	-	-	-	9,950
Total expenditures	<u>8,817,215</u>	<u>223,269</u>	<u>-</u>	<u>156,799</u>	<u>9,197,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,949)</u>	<u>-</u>	<u>7,379</u>	<u>9,543</u>	<u>(45,027)</u>
Other financing sources (uses):					
Transfers in	4,743	-	-	-	4,743
Transfers out	-	-	(4,743)	-	(4,743)
Total other financing sources and uses	<u>4,743</u>	<u>-</u>	<u>(4,743)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(57,206)	-	2,636	9,543	(45,027)
Fund balances, beginning	186,067	-	51,842	70,857	308,766
Fund balances, ending	<u>\$ 128,861</u>	<u>\$ -</u>	<u>\$ 54,478</u>	<u>\$ 80,400</u>	<u>\$ 263,739</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, 2014

Net change in fund balances of total governmental funds (Exhibit 5)			\$ (45,027)
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.			
Depreciation expense			(196,324)
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$	(4,743)	
Transfers out		4,743	
			-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.			
Principal repayment of bonds	\$	248,054	
Amortization of bond premium		2,210	
			250,264
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 payable	\$	(12,093)	
Decrease in compensated absences payable		1,413	
Decrease in termination benefits payable		472	
Increase in other postemployment benefits payable		(72,387)	
			(82,595)
Change in net position of governmental activities (Exhibit 2)			<u>\$ (73,682)</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 Position
June 30, 2014

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 22,566
LIABILITIES	
Due to student groups	<u>22,566</u>
NET POSITION	<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, 2014**

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, 2014.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

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

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

Government-Wide Financial Statements

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2014**

Fund Financial Statements

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

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

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

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

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

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

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

Governmental Funds

The School District reports the following major governmental funds:

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Permanent Fund – Used to account for endowments from which only the income can be used for school purposes.

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

Fiduciary Funds

The School District reports the following type of fiduciary fund:

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

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

I.C.1. Cash and Investments

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

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

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

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

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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I.C.2. *Prepaid Items*

Prepaid items are payments to vendors that benefit future reporting periods and are reported on the consumption basis. They 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.

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.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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

I.C.7. *Equity*

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

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

The governmental funds report the following components of fund balance:

- Nonspendable, which represents the balance of inventory reported in the Food Service Fund; expenditures paid in advance for summer school tuition and activities in the General Fund; and the principal portion of endowments for school purposes held in the Town of Brookline Trust Funds.
- Restricted, which represents the expendable portion of the endowment for school purposes held in the Town of Brookline Trust Funds.
- Committed, which represents the balance of the expendable trust funds, established by the School District Meeting for support services (maintenance), whose purpose can only be changed by vote of the same, and the balances of special revenues funds that are not part of the above categories.
- Assigned, which represents an encumbrance for instruction, authorized by an approved purchase order.
- Unassigned, which represents fund balance in the General Fund in excess of that classified as nonspendable, restricted, committed or assigned.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

I.C.8 Estimates

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

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds except the Permanent Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2014, \$34,194 of the fund balance from the fiscal year 2013 was used.

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

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

II.B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the General Fund by \$120,456. Overexpenditures were primarily in the support services function. Overexpenditures were the result of unanticipated special education related costs.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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	Additions	Balance, ending
Governmental activities:			
At cost:			
Land improvements	\$ 230,400	\$ -	\$ 230,400
Buildings and building improvements	9,080,915	-	9,080,915
Machinery, equipment and vehicles	51,820	-	51,820
Total all capital assets	<u>9,363,135</u>	<u>-</u>	<u>9,363,135</u>
Less accumulated depreciation:			
Land improvements	(145,875)	(11,520)	(157,395)
Buildings and building improvements	(2,552,005)	(181,679)	(2,733,684)
Machinery, equipment and vehicles	(42,178)	(3,125)	(45,303)
Total accumulated depreciation	<u>(2,740,058)</u>	<u>(196,324)</u>	<u>(2,936,382)</u>
Net book value, all capital assets	<u>\$ 6,623,077</u>	<u>\$ (196,324)</u>	<u>\$ 6,426,753</u>

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 194,190
Non-instructional services	2,134
Total depreciation expense	<u>\$ 196,324</u>

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

III.B. Long-Term Debt

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014	Current Portion
General obligation bonds payable:						
School renovations	\$ 5,367,912	2000	2020	5.2	\$ 1,022,859	\$ 196,449
CSDA roof renovations	\$ 386,400	2013	2022	2.32	345,000	40,000
					<u>1,367,859</u>	<u>236,449</u>
Unamortized bond premium	\$ 22,100	2013	2022	N/A	19,890	2,210
Compensated absences payable:						
Accrued vacation leave					3,061	3,061
Termination benefits payable					165,742	15,346
Other postemployment benefits payable					72,387	-
					<u>\$ 1,628,939</u>	<u>\$ 257,066</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2014:

	Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Termination Benefits Payable	Postemployment Benefits Payable	Total
Balance, beginning	\$ 1,615,913	\$ 22,100	\$ 4,474	\$ 166,214	\$ -	\$ 1,808,701
Additions	-	-	-	-	72,387	72,387
Reductions	(248,054)	(2,210)	(1,413)	(472)	-	(252,149)
Balance, ending	<u>\$ 1,367,859</u>	<u>\$ 19,890</u>	<u>\$ 3,061</u>	<u>\$ 165,742</u>	<u>\$ 72,387</u>	<u>\$ 1,628,939</u>

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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
2015	\$ 236,449	\$ 247,732	\$ 484,181
2016	222,592	257,733	480,325
2017	213,870	266,880	480,750
2018	205,169	275,156	480,325
2019	196,526	282,124	478,650
2020-2022	293,253	293,822	587,075
Totals	<u>\$ 1,367,859</u>	<u>\$ 1,623,447</u>	<u>\$ 2,991,306</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.”

At year-end, the Grants Fund owed \$102,691 to the General Fund as a result of overdrawing cash, which will be paid back with the grant proceeds receivable.

III.C.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. For fiscal year 2014, there was a transfer of \$4,743 from the permanent fund to the general fund, which represents the distribution of income earned on the permanent fund during the year.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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III.D. Net Position and Components of Fund Balance

III.D.2. Components of Fund Balance

The components of fund balance, as described in Note I.C.7, are classified for the following purposes:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Endowment	\$ -	\$ 43,807	\$ -	\$ 43,807
Inventory	-	-	7,165	7,165
Prepaid items	6,572	-	-	6,572
Total nonspendable	<u>6,572</u>	<u>43,807</u>	<u>7,165</u>	<u>57,544</u>
Restricted for instruction	<u>-</u>	<u>10,671</u>	<u>-</u>	<u>10,671</u>
Committed for:				
Support services	53,104	-	36,115	89,219
Non-instructional services	-	-	28,545	28,545
Capital outlay	-	-	8,575	8,575
Total committed	<u>53,104</u>	<u>-</u>	<u>73,235</u>	<u>126,339</u>
Assigned to support services	<u>1,882</u>	<u>-</u>	<u>-</u>	<u>1,882</u>
Unassigned	<u>67,303</u>	<u>-</u>	<u>-</u>	<u>67,303</u>
Total fund balances	<u><u>\$ 128,861</u></u>	<u><u>54,478</u></u>	<u><u>\$ 80,400</u></u>	<u><u>\$ 263,739</u></u>

IV. Other Information

IV.A. Risk Management

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the 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.

**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Contributions paid for fiscal year 2014 to be recorded as an insurance expenditure/expense totaled \$20,286. There were no unpaid contributions for the year ended June 30, 2014. The School District also paid \$27,644 for workers' compensation and \$13,785 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 7% of gross earnings for all employees. The rates of contribution from the School District were 14.16% for teachers and 10.77% for other employees. Employer contributions from the School District during the fiscal years 2012, 2013 and 2014 were \$402,522, \$406,743 and \$503,413, respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

IV.D. Other Post-employment Benefits

Plan Description

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School District "shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees

**BROOKLINE SCHOOL DISTRICT
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...” In addition, the statute states “Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree’s participation.”

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

The School District offers postemployment medical benefits to School District retirees and their covered dependents. The School District offers coverage as follows:

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

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

Currently, there are 118 active and retired employees that receive health benefits from the School District. The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2014, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

The School District has obtained a valuation report as of July 1, 2013 which indicated that the total liability for other post-employment benefits is \$783,032 (\$7,029 related to retirees and \$776,003 related to employees).

The School District’s annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

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

Participant Contributions:	Retired employees contribute 100% of the total premium cost.
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Continuation of Coverage to Spouse After Death of Retiree:	Surviving spouse may continue coverage for lifetime by paying the required medical premium rates.
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**BROOKLINE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Life Insurance Benefit: None.

Medical Premiums Rates: The total monthly costs by plan are shown below:

<u>Non-Medicare Plans</u>	<u>Single</u>	<u>2-Person</u>
BC3T5RDR(07) –R\$2/15M\$1	928.01	1,856.02
BC3T10(07)-RX10/20/30	892.63	1,785.26
BC3T15IPDED(07)-RX10/20/45	834.44	1,668.88
MTB05(07)-R\$3/5M\$1	865.31	1,730.62
MTB05(07)-RX10/20/30	828.80	1,657.60
MTB10IPDED(07)-RX10/20/45	789.23	1,578.46
MTBSOS20/40/1KDED(07)- RX10/20/45	608.22	1,216.44
LUMENOS25000(07)	621.11	1,242.22
 <u>Medicare Plans</u>		
MC3(07)-R\$100M\$1	565.35	
MC3(07)-RX10/20/30	552.29	
MC3(07)-RX10/20/45	537.06	
MCNRX(07)	214.78	

The following methods and assumptions were used:

Valuation Date: July 1, 2013

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

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2013- 6/30/2014</u>
1. Annual Required Contribution (ARC)	\$89,942
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense)	<u>\$89,942</u>
5. Contribution made	<u>(17,555)</u>
6. Increase in net OPEB Obligation	72,387
7. Net OPEB Obligation – beginning of year	-
8. Net OPEB Obligation – end of year	<u><u>\$72,387</u></u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2014	\$89,942	19.5%	\$72,387	\$3,633,782	2.48%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 5,728,618	\$ 5,728,618	\$ -
Other local	116,902	186,014	69,112
State	2,745,240	2,728,494	(16,746)
Federal	50,000	112,097	62,097
Total revenues	<u>8,640,760</u>	<u>8,755,223</u>	<u>114,463</u>
EXPENDITURES			
Current:			
Instruction	3,699,053	3,695,329	3,724
Support services:			
Student	671,989	812,338	(140,349)
Instructional staff	211,202	185,773	25,429
General administration	29,359	32,200	(2,841)
Executive administration	256,633	256,633	-
School administration	530,790	465,919	64,871
Operation and maintenance of plant	613,677	596,660	17,017
Student transportation	359,507	467,680	(108,173)
Other	1,819,204	1,799,338	19,866
Debt service:			
Principal	248,054	248,054	-
Interest	235,486	235,486	-
Total expenditures	<u>8,674,954</u>	<u>8,795,410</u>	<u>(120,456)</u>
Deficiency of revenues under expenditures	(34,194)	(40,187)	(5,993)
Other financing sources:			
Transfer in	<u>-</u>	<u>4,743</u>	<u>4,743</u>
Net change in fund balance	<u>\$ (34,194)</u>	<u>(35,444)</u>	<u>\$ (1,250)</u>
Decrease in nonspendable fund balance		22,176	
Unassigned fund balance, beginning		80,571	
Unassigned fund balance, ending		<u>\$ 67,303</u>	

The note 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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$261,000	\$223,269	\$ (37,731)
EXPENDITURES			
Current:			
Instruction	210,000	189,492	20,508
Support services:			
Student	-	437	(437)
Instructional staff	38,000	26,593	11,407
Student transportation	3,000	-	3,000
Other	10,000	6,747	3,253
Total expenditures	261,000	223,269	37,731
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.

EXHIBIT 10
BROOKLINE SCHOOL DISTRICT
Other Postemployment Benefits
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ -	\$ 783,032	\$ 783,032	0.0%	\$ 3,633,782	21.5%

The note 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, 2014**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 8,759,966
Adjustment:	
Perspective difference:	
Expendable trust fund income	43
Per Exhibit 5 (GAAP basis)	<u>\$ 8,760,009</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 8,795,410
Adjustments:	
Basis difference:	
Encumbrances, beginning	13,737
Encumbrances, ending	(1,882)
Perspective difference:	
Expendable trust fund expenditures	9,950
Per Exhibit 5 (GAAP basis)	<u>\$ 8,817,215</u>

For the Grants Funds, there is no difference between the budgetary basis and GAAP. The Permanent Fund is not budgeted.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 11
BROOKLINE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds		Capital Project Fund	Total
	Food Service	Other		
ASSETS				
Cash and cash equivalents	\$ 35,759	\$ 36,116	\$ 8,575	\$ 80,450
Receivables:				
Accounts	13	1,250	-	1,263
Intergovernmental	2,871	-	-	2,871
Inventory	7,165	-	-	7,165
Total assets	<u>\$ 45,808</u>	<u>\$ 37,366</u>	<u>\$ 8,575</u>	<u>\$ 91,749</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>
Deferred inflows of resources:				
Deferred revenue	<u>10,003</u>	<u>1,251</u>	<u>-</u>	<u>11,254</u>
Fund balances:				
Nonspendable	7,165	-	-	7,165
Committed	28,545	36,115	8,575	73,235
Total fund balances	<u>35,710</u>	<u>36,115</u>	<u>8,575</u>	<u>80,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 45,808</u>	<u>\$ 37,366</u>	<u>\$ 8,575</u>	<u>\$ 91,749</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, 2014

	Special Revenue Funds		Capital Project Fund	Total
	Food Service	Other		
REVENUES				
Local	\$ 111,177	\$ 6,687	\$ -	\$ 117,864
State	2,581	-	-	2,581
Federal	45,897	-	-	45,897
Total revenues	159,655	6,687	-	166,342
EXPENDITURES				
Current:				
Instruction	-	3,080	-	3,080
Support services:				
Instructional staff	-	690	-	690
Central	-	300	-	300
Non-instructional services	152,729	-	-	152,729
Total expenditures	152,729	4,070	-	156,799
Net change in fund balances	6,926	2,617	-	9,543
Fund balances, beginning	28,784	33,498	8,575	70,857
Fund balances, ending	\$ 35,710	\$ 36,115	\$ 8,575	\$ 80,400

EXHIBIT 13
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 5,728,618	\$ 5,728,618	\$ -
Other local sources:			
Tuition	35,000	58,473	23,473
Investment earnings	800	1,423	623
Impact fees	-	23,478	23,478
Rentals	-	1,540	1,540
Miscellaneous	81,102	101,100	19,998
Total other local sources	116,902	186,014	69,112
State sources:			
Adequacy aid (grant)	2,028,578	2,028,579	1
Adequacy aid (tax)	557,886	557,886	-
School building aid	70,583	70,583	-
Catastrophic aid	88,193	71,446	(16,747)
Total state sources	2,745,240	2,728,494	(16,746)
Federal sources:			
Medicaid	50,000	112,097	62,097
Other financing sources:			
Transfers in	-	4,743	4,743
Total revenues and other financing sources	8,640,760	\$ 8,759,966	\$ 119,206
Use of fund balance to reduce school district assessment	34,194		
Total revenues, other financing sources and use of fund balance	\$ 8,674,954		

EXHIBIT 14
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 1,433	\$ 2,517,289	\$ 2,418,014	\$ 1,882	\$ 98,826
Special programs	215	1,181,764	1,277,081	-	(95,102)
Total instruction	<u>1,648</u>	<u>3,699,053</u>	<u>3,695,095</u>	<u>1,882</u>	<u>3,724</u>
Support services:					
Student	3,936	671,989	816,274	-	(140,349)
Instructional staff	3,491	211,202	189,264	-	25,429
General administration	-	29,359	32,200	-	(2,841)
Executive administration	-	256,633	256,633	-	-
School administration	352	530,790	466,271	-	64,871
Operation and maintenance of plant	4,310	613,677	600,970	-	17,017
Student transportation	-	359,507	467,680	-	(108,173)
Other	-	1,819,204	1,799,338	-	19,866
Total support services	<u>12,089</u>	<u>4,492,361</u>	<u>4,628,630</u>	<u>-</u>	<u>(124,180)</u>
Debt service:					
Principal	-	248,054	248,054	-	-
Interest	-	235,486	235,486	-	-
Total debt service	<u>-</u>	<u>483,540</u>	<u>483,540</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations and expenditures	<u>\$ 13,737</u>	<u>\$ 8,674,954</u>	<u>\$ 8,807,265</u>	<u>\$ 1,882</u>	<u>\$ (120,456)</u>

EXHIBIT 15
BROOKLINE SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning		\$ 80,571
Changes:		
Fund balance used to reduce school district assessment		(34,194)
Budget summary:		
Revenue surplus (Exhibit 13)	\$ 119,206	
Overdraft of appropriations (Exhibit 14)	<u>(120,456)</u>	
Budget deficit		(1,250)
Decrease in nonspendable fund balance		<u>22,176</u>
Unassigned fund balance, ending		<u><u>\$ 67,303</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, 2014

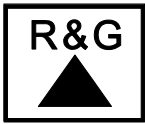
	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Assets:				
Cash and cash equivalents:				
Captain Samuel Douglass Academy	\$ 20,271	\$ 36,496	\$ 37,498	\$ 19,269
Richard Maghakian Memorial School	4,462	8,240	9,405	3,297
Total assets	<u>\$ 24,733</u>	<u>\$ 44,736</u>	<u>\$ 46,903</u>	<u>\$ 22,566</u>
Liabilities:				
Due to student groups	<u>\$ 24,733</u>	<u>\$ 44,736</u>	<u>\$ 46,903</u>	<u>\$ 22,566</u>

EXHIBIT 17
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Captain Samuel Douglass Academy
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
Field Trips	\$ 1,584	\$ 10,368	\$ 10,424	\$ 1,528
General	932	1,608	1,349	1,191
Library	1,987	97	122	1,962
Miscellaneous	933	12,848	14,382	(601)
Music	4,340	3,412	3,363	4,389
Running Club	4	450	329	125
School Store	554	-	-	554
Soda	405	443	337	511
Theater Club	8,023	3,235	3,602	7,656
Yearbook	1,509	4,035	3,590	1,954
Total	<u>\$ 20,271</u>	<u>\$ 36,496</u>	<u>\$ 37,498</u>	<u>\$ 19,269</u>

EXHIBIT 18
BROOKLINE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Richard Maghakian Memorial School
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
Field Trips	\$ 923	\$ 3,380	\$ 3,370	\$ 933
General	761	1,316	1,868	209
Library	233	165	5	393
Miscellaneous	1,398	211	201	1,408
Music	120	2,259	2,259	120
Soda	1,027	909	1,702	234
Total	<u>\$ 4,462</u>	<u>\$ 8,240</u>	<u>\$ 9,405</u>	<u>\$ 3,297</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookline School District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Brookline School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

We do wish to communicate the following matter:

We noted that the School District was not deducting the appropriate amount related to retirement for one full-time employee during the fiscal year. This was the result of that employee changing from a .6 full-time equivalent, who was not eligible for retirement benefits, to a 1.0 full-time equivalent, eligible for retirement benefits, without the proper deductions being changed in the payroll system. We recommend that the School District implement additional procedures to ensure that changes that are initiated by Human Resources be communicated to the Payroll Department in a timely manner, so that the proper changes can be made. We noted during our field work that the School District had corrected the error.

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

April 23, 2015

Roberts & Greene, PLLC