

**TOWN OF BROOKLINE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014**

TOWN OF BROOKLINE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, 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 of 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Brookline as of December 31, 2014, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

*Town of Brookline
Independent Auditor's Report*

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 financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial 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 financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

September 28, 2015

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF BROOKLINE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,836,324
Investments	281,627
Taxes receivable (net)	889,911
Accounts receivable	1,697
Intergovernmental receivable	11,045
Capital assets:	
Land and construction in progress	4,191,486
Other capital assets, net of depreciation	3,704,035
Total assets	13,916,125
LIABILITIES	
Accounts payable	7,134
Accrued interest payable	39,582
Intergovernmental payable	3,821,354
Long-term liabilities:	
Due within one year	257,494
Due in more than one year	2,274,886
Total liabilities	6,400,450
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Off-site improvements	36,098
NET POSITION	
Net investment in capital assets	5,363,141
Restricted	279,560
Unrestricted	1,836,876
Total net position	\$ 7,479,577

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 Year Ended December 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,306,418	\$ -	\$ -	\$ -	\$ (1,306,418)
Public safety	1,313,281	203,355	-	-	(1,109,926)
Highways and streets	624,235	-	119,264	157,271	(347,700)
Sanitation	263,886	-	-	-	(263,886)
Health	20,599	-	-	-	(20,599)
Welfare	16,369	-	-	-	(16,369)
Culture and recreation	297,496	28,049	-	-	(269,447)
Conservation	45,478	-	18,648	-	(26,830)
Interest on long-term debt	92,239	-	-	-	(92,239)
Total governmental activities	<u>\$ 3,980,001</u>	<u>\$ 231,404</u>	<u>\$ 137,912</u>	<u>\$ 157,271</u>	<u>(3,453,414)</u>
General revenues:					
Taxes:					
Property					2,533,895
Other					226,820
Motor vehicle permit fees					949,268
Licenses and other fees					40,746
Grants and contributions not restricted to specific programs					250,367
Unrestricted investment earnings					34,438
Miscellaneous					32,306
Total general revenues					<u>4,067,840</u>
Change in net position					614,426
Net position, beginning					6,865,151
Net position, ending					<u>\$ 7,479,577</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,217,842	\$ 552,433	\$ 4,770,275
Investments	62,994	216,317	279,311
Taxes receivable	910,361	16,550	926,911
Accounts receivable	-	1,697	1,697
Intergovernmental receivable	11,045	-	11,045
Interfund receivable	1,102	10,747	11,849
Restricted assets:			
Cash and cash equivalents	66,049	-	66,049
Investments	2,316	-	2,316
Total assets	<u>\$ 5,271,709</u>	<u>\$ 797,744</u>	<u>\$ 6,069,453</u>
LIABILITIES			
Accounts payable	\$ 7,134	\$ -	\$ 7,134
Intergovernmental payable	3,821,354	-	3,821,354
Interfund payable	10,747	1,102	11,849
Total liabilities	<u>3,839,235</u>	<u>1,102</u>	<u>3,840,337</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	112,089	-	112,089
Unavailable revenue - Off-site improvements	36,098	-	36,098
Total deferred inflows of resources	<u>148,187</u>	<u>-</u>	<u>148,187</u>
FUND BALANCES			
Nonspendable	-	110,478	110,478
Restricted	64,504	104,578	169,082
Committed	4,413	581,586	585,999
Assigned	99,566	-	99,566
Unassigned	1,115,804	-	1,115,804
Total fund balances	<u>1,284,287</u>	<u>796,642</u>	<u>2,080,929</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,271,709</u>	<u>\$ 797,744</u>	<u>\$ 6,069,453</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 Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,080,929
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 9,154,989	
Less accumulated depreciation	<u>(1,259,468)</u>	7,895,521
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (11,849)	
Payables	<u>11,849</u>	-
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the funds.		
Deferred property taxes	\$ 112,089	
Allowance for uncollectible taxes	<u>(37,000)</u>	75,089
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(39,582)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 2,315,000	
Unamortized bond premium	33,994	
Capital leases	<u>183,386</u>	(2,532,380)
Net position of governmental activities (Exhibit A)		<u>\$ 7,479,577</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 Year Ended December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,618,740	\$ 133,293	\$ 2,752,033
Licenses and permits	990,014	-	990,014
Intergovernmental	526,902	18,648	545,550
Charges for services	156,618	71,898	228,516
Miscellaneous	33,139	36,493	69,632
Total revenues	<u>4,325,413</u>	<u>260,332</u>	<u>4,585,745</u>
EXPENDITURES			
Current:			
General government	1,309,542	18,498	1,328,040
Public safety	1,284,227	35,818	1,320,045
Highways and streets	809,990	5,551	815,541
Sanitation	263,886	-	263,886
Health	20,599	-	20,599
Welfare	16,369	-	16,369
Culture and recreation	263,664	33,090	296,754
Conservation	22,177	276,049	298,226
Debt service:			
Principal	155,000	-	155,000
Interest	97,924	-	97,924
Total expenditures	<u>4,243,378</u>	<u>369,006</u>	<u>4,612,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,035</u>	<u>(108,674)</u>	<u>(26,639)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,490	28,500	34,990
Transfers out	(28,500)	(6,490)	(34,990)
Capital leases	30,655	-	30,655
Total other financing sources (uses)	<u>8,645</u>	<u>22,010</u>	<u>30,655</u>
Net change in fund balances	90,680	(86,664)	4,016
Fund balances, beginning, as restated (see Note 17)	1,193,607	883,306	2,076,913
Fund balances, ending	<u>\$ 1,284,287</u>	<u>\$ 796,642</u>	<u>\$ 2,080,929</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 of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 4,016
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 425,231	
Gain on disposal of assets	102,375	
Depreciation expense	<u>(154,603)</u>	
		373,003
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (34,990)	
Transfers out	<u>34,990</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		8,682
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, has no effect on net position.		
Proceeds of capital lease	\$ (30,655)	
Repayment of bond principal	155,000	
Repayment of capital leases	98,695	
Amortization of bond premium	<u>2,143</u>	
		225,183
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.		
Decrease in accrued interest expense		<u>3,542</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 614,426</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 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 2,562,514	\$ 2,562,514	\$ 2,627,422	\$ 64,908
Licenses and permits	940,642	940,642	990,014	49,372
Intergovernmental	534,434	534,434	526,902	(7,532)
Charges for services	160,000	160,000	156,618	(3,382)
Miscellaneous	2,600	2,600	23,801	21,201
Total revenues	<u>4,200,190</u>	<u>4,200,190</u>	<u>4,324,757</u>	<u>124,567</u>
EXPENDITURES				
Current:				
General government	1,355,778	1,339,778	1,312,259	27,519
Public safety	1,248,444	1,248,444	1,253,572	(5,128)
Highways and streets	864,301	864,301	809,990	54,311
Sanitation	263,526	263,526	263,886	(360)
Health	20,875	20,875	20,599	276
Welfare	19,500	19,500	16,369	3,131
Culture and recreation	258,611	258,611	261,281	(2,670)
Conservation	7,450	7,450	7,578	(128)
Debt service:				
Principal	155,000	155,000	155,000	-
Interest	96,705	96,705	97,924	(1,219)
Total expenditures	<u>4,290,190</u>	<u>4,274,190</u>	<u>4,198,458</u>	<u>75,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(74,000)</u>	<u>126,299</u>	<u>200,299</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,500	2,500	12,337	9,837
Transfers out	(13,660)	(29,660)	(29,660)	-
Total other financing sources (uses)	<u>(11,160)</u>	<u>(27,160)</u>	<u>(17,323)</u>	<u>9,837</u>
Net change in fund balances	<u>\$ (101,160)</u>	<u>\$ (101,160)</u>	<u>108,976</u>	<u>\$ 210,136</u>
Decrease in restricted fund balance			226,720	
Decrease in assigned (nonencumbrance) fund balance			28,800	
Unassigned fund balance, beginning			<u>826,397</u>	
Unassigned fund balance, ending			<u>\$ 1,190,893</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 Fiduciary Net Position
December 31, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 4,269	\$ 85,052
Investments	50,040	-
Total assets	54,309	85,052
LIABILITIES		
Intergovernmental payable	-	85,052
NET POSITION		
Held in trust for specific purposes	\$ 54,309	\$ -

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 Fiduciary Net Position
For the Year Ended December 31, 2014

	Private Purpose Trust
ADDITIONS	
Interest	\$ 2,584
DEDUCTIONS	
Net position, beginning	51,725
Net position, ending	\$ 54,309

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 YEAR ENDED
DECEMBER 31, 2014

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TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

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 accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, deferred inflows of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government 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.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

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

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 - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Fiduciary Funds - The Town reports the following fiduciary funds:

Private Purpose Trust Funds – are used to account for trust agreements under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D 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, certificates of 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-E Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through laws and/or enabling legislation.

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

1-F 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,
- 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.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G 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 of taxes, accounts, and intergovernmental receivables.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I Capital Assets

Capital assets, which include property, plant, and equipment (infrastructure not included), are reported in the government-wide financial statements. All infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	Years
Capital Asset Classes:	
Land improvements	20-50
Buildings and building improvements	20-75
Vehicles	5-20
Equipment	5-10
Infrastructure	50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

TOWN OF BROOKLINE, NEW HAMPSHIRE
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1-J Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element *represents* an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, the other which is reported under both basis' of accounting. Accordingly, these items, unavailable revenue, are reported in the governmental funds balance sheet for property taxes and off-site improvements. The off-site improvements are also reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 22 and November 4, 2014, due on July 1 and December 8, 2014, respectively. 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, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 491,742,487
For all other taxes	\$ 499,992,287

The tax rates and amounts assessed for the year ended December 31, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.32	\$ 2,656,768
School portion:		
State of New Hampshire	\$2.53	1,244,178
Local	\$23.75	11,877,176
County portion	\$1.25	625,752
Total	\$32.85	\$ 16,403,874

1-L 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. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources.

1-M Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

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1-N 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). 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-O Net Position/Fund Balance Reporting

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

- a) ***Net investment in capital assets*** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.
- b) ***Restricted net position*** – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) ***Unrestricted net position*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes 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 – This classification includes 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.

Assigned – This classification includes 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 – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the Town’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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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. In the year 2014, \$101,160 of the beginning general fund unassigned fund balance was applied for this purpose.

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)	\$ 4,337,094
Adjustment:	
Basis difference:	
Inception of capital lease	30,655
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	10,440
To eliminate transfers between blended funds	(6,949)
Change in deferred tax revenue relating to 60-day revenue recognition	(8,682)
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,362,558</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 4,228,118
Adjustment:	
Basis differences:	
Encumbrances, beginning	22,886
Encumbrances, ending	(11,004)
Inception of capital lease	30,655
GASB Statement No. 54:	
To record library expenditures during the year	2,383
To eliminate transfers between general and expendable trust funds	(1,160)
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,271,878</u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are 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 \$4,925,645 and the bank balances totaled \$5,070,282. Petty cash totaled \$100.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$14,236 of the Town's bank balance of was exposed to custodial credit risk. This balance represents the cash portion of investments held in securities.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 4,836,324
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	89,321
Total cash and cash equivalents	<u>\$ 4,925,645</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At December 31, 2014, this Town had the following investments and maturities:

Certificates of Deposit	\$ 23,389
New Hampshire Public Deposit Investment Pool	72,681
Mutual funds	235,597
Total fair value	<u>\$ 331,667</u>

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Position.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 281,627
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	50,040
Total investments	<u>\$ 331,667</u>

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NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Certain cash and investment accounts in the general fund are restricted through enabling legislation or belong to funds which have been blended with the general fund in accordance with the requirements of GASB Statement No. 54, as follows:

Cash and cash equivalents:	
Expendable trust	\$ 2,647
Library	63,402
Total cash and cash equivalents	<u>66,049</u>
Investments:	
General fund:	
Pistol permit fees	550
Expendable trust	1,766
Total investments	<u>2,316</u>
Total restricted assets	<u>\$ 68,365</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$37,000. Taxes receivable by year are as follows:

	Full Accrual Basis of Accounting (Exhibit A)	Modified Accrual Basis of Accounting (Exhibit C-1)
Property:		
Levy of 2014	\$ 567,265	567,265
Unredeemed (under tax lien):		
Levy of 2013	221,351	221,351
Levy of 2012	100,598	100,598
Levies of 2011 and prior	21,147	21,147
Land use change	16,550	16,550
Less: allowance for estimated uncollectible taxes	<u>(37,000) *</u>	<u>-</u>
Net taxes receivable	<u>\$ 889,911</u>	<u>\$ 926,911</u>

*The allowance for estimated uncollectible taxes is eliminated on Exhibit C-1 due to the deferral of taxes not collected within 60 days of fiscal year-end.

NOTE 7 – INTERGOVERNMENTAL RECEIVABLE

The intergovernmental receivable of \$11,045 relates to expenditures incurred for sidewalk project that are reimbursable through a Federal grant.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 3,938,738	\$ 252,748	\$ -	\$ 4,191,486
Construction in progress	342,340	-	(342,340)	-
Total capital assets not being depreciated	<u>4,281,078</u>	<u>252,748</u>	<u>(342,340)</u>	<u>4,191,486</u>
Being depreciated:				
Land improvements	104,442	-	-	104,442
Buildings and building improvements	2,749,200	28,883	-	2,778,083
Vehicles	1,386,869	32,310	(59,557)	1,359,622
Equipment	208,169	10,289	(42,818)	175,640
Infrastructure	-	545,716	-	545,716
Total capital assets being depreciated	<u>4,448,680</u>	<u>617,198</u>	<u>(102,375)</u>	<u>4,963,503</u>
Total all capital assets	<u>8,729,758</u>	<u>869,946</u>	<u>(444,715)</u>	<u>9,154,989</u>
Less accumulated depreciation:				
Land improvements	(12,019)	(2,387)	-	(14,406)
Buildings and building improvements	(312,836)	(56,745)	-	(369,581)
Vehicles	(744,551)	(76,469)	59,557	(761,463)
Equipment	(137,834)	(8,088)	42,818	(103,104)
Infrastructure	-	(10,914)	-	(10,914)
Total accumulated depreciation	<u>(1,207,240)</u>	<u>(154,603)</u>	<u>102,375</u>	<u>(1,259,468)</u>
Net book value, capital assets being depreciated	<u>3,241,440</u>	<u>462,595</u>	<u>-</u>	<u>3,704,035</u>
Net book value, all capital assets	<u>\$ 7,522,518</u>	<u>\$ 715,343</u>	<u>\$ (342,340)</u>	<u>\$ 7,895,521</u>

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	\$ 7,261
Public safety	134,530
Highways and streets	12,070
Culture and recreation	742
Total depreciation expense	<u>\$ 154,603</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balance - At December 31, 2014 the composition of interfund balances at December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 1,102
Nonmajor	General	10,747
		<u>\$ 11,849</u>

The outstanding balance 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.

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2014 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 28,500	\$ 28,500
Nonmajor funds	6,490	-	6,490
Total	\$ 6,490	\$ 28,500	\$ 34,990

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.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$3,906,406 at December 31, 2014 consist of the following:

General fund:		
Balance of 2013-2014 district assessment due to the Brookline School District		\$ 1,615,735
Balance of 2013-2014 district assessment due to the Hollis-Brookline Cooperative School District		2,205,619
Total general fund		3,821,354
Agency fund:		
Balance of trust funds belonging to the Brookline School District		85,052
Total intergovernmental payables due		\$ 3,906,406

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the Statement of Net Position and governmental funds at December 31, 2014 consist of the following:

	Government-wide Activities	General Fund
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 112,089
Advance receipts for specific off-site improvements which have yet to be made	36,098	36,098
Total deferred inflows of resources	\$ 36,098	\$ 148,187

NOTE 12 – LEASE OBLIGATIONS

Operating Lease – The Town is committed to a five year operating lease for a parking lot for the Town library. The lease is for the period April 1, 2011 through March 31, 2016, with semi-annual payments of \$4,250. The lease may be terminated without penalty for failure of Town Meeting to appropriate funds.

Capital Leases – The Town has entered into 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, 2014
Capital lease obligations:		
Fire truck	2.49%	\$ 143,884
2013 Ford Interceptor Sedan (2)	5.50%	19,617
2014 Ford Interceptor Sedan (2)	5.50%	19,885
Total capital lease obligations		\$ 183,386

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

	<u>Governmental Activities</u>
Equipment:	
Fire truck	\$ 346,767
2013 Ford Interceptor Sedan (2)	58,906
2014 Ford Interceptor Sedan (2)	<u>30,655</u>
Total equipment	436,328
Less: accumulated depreciation	<u>(113,710)</u>
Total capital lease equipment	<u>\$ 322,618</u>

The annual requirements to amortize the capital lease payable as of December 31, 2014, including interest payments, are as follows:

	<u>For The Year Ending December 31,</u>	<u>Governmental Activities</u>
	2015	\$ 106,106
	2016	<u>85,410</u>
Total requirements		191,516
Less: interest		<u>(8,130)</u>
Present value of remaining payments		<u>\$ 183,386</u>

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

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2014:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 2,470,000	\$ -	\$ (155,000)	\$ 2,315,000	\$ 155,000
Premium	<u>36,137</u>	<u>-</u>	<u>(2,143)</u>	<u>33,994</u>	<u>2,143</u>
Total bonds payable	2,506,137	-	(157,143)	2,348,994	157,143
Capital leases	<u>251,426</u>	<u>30,655</u>	<u>(98,695)</u>	<u>183,386</u>	<u>100,351</u>
Total long-term liabilities	<u>\$ 2,757,563</u>	<u>\$ 30,655</u>	<u>\$ (255,838)</u>	<u>\$ 2,532,380</u>	<u>\$ 257,494</u>

Long-term liabilities are comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2014</u>	<u>Current Portion</u>
General obligation bonds payable:						
Ambulance facility/land	\$ 1,915,000	2004	2023	4.0-6.0	\$ 570,000	\$ 65,000
Conservation land purchase	\$ 492,842	2006	2026	4.74	290,000	25,000
Conservation land purchase	\$ 291,900	2006	2027	4.05	190,000	15,000
Police station	\$ 1,362,400	2012	2032	2.0-5.0	1,265,000	50,000
					<u>2,315,000</u>	<u>155,000</u>
Bond premium					<u>33,994</u>	<u>2,143</u>
					<u>2,348,994</u>	<u>157,143</u>

(continued)

TOWN OF BROOKLINE, NEW HAMPSHIRE
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Long-term liabilities continued:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2014	Current Portion
Capital leases payable:						
Fire truck	\$ 346,767	2011	2016	2.49	143,884	71,058
2013 Ford Interceptor Sedan (2)	\$ 58,906	2013	2015	5.50	19,617	19,617
2014 Ford Interceptor Sedan (2)	\$ 30,655	2014	2016	5.50	19,885	9,676
					<u>183,386</u>	<u>100,351</u>
Total					<u>\$ 2,532,380</u>	<u>\$ 257,494</u>

The premium is being amortized on a straight-line basis over the life of the bond.

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2014, including interest payments, are as follows:

For The Year Ending December 31,	Principal	Interest	Total
2015	\$ 155,000	\$ 90,756	\$ 245,756
2016	160,000	84,006	244,006
2017	160,000	77,106	237,106
2018	160,000	70,265	230,265
2019	165,000	63,163	228,163
2020-2024	770,000	221,111	991,111
2025-2029	475,000	91,950	566,950
2030-2032	270,000	18,855	288,855
Totals	<u>\$ 2,315,000</u>	<u>\$ 717,212</u>	<u>\$ 3,032,212</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.

NOTE 14 – ENCUMBRANCES

Encumbrances reported at December 31, 2014 consist of the following:

General fund:	
General government	\$ 2,717
Conservation	8,287
Total encumbrances	<u>\$ 11,004</u>

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

Net investment in capital assets	
Net property, buildings, and equipment	\$ 7,895,521
Less:	
General obligation bonds payable	(2,315,000)
Unamortized bond premium	(33,994)
Capital leases payable	<u>(183,386)</u>
Total net investment in capital assets	<u>5,363,141</u>

(continued)

TOWN OF BROOKLINE, NEW HAMPSHIRE
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Governmental activities net position continued:

Restricted net position:	
Restricted for library	64,504
Restricted for perpetual care - nonexpendable	110,478
Restricted for perpetual care - expendable	104,578
Total restricted	279,560
Unrestricted	1,836,876
Total net position	\$ 7,479,577

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable:		
Nonmajor fund:		
Permanent - principal portion		\$ 110,478
Restricted:		
Major fund:		
General:		
Library purposes	\$ 64,504	
Nonmajor fund:		
Permanent - income portion	104,578	
Total restricted fund balance		169,082
Committed:		
Major fund:		
General:		
Expendable trust	\$ 4,413	
Nonmajor funds:		
Special revenue:		
Conservation commission	510,418	
Max Cohen Memorial Grove	16,025	
225th Anniversary	9,137	
Melendy Pond Authority	23,800	
Recreation revolving	1,675	
Police special detail	20,531	
Total nonmajor funds	581,586	
Total committed fund balance		585,999
Assigned:		
Major fund:		
General:		
Cable franchise fees (Article No. 18 - 2010 Town Meeting)	\$ 88,562	
Encumbrances	11,004	
Total assigned fund balance		99,566
Unassigned:		
Major fund:		
General		
		1,115,804
Total governmental fund balances		\$ 2,080,929

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NOTE 17 – PRIOR PERIOD ADJUSTMENT

Fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustment:

	General Fund
To record the Town's portion of the deferral of property taxes not collected within 60 days of the fiscal year-end	\$ 566,187
Fund balance, as previously reported	627,420
Fund balance, as restated	\$ 1,193,607

NOTE 18 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust 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 plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. 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.

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. For the fiscal year 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2014 for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees.

The contribution requirements for the Town of Brookline for the years 2012, 2013, and 2014 were \$150,300, \$166,234, and \$177,933, respectively, which were paid in full in each year.

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 2014, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and Workers' Compensation Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member towns, cities, and other qualified political subdivisions.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid during the year ending December 31, 2014, to be recorded as an insurance expenditure totaled \$45,050. The Town also paid \$31,173 for workers' compensation during the year. There were no unpaid contributions for the year ended December 31, 2014.

NOTE 20 – CONTINGENCIES

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.

TOWN OF BROOKLINE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

NOTE 21 – HOLLIS-BROOKLINE DISPATCHING AGREEMENT

The Town entered into an agreement with the Town of Hollis for the purpose of providing emergency dispatch service to the residents of Brookline. The term of the agreement ran from January 1, 2012 through December 31, 2014. There is a non-appropriation funding clause, whereby if Town Meeting fails to appropriate funds for this agreement, the agreement shall terminate. The agreement provides for quarterly payments of \$26,432 for the three year period.

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 September 28, 2015, the date the December 31, 2014 financial statements were available to be issued. One event occurred that recognition and disclosure is considered appropriate:

At the March 2015 annual meeting the voters authorized the use of unassigned fund balance in the amount of \$3,735 when Warrant Article No. 12 was passed, which transfers funds from the general fund to the ambulance service expendable trust fund.

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 Year Ended December 31, 2014*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,517,514	\$ 2,533,895	\$ 16,381
Yield	7,000	4,966	(2,034)
Interest and penalties on taxes	38,000	88,561	50,561
Total from taxes	<u>2,562,514</u>	<u>2,627,422</u>	<u>64,908</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	-	8	8
Motor vehicle permit fees	900,000	949,268	49,268
Building permits	-	26,347	26,347
Other	40,642	14,391	(26,251)
Total from licenses, permits, and fees	<u>940,642</u>	<u>990,014</u>	<u>49,372</u>
Intergovernmental:			
State:			
Meals and rooms distribution	243,609	243,609	-
Highway block grant	118,825	119,264	439
Other	-	6,758	6,758
Federal:			
Other	172,000	157,271	(14,729)
Total from intergovernmental	<u>534,434</u>	<u>526,902</u>	<u>(7,532)</u>
Charges for services:			
Income from departments	160,000	156,618	(3,382)
Miscellaneous:			
Sale of municipal property	600	600	-
Interest on investments	2,000	1,972	(28)
Fines and forfeits	-	180	180
Contributions and donations	-	21,043	21,043
Total from miscellaneous	<u>2,600</u>	<u>23,801</u>	<u>21,201</u>
Other financing sources:			
Transfers in	2,500	12,337	9,837
Total revenues and other financing sources	4,202,690	<u>\$ 4,337,094</u>	<u>\$ 134,404</u>
Unassigned fund balance used to reduce tax rate	101,160		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,303,850</u>		

*SCHEDULE 2
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 199,952	\$ 199,734	\$ -	\$ 218
Election and registration	-	5,900	5,677	-	223
Financial administration	-	179,395	192,253	-	(12,858)
Revaluation of property	-	30,427	12,764	-	17,663
Legal	-	25,000	47,583	-	(22,583)
Personnel administration	-	518,260	486,918	-	31,342
Planning and zoning	-	55,839	62,526	-	(6,687)
General government buildings	-	209,501	194,590	2,717	12,194
Insurance, not otherwise allocated	-	79,850	74,636	-	5,214
Advertising and regional associations	-	3,777	3,777	-	-
Other	-	31,877	29,084	-	2,793
Total general government	-	1,339,778	1,309,542	2,717	27,519
Public safety:					
Police	-	641,922	653,224	-	(11,302)
Ambulance	-	159,873	159,251	-	622
Fire	-	282,271	282,269	-	2
Building inspection	-	35,030	30,834	-	4,196
Emergency management	-	19,518	18,827	-	691
Other	-	109,830	109,167	-	663
Total public safety	-	1,248,444	1,253,572	-	(5,128)
Highways and streets:					
Highways and streets	-	638,801	636,530	-	2,271
Street lighting	-	10,500	10,759	-	(259)
Other	-	215,000	162,701	-	52,299
Total highways and streets	-	864,301	809,990	-	54,311
Sanitation:					
Solid waste disposal	-	263,526	263,886	-	(360)
Total sanitation	-	263,526	263,886	-	(360)
Health:					
Pest control	-	200	-	-	200
Health agencies	-	20,675	20,599	-	76
Total health	-	20,875	20,599	-	276
Welfare:					
Direct assistance	-	19,500	16,369	-	3,131
Culture and recreation:					
Parks and recreation	-	35,485	38,655	-	(3,170)
Library	-	217,376	217,376	-	-
Patriotic purposes	-	5,750	5,250	-	500
Total culture and recreation	-	258,611	261,281	-	(2,670)
Conservation	22,886	7,450	22,177	8,287	(128)
Debt service:					
Principal of long-term debt	-	155,000	155,000	-	-
Interest on long-term debt	-	96,705	97,924	-	(1,219)
Total debt service	-	251,705	252,924	-	(1,219)

(Continued)

SCHEDULE 2 (Continued)
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Other financing uses:					
Transfers out	-	29,660	29,660	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 22,886</u>	<u>\$ 4,303,850</u>	<u>\$ 4,240,000</u>	<u>\$ 11,004</u>	<u>\$ 75,732</u>

SCHEDULE 3
TOWN OF BROOKLINE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Year Ended December 31, 2014

Unassigned fund balance, beginning, as restated (non-GAAP Budgetary Basis)		\$ 826,397
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(101,160)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 134,404	
Unexpended balance of appropriations (Schedule 2)	<u>75,732</u>	
2014 Budget surplus		210,136
Decrease in restricted fund balance		226,720
Decrease in assigned (nonencumbrance) fund balance		<u>28,800</u>
Unassigned fund balance, ending (non-GAAP Budgetary Basis) (Exhibit D)		1,190,893
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		<u>(75,089)</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 1,115,804</u></u>

SCHEDULE 4
TOWN OF BROOKLINE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	Special Revenue Funds									
	Max Cohen Memorial Grove	225th Anniversary	Melendy Pond Authority	Recreation Revolving	Ambulance Impact Fees	Police Special Detail	Permanent Fund	Total		
ASSETS										
Cash and cash equivalents	\$ 493,868	\$ -	\$ 2,176	\$ 1,675	\$ -	\$ 8,087	\$ 30,602	\$ 552,433		
Investments	-	9,137	21,624	-	-	-	185,556	216,317		
Taxes receivable	16,550	-	-	-	-	-	-	16,550		
Other receivable	-	-	-	-	-	1,697	-	1,697		
Interfund receivable	-	-	-	-	-	10,747	-	10,747		
Total assets	\$ 510,418	\$ 9,137	\$ 23,800	\$ 1,675	\$ -	\$ 20,531	\$ 216,158	\$ 797,744		
LIABILITIES AND FUND BALANCES										
Liabilities:										
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,102	\$ 1,102		
Fund balances:										
Nonspendable	-	-	-	-	-	-	110,478	110,478		
Restricted	-	-	-	-	-	-	104,578	104,578		
Committed	510,418	9,137	23,800	1,675	-	20,531	-	581,586		
Total fund balances	510,418	9,137	23,800	1,675	-	20,531	215,056	796,642		
Total liabilities and fund balances	\$ 510,418	\$ 9,137	\$ 23,800	\$ 1,675	\$ -	\$ 20,531	\$ 216,158	\$ 797,744		

SCHEDULE 5
TOWN OF BROOKLINE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2014

	Special Revenue Funds										Total
	Max Cohen Memorial Grove	225th Anniversary	Melendy Pond Authority	Recreation Revolving	Ambulance Impact Fees	Police Special Detail	Permanent Fund				
Revenues:											
Taxes	\$ 133,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,293
Intergovernmental	18,648	-	-	-	-	-	-	-	-	-	18,648
Charges for services	-	27,311	-	738	-	43,849	-	-	-	-	71,898
Miscellaneous	10,779	88	2	875	2,888	-	-	-	-	14,743	36,493
Total revenues	162,720	27,399	2	1,613	2,888	43,849	-	-	-	14,743	260,332
Expenditures:											
Current:											
General government	-	-	-	-	-	-	18,498	-	-	-	18,498
Public safety	-	-	-	-	-	35,818	-	-	-	-	35,818
Highways and streets	-	-	-	-	-	-	-	-	-	-	5,551
Culture and recreation	-	27,377	-	5,713	-	-	-	-	-	-	33,090
Conservation	276,049	-	-	-	-	-	-	-	-	-	276,049
Total expenditures	276,049	27,377	-	5,713	-	35,818	18,498	-	-	-	369,006
Excess of revenues over expenditures	(113,329)	22	2	(4,100)	2,888	8,031	(3,755)	-	-	-	(108,674)
Other financing sources (uses):											
Transfers in	-	-	-	-	-	12,500	16,000	-	-	-	28,500
Transfers out	-	-	-	-	(2,888)	-	(3,602)	-	-	-	(6,490)
Total other financing sources (uses)	-	-	-	-	(2,888)	12,500	12,398	-	-	-	22,010
Net change in fund balances	(113,329)	22	2	(4,100)	-	20,531	8,643	-	-	-	(86,664)
Fund balances, beginning	623,747	16,003	9,135	5,775	-	-	206,413	-	-	-	883,306
Fund balances, ending	\$ 510,418	\$ 16,025	\$ 9,137	\$ 1,675	\$ -	\$ 20,531	\$ 215,056	\$ -	\$ -	\$ -	\$ 796,642