

**TOWN OF BROOKLINE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

TOWN OF BROOKLINE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2018

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Selectboard
Town of Brookline
Brookline, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Brookline as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town'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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

***Town of Brookline
Independent Auditor's Report***

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Brookline, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and aggregate remaining fund information of the Town of Brookline, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to this matter.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

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

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brookline'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.

*Plodzik & Sanderson
Professional Association*

August 15, 2019

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF BROOKLINE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,681,067
Investments	193,601
Taxes receivables (net)	771,090
Account receivables	46,415
Intergovernmental receivable	15,031
Capital assets:	
Land and construction in progress	5,710,112
Other capital assets, net of depreciation	4,389,268
Total assets	<u>18,806,584</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	619,010
Amounts related to other postemployment benefits	41,538
Total deferred outflows of resources	<u>660,548</u>
LIABILITIES	
Accounts payable	13,423
Accrued salaries and benefits	499
Accrued interest payable	37,504
Intergovernmental payable	5,507,236
Escrow and performance deposits	5,000
Long-term liabilities:	
Due within one year	257,211
Due in more than one year	5,485,758
Total liabilities	<u>11,306,631</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - deferred highway block grant	121,256
Unavailable revenue - off-site improvements	33,878
Amounts related to pensions	179,342
Amounts related to other postemployment benefits	1,058
Total deferred inflows of resources	<u>335,534</u>
NET POSITION	
Net investment in capital assets	7,557,458
Restricted	354,641
Unrestricted	(87,132)
Total net position	<u><u>\$ 7,824,967</u></u>

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

EXHIBIT B
TOWN OF BROOKLINE, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2018

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
		for	Grants and	Grants and	Change In
	Expenses	Services	Contributions	Contributions	Net Position
General government	\$ 1,658,683	\$ -	\$ -	\$ -	\$ (1,658,683)
Public safety	1,705,145	188,477	-	-	(1,516,668)
Highways and streets	639,943	-	144,948	24,381	(470,614)
Sanitation	296,469	-	-	-	(296,469)
Health	23,710	-	-	-	(23,710)
Welfare	8,436	-	-	-	(8,436)
Culture and recreation	362,882	44,837	-	-	(318,045)
Conservation	99,255	-	14,220	-	(85,035)
Economic development	2,067	-	-	-	(2,067)
Interest on long-term debt	104,911	-	-	-	(104,911)
Total governmental activities	<u>\$ 4,901,501</u>	<u>\$ 233,314</u>	<u>\$ 159,168</u>	<u>\$ 24,381</u>	<u>(4,484,638)</u>
General revenues:					
Taxes:					
Property					3,668,305
Other					240,212
Motor vehicle permit fees					1,158,999
Licenses and other fees					18,434
Grants and contributions not restricted to specific programs					270,292
Unrestricted investment earnings					48,652
Miscellaneous					146,839
Total general revenues					<u>5,551,733</u>
Change in net position					1,067,095
Net position, beginning, as restated (see Note 18)					<u>6,757,872</u>
Net position, ending					<u>\$ 7,824,967</u>

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

EXHIBIT C-1
TOWN OF BROOKLINE, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,110,478	\$ 570,589	\$ 7,681,067
Investments	6,739	186,862	193,601
Taxes receivable	799,890	25,200	825,090
Accounts receivable	46,415	-	46,415
Intergovernmental receivable	15,031	-	15,031
Interfund receivable	2,900	-	2,900
Total assets	<u>\$ 7,981,453</u>	<u>\$ 782,651</u>	<u>\$ 8,764,104</u>
LIABILITIES			
Accounts payable	\$ 13,423	\$ -	\$ 13,423
Accrued salaries and benefits	499	-	499
Intergovernmental payable	5,507,236	-	5,507,236
Interfund payable	-	2,900	2,900
Escrow and performance deposits	5,000	-	5,000
Total liabilities	<u>5,526,158</u>	<u>2,900</u>	<u>5,529,058</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	122,495	-	122,495
Unavailable revenue - deferred highway block grant	121,256	-	121,256
Unavailable revenue - off-site improvements	33,878	-	33,878
Total deferred inflows of resources	<u>277,629</u>	<u>-</u>	<u>277,629</u>
FUND BALANCES			
Nonspendable	-	109,453	109,453
Restricted	123,944	121,244	245,188
Committed	1,072,212	549,054	1,621,266
Assigned	40,800	-	40,800
Unassigned	940,710	-	940,710
Total fund balances	<u>2,177,666</u>	<u>779,751</u>	<u>2,957,417</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,981,453</u>	<u>\$ 782,651</u>	<u>\$ 8,764,104</u>

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

EXHIBIT C-2
TOWN OF BROOKLINE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,957,417
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 11,900,461	
Less accumulated depreciation	<u>(1,801,081)</u>	
		10,099,380
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 619,010	
Deferred inflows of resources related to pensions	(179,342)	
Deferred outflows of resources related to OPEB	41,538	
Deferred inflows of resources related to OPEB	<u>(1,058)</u>	
		480,148
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (2,900)	
Payables	<u>2,900</u>	
		-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.		122,495
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(54,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(37,504)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 2,355,000	
Unamortized bond premium	106,552	
Capital leases	80,370	
Compensated absences	7,833	
Net pension liability	2,860,188	
Other postemployment benefits	<u>333,026</u>	
		<u>(5,742,969)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 7,824,967</u></u>

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

EXHIBIT C-3
TOWN OF BROOKLINE, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,750,892	\$ 138,410	\$ 3,889,302
Licenses and permits	1,177,433	-	1,177,433
Intergovernmental receivable	439,621	14,220	453,841
Charges for services	150,976	82,338	233,314
Miscellaneous	104,383	91,108	195,491
Total revenues	<u>5,623,305</u>	<u>326,076</u>	<u>5,949,381</u>
EXPENDITURES			
Current:			
General government	1,462,685	20,546	1,483,231
Public safety	1,760,688	29,912	1,790,600
Highways and streets	692,350	150	692,500
Sanitation	297,033	-	297,033
Health	23,710	-	23,710
Welfare	8,436	-	8,436
Culture and recreation	291,148	64,851	355,999
Conservation	36,380	62,875	99,255
Economic development	2,067	-	2,067
Debt service:			
Principal	199,600	-	199,600
Interest	103,613	-	103,613
Capital outlay	36,031	-	36,031
Total expenditures	<u>4,913,741</u>	<u>178,334</u>	<u>5,092,075</u>
Excess of revenues over expenditures	<u>709,564</u>	<u>147,742</u>	<u>857,306</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	78,366	43,709	122,075
Transfers out	(43,709)	(78,366)	(122,075)
Capital leases	102,001	-	102,001
Total other financing sources (uses)	<u>136,658</u>	<u>(34,657)</u>	<u>102,001</u>
Net change in fund balances	846,222	113,085	959,307
Fund balances, beginning, as restated (see Note 18)	1,331,444	666,666	1,998,110
Fund balances, ending	<u>\$ 2,177,666</u>	<u>\$ 779,751</u>	<u>\$ 2,957,417</u>

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

EXHIBIT C-4
TOWN OF BROOKLINE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 959,307
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation in the current year, as follows:		
Capitalized capital outlay	\$ 211,142	
Depreciation expense	<u>(210,014)</u>	
		1,128
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (122,075)	
Transfers out	<u>122,075</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Increase in deferred tax revenue	\$ 37,215	
Increase in allowance for uncollectable taxes	<u>(18,000)</u>	
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases	\$ (102,001)	
Repayment of bond principal	199,600	
Repayment of capital leases	157,689	
Amortization of bond premium	<u>6,413</u>	
		261,701
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	\$ (7,711)	
Increase in compensated absences	(1,835)	
Net change in net pension liability, and related deferred outflows of resources and deferred inflows of resources	(73,329)	
Net change in other postemployment benefits liability, and related deferred outflows of resources and deferred inflows of resources	<u>(91,381)</u>	
		(174,256)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 1,067,095</u></u>

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

EXHIBIT D
TOWN OF BROOKLINE, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes	\$ 3,706,694	\$ 3,706,694	\$ 3,770,107	\$ 63,413
Licenses and permits	1,092,000	1,092,000	1,177,433	85,433
Intergovernmental	420,322	444,703	439,621	(5,082)
Charges for services	242,298	242,298	150,976	(91,322)
Miscellaneous	53,862	53,862	88,950	35,088
Total revenues	<u>5,515,176</u>	<u>5,539,557</u>	<u>5,627,087</u>	<u>87,530</u>
EXPENDITURES				
Current:				
General government	1,396,788	1,396,788	1,453,493	(56,705)
Public safety	1,668,830	1,668,830	1,658,687	10,143
Highways and streets	812,001	812,001	752,350	59,651
Sanitation	300,594	300,594	297,033	3,561
Health	23,910	23,910	23,710	200
Welfare	15,000	15,000	8,004	6,996
Culture and recreation	340,966	340,966	307,852	33,114
Conservation	39,323	39,323	28,905	10,418
Economic development	3,550	3,550	2,067	1,483
Debt service:				
Principal	199,600	199,600	199,600	-
Interest	103,614	103,614	103,613	1
Capital outlay	485,000	509,381	10,612	498,769
Total expenditures	<u>5,389,176</u>	<u>5,413,557</u>	<u>4,845,926</u>	<u>567,631</u>
Excess of revenues over expenditures	<u>126,000</u>	<u>126,000</u>	<u>781,161</u>	<u>655,161</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	76,849	76,849
Transfers out	(129,960)	(129,960)	(157,669)	(27,709)
Total other financing sources (uses)	<u>(129,960)</u>	<u>(129,960)</u>	<u>(80,820)</u>	<u>49,140</u>
Net change in fund balances	<u>\$ (3,960)</u>	<u>\$ (3,960)</u>	700,341	<u>\$ 704,301</u>
Increase in committed fund balance			(16,069)	
Decrease in assigned fund balance (non-encumbrance)			26,681	
Unassigned fund balance, beginning, as restated (see Note 18)			298,252	
Unassigned fund balance, ending			<u>\$ 1,009,205</u>	

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

EXHIBIT E-1
TOWN OF BROOKLINE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 4,553	\$ 233,137
Investments	48,582	-
Total assets	<u>53,135</u>	<u>233,137</u>
LIABILITIES		
Intergovernmental payable	<u>-</u>	<u>233,137</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 53,135</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF BROOKLINE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 2,677
Change in fair market value	(5,912)
Total additions	<u>(3,235)</u>
DEDUCTIONS	
Scholarships	<u>2,082</u>
Change in net position	(5,317)
Net position, beginning	<u>58,452</u>
Net position, ending	<u><u>\$ 53,135</u></u>

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

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Brookline, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-N for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Brookline is a municipal corporation governed by an elected 5-member Selectboard. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special

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assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports eight nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are private purpose trust and agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,

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- Savings bank deposits,
- 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 moneys 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 Town. 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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), which are reported in the governmental activities column in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

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The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Land improvements	20-50
Buildings and building improvements	20-75
Vehicles	5-20
Equipment	5-20
Infrastructure	15-50

1-G Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 18, 2018 and October 19, 2018, and due on July 1, 2018 and December 1, 2018. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Brookline School District, Hollis-Brookline Cooperative School District, and Hillsborough County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 642,808,718
For all other taxes	\$ 653,066,318

The tax rates and amounts assessed for the year ended December 31, 2018 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$5.79	\$ 3,777,254
School portion:		
State of New Hampshire	\$1.97	1,267,926
Local	\$20.73	13,539,310
County portion	\$1.07	699,943
Total	<u>\$29.56</u>	<u>\$ 19,284,433</u>

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1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2018.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

1-L Compensated Absences

Vacation - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave - Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

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1-N Postemployment Benefits Other Than Pensions

The Town maintains one other postemployment benefit plan (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Selectboard through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

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1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2018, none of the beginning general fund unassigned fund balance was applied for this purpose and \$3,960 was voted from unassigned fund balance as a transfer to the capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 5,703,936
Adjustment:	
Basis difference:	
Inception of capital leases	102,001
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	15,433
To eliminate transfers between blended funds	1,517
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(19,215)
Per Exhibit C-3 (GAAP basis)	<u>\$ 5,803,672</u>

(Continued)

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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 5,003,595
Adjustment:	
Basis differences:	
Inception of capital leases	102,001
Encumbrances, beginning	739,777
Encumbrances, ending	(755,846)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	(18,117)
To eliminate transfers between general and blended funds	(113,960)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 4,957,450</u></u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	State OPEB
Change in total OPEB liability under current standards, January 1	<u>\$ (224,173)</u>
Initial balance of deferred outflows of resources	23,715
Initial balance of deferred inflows of resources	(707)
Cumulative restatement related to GASB No. 75 implementation (see Note 18)	<u><u>\$ (201,165)</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured, by the collateral. As of year-end, the carrying amount of the Town's deposits was \$7,918,757 and the bank balances totaled \$8,160,072.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 7,681,067
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	237,690
Total cash and cash equivalents	<u><u>\$ 7,918,757</u></u>

NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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The Town has the following recurring fair value measurements and maturities as of December 31, 2018:

	Valuation Measurement Method	Fair Value	Less Than 1 Year
Investments type:			
Certificates of deposit	Level 1	\$ -	\$ 6,739
Equity mutual funds	Level 1	235,444	-
Total fair value		<u>\$ 235,444</u>	<u>\$ 6,739</u>

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 193,601
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	48,582
Total investments	<u>\$ 242,183</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$54,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 496,777	\$ 496,777
Unredeemed (under tax lien):		
Levy of 2017	203,716	203,716
Levy of 2016	67,732	67,732
Levies of 2015 and prior	30,510	30,510
Yield	1,155	1,155
Land use change	25,200	25,200
Less: allowance for estimated uncollectible taxes	(54,000) *	-
Net taxes receivable	<u>\$ 771,090</u>	<u>\$ 825,090</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town'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.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,679,692	\$ -	\$ -	\$ 5,679,692
Construction in progress	632,564	30,420	(632,564)	30,420
Total capital assets not being depreciated	<u>6,312,256</u>	<u>30,420</u>	<u>(632,564)</u>	<u>5,710,112</u>
Being depreciated:				

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Being depreciated:				
Land improvements	104,442	-	-	104,442
Buildings and building improvements	2,886,862	-	-	2,886,862
Vehicles	1,339,216	180,722	(29,453)	1,490,485
Equipment	472,768	-	-	472,768
Infrastructure	603,228	632,564	-	1,235,792
Total capital assets being depreciated	5,406,516	813,286	(29,453)	6,190,349
Total all capital assets	11,718,772	843,706	(662,017)	11,900,461
Less accumulated depreciation:				
Land improvements	(21,563)	(2,386)	-	(23,949)
Buildings and building improvements	(544,678)	(62,184)	-	(606,862)
Vehicles	(847,899)	(82,348)	29,453	(900,794)
Equipment	(153,777)	(35,696)	-	(189,473)
Infrastructure	(52,603)	(27,400)	-	(80,003)
Total accumulated depreciation	(1,620,520)	(210,014)	29,453	(1,801,081)
Net book value, capital assets being depreciated	3,785,996	603,272	-	4,389,268
Net book value, all capital assets	\$ 10,098,252	\$ 633,692	\$ (632,564)	\$ 10,099,380

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 14,664
Public safety	173,064
Highways and streets	20,553
Culture and recreation	1,733
Total depreciation expense	<u>\$ 210,014</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 2,900</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2018 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 43,709	\$ 43,709
Nonmajor funds	78,366	-	78,366
Total	<u>\$ 78,366</u>	<u>\$ 43,709</u>	<u>\$ 122,075</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$5,740,373 at December 31, 2018 consist of the following:

General fund:	
Balance of the 2018-19 school district assessment due to the Hollis-Brookline Cooperative School District	\$ 3,048,925
Balance of the 2018-19 school district assessment due to the Brookline School District	2,458,311
Total general fund	<u>5,507,236</u>
Agency fund:	
Balance of trust funds belonging to the Brookline School District	195,729
Balance of impact fees due to the Brookline School District	37,408
Total agency funds	<u>233,137</u>
Total intergovernmental payables due	<u><u>\$ 5,740,373</u></u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at December 31, 2018 consist of amounts related to pensions totaling \$619,010 and amounts related to OPEB totaling \$41,538. For further discussion on these amounts, see Note 13 and 14 respectively.

Deferred inflows of resources are as follows:

	Exhibit A	Exhibit C-1
Deferred highway block grant	\$ 121,256	\$ 121,256
Off-site improvements	33,878	33,878
Deferred property taxes not collected within 60 days of fiscal year-end	-	122,495
Amounts related to pensions (see Note 13)	179,342	-
Amounts related to other postemployment benefits (see Note 14)	1,058	-
Total deferred inflows of resources	<u><u>\$ 335,534</u></u>	<u><u>\$ 277,629</u></u>

NOTE 11 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2018
Capital lease obligations:		
Police Interceptor	5.00%	\$ 12,635
Police Cruiser	5.75%	29,175
Fire Command Car	3.08%	38,560
Total capital lease obligations		<u><u>\$ 80,370</u></u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Vehicles:	
Police Interceptor	\$ 37,389
Police Cruiser	45,033
Fire Command Car	56,968
Total equipment	<u>139,390</u>
Less: accumulated depreciation	22,027
Total capital lease equipment	<u><u>\$ 117,363</u></u>

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The annual requirements to amortize the capital leases payable as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2019	\$ 49,029
2020	35,763
Total requirements	84,792
Less: interest	4,422
Present value of remaining payments	<u>\$ 80,370</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Bonds payable	\$ 2,554,600	\$ -	\$ (199,600)	\$ 2,355,000	\$ 205,000
Premium	112,965	-	(6,413)	106,552	6,413
Total bonds payable	2,667,565	-	-	2,461,552	211,413
Capital leases	136,058	102,001	(157,689)	80,370	45,798
Compensated absences	5,998	1,835	-	7,833	-
Net pension liability	2,996,936	-	(136,748)	2,860,188	-
Net other postemployment benefits	224,173	108,853	-	333,026	-
Total long-term liabilities	<u>\$ 6,030,730</u>	<u>\$ 212,689</u>	<u>\$ (294,437)</u>	<u>\$ 5,742,969</u>	<u>\$ 257,211</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2018	Current Portion
General obligation bonds payable:						
Ambulance facility/land	\$ 1,915,000	2003	2023	4.0-6.0	\$ 310,000	\$ 65,000
Conservation land purchase	\$ 492,842	2006	2026	4.56	190,000	25,000
Conservation land purchase	\$ 291,900	2006	2027	4.05	130,000	15,000
Police station	\$ 1,326,400	2012	2032	2.0-5.0	1,050,000	60,000
Conservation land purchase	\$ 714,600	2017	2037	2.67	675,000	40,000
					<u>2,355,000</u>	<u>205,000</u>
Bond premium					106,552	6,413
Total					<u>\$ 2,461,552</u>	<u>\$ 211,413</u>

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Premium	Interest	Total
2019	\$ 205,000	\$ 6,413	\$ 89,738	\$ 301,151
2020	205,000	6,413	80,916	292,329
2021	195,000	6,413	73,825	275,238
2022	200,000	6,413	65,265	271,678
2023	205,000	6,413	57,655	269,068
2024-2028	675,000	30,539	189,168	894,707
2029-2033	530,000	26,870	72,260	629,130
2034-2037	140,000	17,078	10,850	167,928
Totals	<u>\$ 2,355,000</u>	<u>\$ 106,552</u>	<u>\$ 639,677</u>	<u>\$ 3,101,229</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds Authorized and Unissued – Bonds authorized and unissued as of December 31, 2018 were as follows:

District Meeting Vote of	Purpose	Unissued Amount
March 14, 2017	Land purchases	<u>\$ 400,000</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$131,512, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the Town reported a liability of \$2,860,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was 0.05933991% which was a decrease of 0.00159828% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$333,391. At December 31, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 266,728	\$ 89,995
Changes in assumptions	197,940	-
Net difference between projected and actual investment earnings on pension plan investments	-	66,188
Differences between expected and actual experience	22,830	23,159
Contributions subsequent to the measurement date	131,512	-
Total	<u>\$ 619,010</u>	<u>\$ 179,342</u>

The \$131,512 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 174,554
2020	167,781
2021	(11,998)
2022	(22,181)
Totals	<u>\$ 308,156</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2018</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 3,805,504	\$ 2,860,188	\$ 2,067,985

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Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

14-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$16,511, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the Town reported a liability of \$333,026 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town’s proportion was 0.07273759% which was an increase of 0.02370948% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the Town recognized OPEB expense of \$123,827. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 23,072	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,058
Differences between expected and actual experience	1,955	-
Contributions subsequent to the measurement date	16,511	-
Total	<u>\$ 41,538</u>	<u>\$ 1,058</u>

The \$16,511 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 24,697
2020	(331)
2021	(331)
2022	(66)
Totals	<u>\$ 23,969</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 346,615	\$ 333,026	\$ 294,961

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

14-B Town of Brookline Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various plans. The benefit levels, employee contributions, and employer contributions are governed by the Town's plans.

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The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2018 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2018 and are as follows:

General fund:	
Highways and streets	\$ 83,200
Culture and recreation	5,276
Capital outlay	667,370
Total encumbrances	<u>\$ 755,846</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

Net investment in capital assets:	
Net book value, all capital assets	\$ 10,099,380
Less:	
General obligation bonds payable	(2,355,000)
Unamortized bond premiums	(106,552)
Capital leases payable	(80,370)
Total net investment in capital assets	<u>7,557,458</u>
Restricted net position:	
Perpetual care - principal balance	109,453
Perpetual care - income balance	121,244
Library	123,944
Total restricted net position	<u>354,641</u>
Unrestricted	<u>(87,132)</u>
Total net position	<u>\$ 7,824,967</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Permanent fund - principal balance	\$ -	\$ 109,453	\$ 109,453
Restricted:			
Library	123,944	-	123,944
Permanent - income balance	-	121,244	121,244
Total restricted fund balance	<u>123,944</u>	<u>121,244</u>	<u>245,188</u>
Committed:			(Continued)

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Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Committed:			
Expendable trust	316,366	-	316,366
Nonlapsing appropriations - encumbrances	755,846	-	755,846
Conservation commission	-	352,860	352,860
Special revenue funds	-	196,194	196,194
Total committed fund balance	<u>1,072,212</u>	<u>549,054</u>	<u>1,621,266</u>
Assigned:			
Assigned for cable franchise fees	40,800	-	40,800
Unassigned	<u>940,710</u>	<u>-</u>	<u>940,710</u>
Total governmental fund balances	<u><u>\$ 2,177,666</u></u>	<u><u>\$ 779,751</u></u>	<u><u>\$ 2,957,417</u></u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2018 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund	Other Governmental Funds
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (201,165)	\$ -	\$ -
To restate for invalid interfund between the general and police detail funds	-	10,747	(10,747)
To restate for prior land use change tax receivable previously recorded in general fund	-	(32,500)	32,500
To restate for impact fee escrow balances recorded in general fund	(39,273)	(39,273)	-
Net position/fund balance, as previously reported	6,998,310	1,392,470	644,913
Net position/fund balance, as restated	<u><u>\$ 6,757,872</u></u>	<u><u>\$ 1,331,444</u></u>	<u><u>\$ 666,666</u></u>

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 20 – RELATED PARTY TRANSACTIONS

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction, and amounts due to or due from the related party at the financial statement date.

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

The Town's previously elected Road Agent owns a company that is used to provide the majority of the highway and road maintenance services to the Town. Total payments to the company during the year were \$342,523. There were no amounts due to or from the company at December 31, 2018.

A member of the recreation commission owns a landscaping and lawncare company that provides lawncare services to the Town. Payments to this company totaled \$10,716. There were no amounts due to or from the company at December 31, 2018.

A member of the conservation commission owns a company that provides water testing services to the Town. Payments to this company totaled \$3,584. There were no amounts due to or from the company at December 31, 2018.

NOTE 21 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 15, 2019, the date the December 31, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF BROOKLINE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%
Town's proportionate share of the net pension liability	\$ 2,319,547	\$ 1,898,477	\$ 1,933,677	\$ 2,891,821	\$ 2,996,936	\$ 2,860,188
Town's covered payroll	\$ 1,003,548	\$ 929,115	\$ 932,312	\$ 1,049,063	\$ 1,194,548	\$ 1,310,685
Town's proportionate share of the net pension liability as a percentage of its covered payroll	231.13%	204.33%	207.41%	275.66%	250.88%	218.22%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
TOWN OF BROOKLINE, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 134,013	\$ 164,086	\$ 163,757	\$ 194,731	\$ 213,888	\$ 251,055
Contributions in relation to the contractually required contributions	(134,013)	(164,086)	(163,757)	(194,731)	(213,888)	(251,055)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,003,548	\$ 929,115	\$ 932,312	\$ 1,049,063	\$ 1,194,548	\$ 1,310,685
Contributions as a percentage of covered payroll	13.35%	17.66%	17.56%	18.56%	17.91%	19.15%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF BROOKLINE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.04%	0.05%	0.07%
Town's proportionate share of the net OPEB liability	\$ 212,459	\$ 224,173	\$ 333,026
Town's covered payroll	\$ 1,049,063	\$ 1,194,548	\$ 1,310,685
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	20.25%	18.77%	25.41%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF BROOKLINE, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 25,501	\$ 29,059	\$ 32,174
Contributions in relation to the contractually required contribution	(25,501)	(29,059)	(32,174)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,049,063	\$ 1,194,548	\$ 1,310,685
Contributions as a percentage of covered payroll	2.43%	2.43%	2.45%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,654,694	\$ 3,668,305	\$ 13,611
Yield	12,000	15,067	3,067
Excavation	-	112	112
Interest and penalties on taxes	40,000	86,623	46,623
Total from taxes	3,706,694	3,770,107	63,413
Licenses, permits, and fees:			
Motor vehicle permit fees	1,092,000	1,158,999	66,999
Other	-	18,434	18,434
Total from licenses, permits, and fees	1,092,000	1,177,433	85,433
Intergovernmental:			
State:			
Meals and rooms distribution	270,292	270,292	-
Highway block grant	145,030	144,948	(82)
Other	5,000	-	(5,000)
Federal:			
Other	24,381	24,381	-
Total from intergovernmental	444,703	439,621	(5,082)
Charges for services:			
Income from departments	242,298	150,976	(91,322)
Miscellaneous:			
Sale of municipal property	4,207	4,207	-
Interest on investments	4,000	14,957	10,957
Other	45,655	69,786	24,131
Total from miscellaneous	53,862	88,950	35,088
Other financing sources:			
Transfers in	-	76,849	76,849
Total revenues and other financing sources	5,539,557	\$ 5,703,936	\$ 164,379
Amounts voted from fund balance	3,960		
Total revenues, other financing sources, and use of fund balance	\$ 5,543,517		

SCHEDULE 2
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 220,176	\$ 227,068	\$ -	\$ (6,892)
Election and registration	-	6,600	6,561	-	39
Financial administration	-	182,487	177,945	-	4,542
Revaluation of property	-	45,062	123,601	-	(78,539)
Legal	-	35,000	21,617	-	13,383
Personnel administration	-	552,123	562,059	-	(9,936)
Planning and zoning	-	60,606	59,323	-	1,283
General government buildings	-	190,180	183,239	-	6,941
Insurance, not otherwise allocated	-	82,754	82,463	-	291
Advertising and regional associations	-	4,005	4,005	-	-
Other	6,313	17,795	11,925	-	12,183
Total general government	6,313	1,396,788	1,459,806	-	(56,705)
Public safety:					
Police	-	826,121	822,039	-	4,082
Ambulance	-	190,451	190,369	-	82
Fire	-	475,008	475,005	-	3
Building inspection	-	34,051	35,010	-	(959)
Emergency management	-	24,333	20,101	-	4,232
Other	-	118,866	116,163	-	2,703
Total public safety	-	1,668,830	1,658,687	-	10,143
Highways and streets:					
Administration	-	50,000	28,031	-	21,969
Highways and streets	-	750,001	652,882	60,000	37,119
Bridges	23,200	-	-	23,200	-
Street lighting	-	12,000	11,437	-	563
Total highways and streets	23,200	812,001	692,350	83,200	59,651
Sanitation:					
Administration	-	-	9,094	-	(9,094)
Solid waste disposal	-	300,594	287,939	-	12,655
Total sanitation	-	300,594	297,033	-	3,561
Health:					
Pest control	-	200	-	-	200
Health agencies	-	23,710	23,710	-	-
Total health	-	23,910	23,710	-	200
Welfare:					
Administration and direct assistance	-	15,000	8,004	-	6,996
Culture and recreation:					
Parks and recreation	-	42,575	34,256	-	8,319
Library	-	259,641	259,641	-	-
Patriotic purposes	-	8,750	8,955	-	(205)
Other	10,000	30,000	9,724	5,276	25,000
Total culture and recreation	10,000	340,966	312,576	5,276	33,114

(Continued)

SCHEDULE 2 (Continued)
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Conservation	7,475	39,323	36,380	-	10,418
Economic development	-	3,550	2,067	-	1,483
Debt service:					
Principal of long-term debt	-	199,600	199,600	-	-
Interest on long-term debt	-	103,614	103,613	-	1
Total debt service	-	303,214	303,213	-	1
Capital outlay	692,789	509,381	36,031	667,370	498,769
Other financing uses:					
Transfers out	-	129,960	157,669	-	(27,709)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 739,777	\$ 5,543,517	\$ 4,987,526	\$ 755,846	\$ 539,922

SCHEDULE 3
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2018

Unassigned fund balance, beginning, as restated (Non-GAAP Budgetary Basis)		\$ 298,252
Changes:		
Amounts voted from fund balance		(3,960)
2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 164,379	
Unexpended balance of appropriations (Schedule 2)	<u>539,922</u>	
2018 Budget surplus		704,301
Increase in committed fund balance		(16,069)
Decrease in assigned fund balance (non-encumbrance)		<u>26,681</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,009,205
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(122,495)
Elimination of the allowance for uncollectible taxes		<u>54,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 940,710</u></u>

SCHEDULE 4
TOWN OF BROOKLINE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds								
	Max Cohen Memorial Grove	250th Anniversary	Melendy Pond Authority	Recreation Revolving	Ambulance Impact Fees	Police Special Detail	Conservation Commission	Permanent Fund	Total
ASSETS									
Cash and cash equivalents	\$ 31,265	\$ 98,026	\$ 24,588	\$ 2,863	\$ 2,900	\$ 39,452	\$ 327,660	\$ 43,835	\$ 570,589
Investments	-	-	-	-	-	-	-	186,862	186,862
Taxes receivable	-	-	-	-	-	-	25,200	-	25,200
Total assets	<u>\$ 31,265</u>	<u>\$ 98,026</u>	<u>\$ 24,588</u>	<u>\$ 2,863</u>	<u>\$ 2,900</u>	<u>\$ 39,452</u>	<u>\$ 352,860</u>	<u>\$ 230,697</u>	<u>\$ 782,651</u>
LIABILITIES									
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 2,900	\$ -	\$ -	\$ -	\$ 2,900
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	109,453	109,453
Restricted	-	-	-	-	-	-	-	121,244	121,244
Committed	31,265	98,026	24,588	2,863	-	39,452	352,860	-	549,054
Total fund balances	<u>31,265</u>	<u>98,026</u>	<u>24,588</u>	<u>2,863</u>	<u>-</u>	<u>39,452</u>	<u>352,860</u>	<u>230,697</u>	<u>779,751</u>
Total liabilities and fund balances	<u>\$ 31,265</u>	<u>\$ 98,026</u>	<u>\$ 24,588</u>	<u>\$ 2,863</u>	<u>\$ 2,900</u>	<u>\$ 39,452</u>	<u>\$ 352,860</u>	<u>\$ 230,697</u>	<u>\$ 782,651</u>

SCHEDULE 5
TOWN OF BROOKLINE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	Special Revenue Funds								
	Max Cohen Memorial Grove	250th Anniversary	Melendy Pond Authority	Recreation Revolving	Ambulance Impact Fees	Police Special Detail	Conservation Commission	Permanent Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,410	\$ -	\$ 138,410
Intergovernmental	-	-	-	-	-	-	14,220	-	14,220
Charges for services	43,751	-	-	1,086	-	37,501	-	-	82,338
Miscellaneous	23	67,391	7,210	9	2,900	-	20,582	(7,007)	91,108
Total revenues	43,774	67,391	7,210	1,095	2,900	37,501	173,212	(7,007)	326,076
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	20,546	20,546
Public safety	-	-	-	-	-	29,912	-	-	29,912
Highways and streets	-	-	150	-	-	-	-	-	150
Culture and recreation	34,051	29,912	-	888	-	-	-	-	64,851
Conservation	-	-	-	-	-	-	62,875	-	62,875
Total expenditures	34,051	29,912	150	888	-	29,912	62,875	20,546	178,334
Excess (deficiency) of revenues over (under) expenditures	9,723	37,479	7,060	207	2,900	7,589	110,337	(27,553)	147,742
OTHER FINANCING SOURCES (USES)									
Transfers in	-	25,000	-	-	-	-	2,709	16,000	43,709
Transfers out	-	-	-	-	(2,900)	-	(73,949)	(1,517)	(78,366)
Total other financing sources (uses)	-	25,000	-	-	(2,900)	-	(71,240)	14,483	(34,657)
Net change in fund balances	9,723	62,479	7,060	207	-	7,589	39,097	(13,070)	113,085
Fund balances, beginning, as restated (see Note 18)	21,542	35,547	17,528	2,656	-	31,863	313,763	243,767	666,666
Fund balances, ending	\$ 31,265	\$ 98,026	\$ 24,588	\$ 2,863	\$ -	\$ 39,452	\$ 352,860	\$ 230,697	\$ 779,751