

# HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT

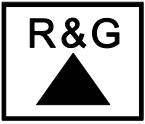
FINANCIAL REPORT

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

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In our opinion, because of the 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 Hollis-Brookline Cooperative 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 Hollis-Brookline Cooperative 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.

In accordance with Government Auditing Standards, we have also issued a report dated November 9, 2011 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 through 24 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 and economic 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 Hollis-Brookline Cooperative School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

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

November 9, 2011

*Roberts + Greene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 498,572
Investments	7,798
Intergovernmental receivables	551,252
Other receivables	1,916
Inventory	9,250
Prepaid items	1,545
Capital assets, net of accumulated depreciation:	
Land improvements	304,200
Buildings and building improvements	22,183,143
Machinery, equipment and vehicles	105,855
Total assets	23,663,531
<b>LIABILITIES</b>	
Accounts payable	197,352
Accrued salaries and benefits	64,986
Intergovernmental payable	26,406
Accrued interest payable	487,046
Unearned revenue	13,818
Noncurrent obligations:	
Due within one year:	
Bonds	1,001,517
Compensated absences	18,468
Due in more than one year:	
Bonds	8,699,140
Termination benefits	214,069
Total liabilities	10,722,802
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	12,559,609
Restricted for special purposes	300,906
Unrestricted	80,214
Total net assets	\$ 12,940,729

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

**EXHIBIT 2**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental activities:</b>					
Instruction	\$ 9,522,132	\$ 22,663	\$ 757,168	\$ -	\$ (8,742,301)
Support services:					
Student	1,137,691	-	4,214	-	(1,133,477)
Instructional staff	491,162	-	16,006	-	(475,156)
General administration	58,361	-	-	-	(58,361)
Executive administration	673,180	-	-	-	(673,180)
School administration	768,206	-	10,142	-	(758,064)
Operation and maintenance of plant	1,167,723	825	-	-	(1,166,898)
Student transportation	703,582	-	-	-	(703,582)
Other	3,159,848	-	-	-	(3,159,848)
Non-instructional services	454,747	454,454	55,587	-	55,294
Facilities acquisition and construction	42,319	-	-	-	(42,319)
Interest on long-term debt	910,327	-	-	395,323	(515,004)
Total governmental activities	<u>\$ 19,089,278</u>	<u>\$ 477,942</u>	<u>\$ 843,117</u>	<u>\$ 395,323</u>	<u>(17,372,896)</u>

General revenues:	
School district assessment	12,023,021
Grants and contributions not restricted to specific programs	5,003,615
Miscellaneous	67,263
Total general revenues	<u>17,093,899</u>
Change in net assets	(278,997)
Net assets, beginning	<u>13,219,726</u>
Net assets, ending	<u>\$ 12,940,729</u>

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

**EXHIBIT 3**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Food Service	Grants	Permanent	Other Governmental Fund (Other Special Revenue)	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 245,776	\$ 204,354	\$ -	\$ -	\$ 48,442	\$ 498,572
Investments	7,798	-	-	-	-	7,798
Receivables:						
Accounts	487	1,429	-	-	-	1,916
Intergovernmental	17,041	3,012	230,293	300,906	-	551,252
Interfund receivable	195,924	-	-	-	-	195,924
Inventory	-	9,250	-	-	-	9,250
Prepaid items	1,500	45	-	-	-	1,545
Total assets	<u>\$ 468,526</u>	<u>\$ 218,090</u>	<u>\$ 230,293</u>	<u>\$ 300,906</u>	<u>\$ 48,442</u>	<u>\$ 1,266,257</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 167,411	\$ -	\$ 29,709	\$ -	\$ 232	\$ 197,352
Accrued salaries and benefits	58,112	1,077	5,797	-	-	64,986
Intergovernmental payable	26,361	45	-	-	-	26,406
Interfund payable	-	1,137	194,787	-	-	195,924
Deferred revenue	-	13,818	-	-	-	13,818
Total liabilities	<u>251,884</u>	<u>16,077</u>	<u>230,293</u>	<u>-</u>	<u>232</u>	<u>498,486</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Endowments	-	-	-	232,544	-	232,544
Inventory	-	9,250	-	-	-	9,250
Restricted for:						
Instruction	-	-	-	68,362	-	68,362
Assigned to:						
Instruction	15,984	-	-	-	48,210	64,194
Support services	31,988	-	-	-	-	31,988
Non-instructional services	-	192,763	-	-	-	192,763
Return to Towns	168,670	-	-	-	-	168,670
Total fund balances	<u>216,642</u>	<u>202,013</u>	<u>-</u>	<u>300,906</u>	<u>48,210</u>	<u>767,771</u>
Total liabilities and fund balances	<u>\$ 468,526</u>	<u>\$ 218,090</u>	<u>\$ 230,293</u>	<u>\$ 300,906</u>	<u>\$ 48,442</u>	<u>\$ 1,266,257</u>

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



**EXHIBIT 4**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**June 30, 2011**

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Total fund balances of governmental funds (Exhibit 3)		\$	767,771
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost		\$	33,685,015
Less accumulated depreciation			<u>(11,091,817)</u>
			22,593,198
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.			
Receivables		\$	(195,924)
Payables			<u>195,924</u>
			-
Interest on long-term debt is not accrued in governmental funds.			
			(487,046)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Bonds		\$	9,700,657
Compensated absences			18,468
Termination benefits			<u>214,069</u>
			(9,933,194)
Net assets of governmental activities (Exhibit 1)		\$	<u><u>12,940,729</u></u>

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

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

	General	Food Service	Grants	Permanent	Other Governmental Fund (Other Special Revenue)	Total Governmental Funds
<b>REVENUES</b>						
School district assessment	\$ 12,023,021	\$ -	\$ -	\$ -	\$ -	\$ 12,023,021
Other local	29,933	454,454	-	46,144	14,674	545,205
State	5,613,083	3,744	-	-	3,750	5,620,577
Federal	192,978	51,843	376,657	-	-	621,478
Total revenues	<u>17,859,015</u>	<u>510,041</u>	<u>376,657</u>	<u>46,144</u>	<u>18,424</u>	<u>18,810,281</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	8,418,533	-	346,295	1,497	19,414	8,785,739
Support services:						
Student	1,133,477	-	4,214	-	-	1,137,691
Instructional staff	475,086	-	16,006	-	-	491,092
General administration	58,361	-	-	-	-	58,361
Executive administration	673,180	-	-	-	-	673,180
School administration	767,153	-	-	-	-	767,153
Operation and maintenance of plant	1,199,048	-	-	-	-	1,199,048
Student transportation	703,582	-	-	-	-	703,582
Other	3,149,396	-	-	-	10,452	3,159,848
Non-instructional services	-	450,625	-	-	-	450,625
Debt service:						
Principal	893,729	-	-	-	-	893,729
Interest	999,576	-	-	-	-	999,576
Facilities acquisition and construction	-	-	10,142	-	32,177	42,319
Total expenditures	<u>18,471,121</u>	<u>450,625</u>	<u>376,657</u>	<u>1,497</u>	<u>62,043</u>	<u>19,361,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(612,106)</u>	<u>59,416</u>	<u>-</u>	<u>44,647</u>	<u>(43,619)</u>	<u>(551,662)</u>
Other financing sources (uses):						
Transfers in	4,033	-	-	-	1,092	5,125
Transfers out	-	-	-	(5,125)	-	(5,125)
Total other financing sources and uses	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>(5,125)</u>	<u>1,092</u>	<u>-</u>
Net change in fund balances	(608,073)	59,416	-	39,522	(42,527)	(551,662)
Fund balances, beginning	824,715	142,597	-	261,384	90,737	1,319,433
Fund balances, ending	<u>\$ 216,642</u>	<u>\$ 202,013</u>	<u>\$ -</u>	<u>\$ 300,906</u>	<u>\$ 48,210</u>	<u>\$ 767,771</u>

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

**EXHIBIT 6**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

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Net change in fund balances of total governmental funds (Exhibit 5)		\$	(551,662)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.			
Capitalized capital outlay		\$ 37,755	
Depreciation expense		<u>(704,399)</u>	
			(666,644)
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in		\$ (5,125)	
Transfers out		<u>5,125</u>	
			-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.			
Principal repayment of bonds			999,576
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Increase in accrued interest expense		\$ (16,598)	
Increase in compensated absences		(2,209)	
Increase in termination benefits		<u>(41,460)</u>	
			<u>(60,267)</u>
Change in net assets of governmental activities (Exhibit 2)		\$	<u><u>(278,997)</u></u>

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

**EXHIBIT 7**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2011**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 327,260
<b>LIABILITIES</b>	
Due to student groups	<u>327,260</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**HOLLIS-BROOKLINE COOPERATIVE 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 Hollis-Brookline Cooperative School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2011.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. Entity Defined**

The Hollis-Brookline Cooperative 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 towns, unrestricted state aid and revenue from other sources not properly included with program revenues are reported as general revenues.

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

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

The School District 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.

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

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

*Governmental Funds*

The School District reports the following major governmental funds:

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

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

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

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

The School District also reports one nonmajor governmental fund: other special revenues.

*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.



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

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.

**I.C.2. *Prepays***

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

**I.C.3. *Capital Assets and Depreciation***

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

	Years
Land improvements	20
Buildings and building improvements	50-115
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.

**HOLLIS-BROOKLINE COOPERATIVE 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 Hollis 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:

- Nonspendable, which consists of the balance of the School District's inventory, which can not be spent because of its form, and the principal amount of endowment held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements.
- Restricted, which represents the expendable portion of the endowment for school purposes held by the Town of Hollis Trustees of Trust Funds. The amount can only be spent for instruction in accordance with the legal restrictions established by the contributors.

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- Assigned, which represents encumbrances for instruction, support services, and non-instructional services, assigned by a vote of the school board or by management through the use of approved purchase orders; balances of revenues from grants to be used for instruction; balances of revenues from charges for services and grants to be used for non-instructional services (food service); and the resulting budget surplus to be returned to the Towns of Hollis and Brookline.

**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**

**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 fund balance assigned to be returned to the Towns of Brookline and Hollis to balance the budget. In the fiscal year 2011, \$512,409 of the assigned 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, central, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Education.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Cash**

*Custodial Credit Risk for Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$60,998 of the Hollis-Brookline Cooperative School District's bank balances of \$1,291,423 was exposed to custodial credit risk as uninsured and uncollateralized.

**III.A.2. Receivables**

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, COBRA refunds, and reimbursements from other school districts for shared services.

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.

*These notes are continued on the next page.*

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
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**III.A.3. Capital Assets**

*Changes in Capital Assets*

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

	Balance, beginning	Changes	Balance, ending
Governmental activities:			
At cost:			
Land improvements	\$ 741,700	\$ 13,625	\$ 755,325
Buildings and building improvements	32,719,849	-	32,719,849
Machinery, equipment and vehicles	185,711	24,130	209,841
Total all capital assets	<u>33,647,260</u>	<u>37,755</u>	<u>33,685,015</u>
Less accumulated depreciation:			
Land improvements	(414,333)	(36,792)	(451,125)
Buildings and building improvements	(9,882,309)	(654,397)	(10,536,706)
Machinery, equipment and vehicles	(90,776)	(13,210)	(103,986)
Total accumulated depreciation	<u>(10,387,418)</u>	<u>(704,399)</u>	<u>(11,091,817)</u>
Net book value, all capital assets	<u>\$ 23,259,842</u>	<u>\$ (666,644)</u>	<u>\$ 22,593,198</u>

*Depreciation Expense*

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

Governmental activities:	
Instruction	\$ 694,097
Support services:	
Operation and maintenance of plant	6,955
Non-instructional services	3,347
Total depreciation expense	<u>\$ 704,399</u>

*These notes are continued on the next page.*

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
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**III.B. Long-Term Debt**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term 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:						
High school addition	\$ 8,100,000	1997	2017	6.0	\$ 1,502,984	\$ 286,730
High school addition	\$ 2,700,000	1997	2017	6.0	1,150,000	165,000
High school classroom addition	\$ 3,200,000	2001	2016	5.2	787,673	174,787
Track	\$ 650,000	2003	2013	2.5-3.5	130,000	65,000
Middle school renovations	\$ 7,703,400	2005	2025	3.0-5.0	6,130,000	310,000
					<u>9,700,657</u>	<u>1,001,517</u>
Compensated absences payable:						
Vested sick leave					13,115	13,115
Accrued vacation leave					5,353	5,353
					<u>18,468</u>	<u>18,468</u>
Termination benefits payable					214,069	-
					<u>\$ 9,933,194</u>	<u>\$ 1,019,985</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	Termination Benefits Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 10,700,233	\$ 172,609	\$ 16,259	\$ 10,889,101
Additions	-	41,460	2,648	44,108
Reductions	(999,576)	-	(439)	(1,000,015)
Balance, ending	<u>\$ 9,700,657</u>	<u>\$ 214,069</u>	<u>\$ 18,468</u>	<u>\$ 9,933,194</u>

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
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*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	\$ 1,001,517	\$ 901,024	\$ 1,902,541
2013	1,000,830	895,551	1,896,381
2014	943,143	878,250	1,821,393
2015	948,399	872,024	1,820,423
2016	960,323	859,725	1,820,048
2017-2021	2,646,445	1,296,330	3,942,775
2022-2025	2,200,000	226,750	2,426,750
Totals	<u>\$ 9,700,657</u>	<u>\$ 5,929,654</u>	<u>\$ 15,630,311</u>

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

**III.C.1. *Receivables and Payables***

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

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable fund	Payable fund	Amount
General	Food service	\$ 1,137
General	Grants	194,787
		<u>\$ 195,924</u>

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

**III.C.2. *Transfers***

Transfers within the reporting entity are for the purpose of distribution of income earned on permanent funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
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The following schedule reports transfers within the reporting entity:

	General Fund	Transfers In: Nonmajor Funds	Total
Transfers out:			
Permanent fund	\$ 4,033	\$ 1,092	\$ 5,125

**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 \$54,940. There were no unpaid contributions for the year ended June 30, 2011. The School District also paid \$37,552 for workers’ compensation and \$18,029 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.



**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
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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 \$485,344, \$601,693 and \$652,331, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for fiscal year 2011 was \$192,842. 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**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 12,023,021	\$ 12,023,021	\$ -
Other local	19,800	29,933	10,133
State	5,398,890	5,420,241	21,351
Federal	122,115	192,978	70,863
Total revenues	<u>17,563,826</u>	<u>17,666,173</u>	<u>102,347</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	8,112,996	8,120,008	(7,012)
Support services:			
Student	1,041,299	1,126,610	(85,311)
Instructional staff	445,108	467,491	(22,383)
General administration	112,800	58,361	54,439
Executive administration	673,180	673,180	-
School administration	785,711	759,707	26,004
Operation and maintenance of plant	1,169,531	1,063,796	105,735
Student transportation	598,130	702,091	(103,961)
Other	3,139,686	3,149,396	(9,710)
Debt service:			
Principal	895,218	893,729	1,489
Interest	999,576	999,576	-
Total expenditures	<u>17,973,235</u>	<u>18,013,945</u>	<u>(40,710)</u>
Deficiency of revenues under expenditures	(409,409)	(347,772)	61,637
Other financing sources (uses):			
Transfers in	-	4,033	4,033
Transfers out	(103,000)	-	103,000
Total other financing sources and uses	<u>(103,000)</u>	<u>4,033</u>	<u>107,033</u>
Net change in fund balance	<u>\$ (512,409)</u>	<u>(343,739)</u>	<u>\$ 168,670</u>
Unreserved fund balance, beginning		<u>512,409</u>	
Unreserved fund balance, ending		<u>\$ 168,670</u>	

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

**EXHIBIT 9**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Food Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local:			
Sales	\$ 509,014	\$ 454,454	\$ (54,560)
State:			
Meal reimbursement	3,827	3,744	(83)
Federal:			
Meal reimbursement	36,500	36,637	137
USDA commodities	-	15,206	15,206
Total revenues	<u>549,341</u>	<u>510,041</u>	<u>(39,300)</u>
<b>EXPENDITURES</b>			
Current:			
Non-instructional services	<u>549,341</u>	<u>450,625</u>	<u>98,716</u>
Net change in fund balance	<u>\$ -</u>	<u>59,416</u>	<u>\$ 59,416</u>
Fund balance, beginning		<u>142,597</u>	
Fund balance, ending		<u>\$ 202,013</u>	

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

**EXHIBIT 10**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Grants Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Federal	\$ 228,511	\$ 376,657	\$ 148,146
<b>EXPENDITURES</b>			
Current:			
Instruction	228,511	346,295	(117,784)
Support services:			
Student	-	4,214	(4,214)
Instructional staff	-	16,006	(16,006)
Facilities acquisition and construction	-	10,142	(10,142)
Total expenditures	<u>228,511</u>	<u>376,657</u>	<u>(148,146)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

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

**Reconciliation of Budgetary Basis to GAAP**

**General Fund**

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 17,670,206
Adjustment:	
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	192,842
Per Exhibit 5 (GAAP basis)	<u>\$ 17,863,048</u>
 Expenditures:	
Per Exhibit 8 (budgetary basis)	\$ 18,013,945
Adjustments:	
Basis difference:	
Encumbrances, beginning	312,306
Encumbrances, ending	(47,972)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	192,842
Per Exhibit 5 (GAAP basis)	<u>\$ 18,471,121</u>

For the Food Service and 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 \$148,146 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 11**  
**HOLLIS-BROOKLINE COOPERATIVE 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	\$ 12,023,021	\$ 12,023,021	\$ -
Other local sources:			
Tuition	-	14,868	14,868
Investment earnings	4,800	3,170	(1,630)
Impact fees	-	11,070	11,070
Rentals	-	825	825
Miscellaneous	15,000	-	(15,000)
Total other local sources	<u>19,800</u>	<u>29,933</u>	<u>10,133</u>
State sources:			
Adequacy aid (grant)	2,787,860	2,787,860	-
Adequacy aid (tax)	2,114,640	2,114,640	-
School building aid	395,323	395,323	-
Catastrophic aid	95,867	119,331	23,464
Vocational tuition aid	5,200	3,087	(2,113)
Total state sources	<u>5,398,890</u>	<u>5,420,241</u>	<u>21,351</u>
Federal sources:			
Medicaid	21,000	91,863	70,863
Education Jobs grant	101,115	101,115	-
Total federal sources	<u>122,115</u>	<u>192,978</u>	<u>70,863</u>
Other financing sources:			
Transfers in	-	4,033	4,033
Total revenues and other financing sources	17,563,826	<u>\$ 17,670,206</u>	<u>\$ 106,380</u>
Use of fund balance to reduce school district assessment	<u>512,409</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 18,076,235</u>		



**EXHIBIT 12**  
**HOLLIS-BROOKLINE COOPERATIVE 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	\$ 112,023	\$ 5,406,859	\$ 5,545,394	\$ 13,390	\$ (39,902)
Special programs	7,178	2,159,694	2,078,665	2,341	85,866
Vocational programs	128	94,300	133,603	-	(39,175)
Other	2,338	452,143	468,029	253	(13,801)
Total instruction	<u>121,667</u>	<u>8,112,996</u>	<u>8,225,691</u>	<u>15,984</u>	<u>(7,012)</u>
Support services:					
Student	7,103	1,041,299	1,133,477	236	(85,311)
Instructional staff	17,329	445,108	475,086	9,734	(22,383)
General administration	-	112,800	58,361	-	54,439
Executive administration	-	673,180	673,180	-	-
School administration	9,613	785,711	767,153	2,167	26,004
Operation and maintenance of plant	154,903	1,169,531	1,199,048	19,651	105,735
Student transportation	1,691	598,130	703,582	200	(103,961)
Other	-	3,139,686	3,149,396	-	(9,710)
Total support services	<u>190,639</u>	<u>7,965,445</u>	<u>8,159,283</u>	<u>31,988</u>	<u>(35,187)</u>
Debt service:					
Principal	-	895,218	893,729	-	1,489
Interest	-	999,576	999,576	-	-
Total debt service	<u>-</u>	<u>1,894,794</u>	<u>1,893,305</u>	<u>-</u>	<u>1,489</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>103,000</u>	<u>-</u>	<u>-</u>	<u>103,000</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 312,306</u>	<u>\$ 18,076,235</u>	<u>\$ 18,278,279</u>	<u>\$ 47,972</u>	<u>\$ 62,290</u>

**EXHIBIT 13**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2011**

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Unreserved, to be returned to the towns, beginning	\$	512,409
Changes:		
Unreserved fund balance used to reduce school district assessment		(512,409)
Budget summary:		
Revenue surplus (Exhibit 14)	\$	106,380
Unexpended balance of appropriations (Exhibit 15)		62,290
Budget surplus		<u>168,670</u>
Unreserved, to be returned to the towns, ending	\$	<u><u>168,670</u></u>

**EXHIBIT 14**  
**HOLLIS-BROOKLINE COOPERATIVE 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
<b>Assets:</b>				
Cash and cash equivalents				
High school	\$ 245,328	\$ 597,172	\$ 590,981	\$ 251,519
Middle school	71,551	209,978	205,788	75,741
Total assets	<u>\$ 316,879</u>	<u>\$ 807,150</u>	<u>\$ 796,769</u>	<u>\$ 327,260</u>
<b>Liabilities:</b>				
Due to student groups	<u>\$ 316,879</u>	<u>\$ 807,150</u>	<u>\$ 796,769</u>	<u>\$ 327,260</u>

**EXHIBIT 15**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - High School**  
**For the Fiscal Year Ended June 30, 2011**

	Balance, beginning	Additions	Deductions	Balance, ending
Alcohol prevention	\$ 8,481	\$ 36	\$ 8,517	\$ -
Alumni scholarship	11,512	-	-	11,512
Amnesty international	214	-	-	214
AP testing	9,241	35,438	37,089	7,590
Art club	2	-	-	2
Athletic concessions	-	1,573	1,573	-
Athletic donations	-	500	156	344
Athletic fees	25,525	48,990	51,629	22,886
Athletic fields	6,408	5,753	11,863	298
Athletic officials	(9,620)	53,289	43,669	-
Athletics	(3,066)	15,393	12,327	-
Chronicle	310	-	307	3
Class gift fund	10,000	-	3,704	6,296
Class of 2007	1,000	-	-	1,000
Class of 2008	1,025	-	-	1,025
Class of 2009	1,412	-	-	1,412
Class of 2010	6,126	-	5,031	1,095
Class of 2011	6,371	53,491	46,121	13,741
Class of 2012	2,837	11,017	6,316	7,538
Class of 2013	1,822	3,294	1,431	3,685
Class of 2014	-	975	20	955
Classroom technology	500	-	500	-
Coke (students)	2,114	8,367	10,399	82
Coke (teachers)	-	4,487	4,331	156
Community of caring	33	2,019	1,570	482
Culinary club	297	388	641	44
Dance club	11	251	180	82
Debate team	101	414	432	83
DI team	80	-	-	80
Donations	1,102	-	1,102	-
Emergency fund	125	-	-	125
England exchange	3,062	-	-	3,062
English	1,118	70	560	628
ESY	-	44	44	-
FACS	476	-	-	476
Fidelity grant (music)	104	-	-	104
Fidelity grant (tech)	122	-	122	-
Field trips	511	7,082	7,593	-
French club	59	563	398	224
Gateways grant	-	2,500	2,179	321
Green group	10	-	-	10
Guidance	12,283	4,926	2,834	14,375
HBHS donations	-	1,102	-	1,102

*(continued)*

**EXHIBIT 15 (continued)**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - High School**  
**For the Fiscal Year Ended June 30, 2011**

	Balance, beginning	Additions	Deductions	Balance, ending
Hall of fame	62	-	-	62
Interact	3,194	400	176	3,418
Jeans scholarship	182	1,330	1,500	12
Latin club	5	-	-	5
Library	238	218	87	369
Life skills	(206)	206	-	-
Math department	637	512	995	154
Miscellaneous	174	5,291	4,921	544
National honor society	3,311	897	4,208	-
Nurse	60	-	-	60
Outing club	101	-	-	101
Parking permits	11,276	10,775	4,447	17,604
Peer outreach	363	-	260	103
PF - All State comp.	-	2,325	2,325	-
PF - Building use	703	4,676	2,095	3,284
PF - Concerts	1,433	3,418	2,113	2,738
PF - Dance	359	169	116	412
PF - Music classes	875	654	1,129	400
PF - Musical	4,446	14,240	10,505	8,181
PF - Pep	75	-	-	75
PF - Theatre	5,036	12,953	14,284	3,705
PF - Tri M	1,290	911	720	1,481
PF - Trips	285	28,718	28,997	6
Photo	-	2,156	2,047	109
Physics - bridge bldg.	507	-	-	507
Postage	(1,817)	3,665	956	892
Red Cross club	844	2,294	95	3,043
SADD	312	-	108	204
SALT	2,345	7,495	8,682	1,158
SAT Prep	5,619	24,604	25,579	4,644
Scholarships	7,538	2,450	550	9,438
School store	-	256	44	212
School to careers	538	-	-	538
Science department	1,135	528	1,583	80
Science olympiad	1,694	4,300	2,749	3,245
Social studies	2	100	72	30
Spanish club	1,048	540	1,331	257
Sports - B Basketball	11	165	-	176
Sports - Bowling	1,708	250	1,915	43
Sports - Baseball	113	2,939	3,052	-
Sports - B Lacross	4,089	8,353	8,951	3,491
Sports - B Soccer	30	-	-	30
Sports - B Tennis	165	300	400	65

*(continued)*

**EXHIBIT 15 (continued)**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - High School**  
**For the Fiscal Year Ended June 30, 2011**

	Balance, beginning	Additions	Deductions	Balance, ending
Sports - Fall spirit	564	1,908	2,472	-
Sports - Field hockey	1,283	1,000	325	1,958
Sports - Football	12,102	28,845	32,069	8,878
Sports - G Basketball	603	2,260	1,609	1,254
Sports - G Lacrosse	3,605	3,767	3,000	4,372
Sports - G Tennis	1,378	-	-	1,378
Sports - Golf	20	-	-	20
Sports - Ice hockey	4,068	9,150	13,185	33
Sports - Ski/Snowboard club	1,696	9,579	10,432	843
Sports - Ski team	400	878	1,278	-
Sports - Softball	9,416	1,320	1,859	8,877
Sports - Swim team	3,311	4,264	7,575	-
Sports - Track	1,938	4,282	5,393	827
Sports - Volleyball	14,768	25,641	25,425	14,984
Sports - Winter spirit squad	939	-	939	-
Sports - Wrestling	3,202	4,515	5,710	2,007
Student council	1,080	5,460	5,101	1,439
Summer school	300	-	-	300
Sympathy fund	1,388	-	-	1,388
Symposium	6,051	-	-	6,051
Technology	673	-	673	-
Uncleared checks	1,502	40,760	37,680	4,582
US first	5,112	20,103	12,474	12,741
Video club	200	-	-	200
World languages dept.	405	60	-	465
Yearbook	7,836	23,330	24,152	7,014
Total	<u>\$ 245,328</u>	<u>\$ 597,172</u>	<u>\$ 590,981</u>	<u>\$ 251,519</u>

**EXHIBIT 16**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Student Activities Fund**  
**Summary of Activity - Middle School**  
**For the Fiscal Year Ended June 30, 2011**

	Balance, beginning	Additions	Deductions	Balance, ending
Athletics/booster club	19,604	13,587	13,089	20,102
Bank	378	2,138	2,330	186
Books/equipment	387	660	588	459
Cheerleading	440	1	115	326
Cola	509	1,187	1,284	412
CPR first aid	1,053	1,943	1,312	1,684
Culture club	370	1	1	370
Destination Imagination	66	-	-	66
Drama club	4,239	2,263	1,347	5,155
Field trips	6,660	29,924	22,390	14,194
Generations	3,003	8	3	3,008
Library activities	196	97	246	47
Nurse	832	2	1	833
Officials	120	6,668	6,114	674
Principal's general fund	1,011	5,640	4,581	2,070
Rachel's Challenge	1,882	5	346	1,541
Recycling club	448	1	179	270
Science donations	473	1	-	474
Skiing	2,222	4,461	4,397	2,286
Special events	78	-	-	78
Student council	400	1,583	1,184	799
Team 1	88	472	357	203
Team 2	244	498	539	203
Team 3	468	1,001	440	1,029
Team 4	3,773	959	909	3,823
Washington, D.C.	7,859	129,780	131,753	5,886
Wellness	5,002	248	5,250	-
Yearbook	9,746	6,850	7,033	9,563
Total	<u>\$ 71,551</u>	<u>\$ 209,978</u>	<u>\$ 205,788</u>	<u>\$ 75,741</u>

**EXHIBIT 19**  
**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2011**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
CHILD NUTRITION CLUSTER			
Passed Through the State of New Hampshire Department of Education			
School Breakfast Program	10.553	N/A	\$ 1,577
National School Lunch Program (School Lunch Program)	10.555	N/A	<u>50,266</u>
CLUSTER TOTAL			<u>51,843</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the State of New Hampshire Department of Transportation			
National School Lunch Program Highway Planning and Construction - Safe Routes to School	20.205	15855	<u>10,142</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies (Title I Basic, Concentration, and Targeted Grants): Title I	84.010	10064	<u>3,360</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States: IDEA-B	84.027	12702	126,124
Special Education - Grants to States, Recovery Act: IDEA-B	84.391	N/A	<u>205,145</u>
CLUSTER TOTAL			<u>331,269</u>
Safe and Drug-Free School and Communities - State Grants: Title IV	84.186	16580	<u>2,514</u>
Improving Teacher Quality State Grants: Title II	84.367	04835	17,013
Title II	84.367	14854	<u>12,359</u>
PROGRAM TOTAL			<u>29,372</u>
Education Jobs Fund	84.410	N/A	<u>101,115</u>
<b>GRAND TOTAL</b>			<u>\$ 529,615</u>



**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. Basis of Presentation**

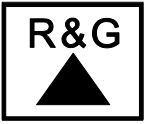
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hollis-Brookline Cooperative School District under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Hollis-Brookline Cooperative School District, it is not intended to and does not present the financial position or changes in net assets of the Hollis-Brookline Cooperative School District.

**2. Summary of Significant Accounting Policies**

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

**3. Commodities**

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis-Brookline Cooperative School District as of and for the year ended June 30, 2011, which collectively comprise the Hollis-Brookline Cooperative School District's basic financial statements and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies that we consider to be significant deficiencies in internal control over financial reporting, and that are described in the accompanying schedule of findings and questioned costs as items 11-02, 11-03 and 11-04. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hollis-Brookline Cooperative School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

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

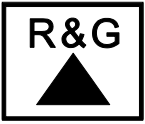
could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-01.

The Hollis-Brookline Cooperative School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

November 9, 2011

*Roberts & Greene, PLLC*



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Hollis-Brookline Cooperative School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2011. The Hollis-Brookline Cooperative School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hollis-Brookline Cooperative School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the Hollis-Brookline Cooperative School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 11-05.

Internal Control over Compliance

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

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

on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The Hollis-Brookline Cooperative School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on the responses.

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

November 9, 2011

*Roberts & Greene, PLLC*

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

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

*Federal Awards*

1. There were no material weaknesses identified in the internal control over major programs.
2. There were no significant deficiencies identified in the internal control over major programs that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for major programs contains an unqualified opinion.
4. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 can be found in Section III of this schedule.
5. The program tested as a major program was the Special Education Cluster.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The auditee did not qualify as a low-risk auditee.

**Section II – Financial Statement Findings**

**11-01    *Excess Fund Balance in the Food Service Fund***

**Condition:** The assigned fund balance for non-instructional services in the Food Service Fund is \$192,763, which is greater than three months average expenditures of \$135,187.

**Criteria:** Because the school food service program is considered a “nonprofit” program, federal guidelines require that the School District limit the net cash resources to no more than three (3) months’ average expenditures.

**Cause:** The program has seen increased operating efficiencies resulting in reduced expenditures.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Effect:** The District is not in compliance with child nutrition program regulations. The District faces a risk of a lower rate of reimbursement from the State and Federal governments until net cash resources are reduced.

**Recommendation:** The District should develop a plan to address the excess net cash resources. Such remedies could include lowering the price of paid lunches, improving food quality, or making improvements to operations through equipment replacement, upgrades, etc.

**Management's Response:** The Hollis-Brookline Cooperative School District is in the process of evaluating options for the procurement of additional food service equipment to support operations. Management agrees with the auditor's findings that the food service program has excess net cash resources.

**11-02    *High School and Middle School Student Activities Fund***

**Condition:** There are multiple accounts maintained in the Student Activities Fiduciary Fund that should be reported as governmental activity, either in the General Fund or a Special Revenue Fund. Also, there are large balances in multiple accounts, indicating that those purposes are not of an agency nature.

**Criteria:** Student Activities Funds are reported as Agency Funds because the nature of such funds is that the District is acting as a custodian of funds for student programs, and that the District administration is not determining how those funds are spent. Also, because funds are raised by students for the purpose of the individual activity, funds are generally spent within the same year, and a large ending balance would be unusual.

**Cause:** District funds are commingled with student funds.

**Effect:** District activity is being reported with fiduciary activity.

**Recommendation:** The District should separate the District activities from the student activities. Segregation can be done on a monthly summary of activity prepared by the student activities bookkeeper, and provided to the business office for capture in the District's accounting records. The District should also evaluate and modify, if necessary, its internal controls over activities for District funds held at the school. All activity that is not considered part of Agency Funds as described above, should be budgeted and reported in the General Fund or a separate Special Revenue Fund. These activities are self-funding, and would not require any tax revenues.

**Management's Response:** Management agrees with the auditor's findings with respect to student activity funds. The business office for the Hollis-Brookline Cooperative School District is currently in the process of evaluating management of student activity accounts. Management also agrees with the auditor's findings that non-agency funds should be held in Fund 23 for Special Revenue Funds. Further, management will evaluate the balances required to support continued club/activity operation and impose maximum balances for each account to limit excessive balance carry-over from year to year.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**11-03     *High School Student Activities Fund – Athletic Fees***

**Condition:** Per Warrant Article #7 of the 2000 School District Meeting, fees collected for student participation in athletic programs cannot be spent without approval of the legislative body (voters). Athletic fees have been collected and spent within the student activities fund and reported as an Agency Fund without the vote of the legislative body for the fiscal year ended June 30, 2011.

**Criteria:** Athletic fees collected cannot be expended without authorization of the voting body.

**Cause:** Multiple changes in key personnel over the past five years led to a lack of oversight regarding proper expenditure of funds.

**Effect:** The School District has failed to comply with the RSA's. Expenditures have been made that were consistent with the purpose of the fees collected, however, those expenditures were made without authorization.

**Recommendation:** The District should not expend any athletic fees collected unless authorized at the School District Meeting. Further, the District should either (1) annually appropriate an amount to expend for athletic programs, funded by athletic fees, in accordance with the 2000 warrant article referenced above; or (2) at the next District Meeting, ask the legislative body to vote to rescind the 2000 warrant article. If the 2000 warrant article is rescinded, we recommend that the District discuss with its counsel the establishment of a revolving fund under RSA 194:3-c for athletics and include all athletic type activities (gate receipts, officials, athletic fees, etc.) in this fund. An annual budget should be adopted through the normal budgeting process, similar to other established special revenue funds (food service, grants).

Furthermore, because there was no vote during the March 2011 School District Meeting for the Fiscal Year 2012 to authorize the expenditure of athletic fees in accordance with the 2000 warrant article, we recommend the District work with counsel to determine if a supplemental appropriation at the March 2012 Annual Meeting would be appropriate to expend athletic fees collected during the fiscal year ending June 30, 2012.

**Management's Response:** Management agrees with the auditor's findings with respect to athletic funds. The business office for the Hollis-Brookline Cooperative School District is currently in discussions with the district attorney to determine the best RSA to support athletic fund use. This RSA will be proposed at the annual district meeting.

**11-04     *High School Student Activities Fund - Collateralization***

**Condition:** The balance in the High School Student Activities Fund bank account at June 30, 2011, was \$279,484, which exceeded the Federal Deposit Insurance Corporation (FDIC) coverage limit of \$250,000. This results in a custodial deposit risk of \$29,484.

**Criteria:** The District should ensure that all funds in its custody are safe from undue risk.



**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Cause:** Deposits above FDIC coverage are not collateralized with the District's bank.

**Effect:** In the unlikely event of a bank failure, the District's funds above the FDIC coverage would be at risk.

**Recommendation:** We recommend that the District work with its bank to obtain collateralization for its accounts.

**Management's Response:** Management agrees with the auditor's findings that the activity fund balance exceeds FDIC coverage limits. Through the process of reallocating non-Agency funds to the Special Revenue Fund and imposing maximum balances on Agency accounts, total monthly balances will remain below FDIC coverage limits.

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

**11-05    *Special Education Cluster***

**Condition:** Employees who worked under a single cost objective and were paid by salary did not have a semi-annual certification on file.

**Criteria:** OMB Circular A-87 requires certification of time worked: "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

**Cause:** The District was not aware of the payroll certification requirements for employees.

**Effect:** The District is not in compliance with OMB Circular A-87.

**Recommendation:** The District should establish procedures during its quarterly or semi-annual reporting process to include obtaining certifications that are signed by the employee and direct supervisor or grant manager.

**Management's Response:** Management agrees with the auditor's findings that the district was not in compliance with OMB Circular A-87. The business office will implement procedures for proper reporting of employees who are funded 100% through a grant.