

TOWN OF BROOKLINE, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2021

TOWN OF BROOKLINE, MASSACHUSETTS

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TOWN of BROOKLINE

Massachusetts

SELECT BOARD

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MELVIN A. KLECKNER
Town Administrator

Letter of Transmittal

To the Honorable Members of the Select Board and Citizens of the Town of Brookline:

State and Federal regulations require the Town of Brookline to publish at the end of each fiscal year a complete set of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) that are audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Report on the Examination of the Basic Financial Statements of the Town of Brookline, Massachusetts, for the fiscal year ending June 30, 2021, for your review.

This report consists of management's representations concerning the finances of the Town of Brookline. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Brookline has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Brookline's financial statements in conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the Town of Brookline's comprehensive framework of internal controls has been designed to provide reasonable assurance in accordance with best practices that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Brookline's financial statements have been audited by Powers & Sullivan LLC, a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Brookline for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the Town of Brookline's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Brookline was part of a broader, federally mandated "Single Audit" designed to meet the particular needs of federal grantor agencies. The standards

governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Brookline's separately issued Reports on Federal Award Programs, also known as the Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in, conjunction with it. The Town of Brookline's MD&A can be found immediately following the Independent Auditor's Report.

Profile of the Government

The Town of Brookline was settled in 1630 and incorporated as a town in 1705. It is located in Norfolk County and borders Boston to the east, north and south, and Newton to the west. It is approximately 6.6 square miles in area and, according to the 2010 federal census, has a population of 58,732 persons.

Municipal Services

The Town provides educational and governmental services within its boundaries including:

- public education in grades pre-kindergarten through 12 to more than 7,500 students
- police and fire protection, building inspection and animal control services
- highway and roadway maintenance, including snow and ice control and traffic control
- street and sidewalk maintenance
- water and sewer services
- refuse collection/disposal and recycling services
- parks and recreational services, including a golf course and a swimming pool
- library services (one main and two branch libraries)
- senior citizen services and programs, including a senior center facility
- public health services, including food outlet inspections, immunizations, and mental health
- veterans services and youth and human services

Governing Bodies and Officers

The Town operates under a Select Board/Representative Town Meeting form of government. The Select Board is an elected five-member chief executive body responsible for establishing overall policy leadership and direction. Local legislative decisions are made by a Representative Town Meeting consisting of 248 members. A Town Moderator is elected every three years to preside over the proceedings of Town Meeting. Day-to-day administrative authority is vested in the Town Administrator, who is appointed by the Select Board. The Town Administrator is the chief operating officer and is responsible for the supervision and the administration of all departments except for the School Department, Library, and Town Clerk's Office.

A nine-person elected School Committee is responsible for establishing policy for all local school affairs. The Superintendent of Schools is the chief operating officer for the Brookline Public Schools and is responsible for the supervision and administration of public education. There is also a nine-member elected Board of Library Trustees. A three-person Board of Assessors, who are appointed by the Select Board, are responsible for the assessment of local property taxes. A five member Retirement Board services employees and retirees in all departments, except professional employees of the School Department who are covered by the Massachusetts Teachers Retirement System, for retirement matters and consists of an ex-officio member, two members elected by active and retired members of the Retirement System, one member appointed by the Select Board and a fifth member chosen by the other four Board members. The Retirement Board is one of 104 retirement boards in the

Commonwealth which oversees a uniform benefit system and rules, promulgated by the state for municipal employees. A seven-member Retiree Health Committee is responsible for the investment of Other Postemployment Benefits (OPEB's) assets. The Committee is made up of the Retirement Board plus two additional members appointed by the Select Board.

There are a number of other citizen boards and commissions that play a key role in Town affairs, and contribute to the active and engaged citizenry, including the Planning Board, Park and Recreation Commission, Building Commission, Transportation Board, Preservation Commission, and Conservation Commission. The Advisory Committee, which is appointed by the Town Moderator, reviews and makes recommendations on all matters to be considered by Town Meeting. In that capacity, it serves as the Town's Finance Committee.

Audit Committee

The Audit Committee consists of six members. The Select Board, the Advisory Committee and the School Committee each appoint one member and the Town Moderator appoints three members. As of June 30, 2021, voting members include Bernard Greene (Select Board Appointee and Chair), Lee Selwyn (Advisory Committee), Susan Wolf Dittkoff (School Committee), James Littleton, Gregory Grobstein and Peter Finnerty (Moderator's Appointees). In addition to the six voting members, the Director of Finance (Jeana Franconi), the Comptroller (Michael DiPietro), the Superintendent of Schools or his/her designee (Mary Ellen Normen), and the Town Administrator or his/her designee (Melissa Goff) serve as nonvoting members of the Committee. The Audit Committee serves in an advisory role to the Select Board with respect to the Town's financial condition, financial management systems and controls, and the annual audit. In addition, the Committee reports to Town Meeting as the Committee sees fit on matters within the scope of Town Meeting's concerns. Specific duties shall include, but are not limited to, the following:

"Make recommendations to the Select Board on the selection of and scope of services for an independent auditor; review the annual financial statements and reports prepared by the independent auditor and make recommendations with respect thereto; make recommendations for areas of operations where expanded scope audits or reviews of the internal controls may be appropriate; review and make recommendations with respect to the Town's financial management practices and controls; and report to the annual Town Meeting on the recommendations the Committee has made during the preceding twelve months."

Financial and Management Practices

The Town annually prepares and updates a five-year Financial Forecast, a six-year Capital Improvement Program (CIP), and an annual Operating Budget. These documents are presented in the Annual Financial Plan, which is produced by the Town Administrator's Office in conjunction with the Finance Department, and reviewed by the Select Board and Advisory (Finance) Committee. Both the Operating Budget and the first year of the CIP are submitted to Town Meeting for adoption as the Annual Budget. The Select Board has formally adopted financial policies that guide the preparation of the Annual Financial Plan and can be found in the Appendix of the Financial Plan or online in the "Budget Central" section of the Town's website (BrooklineMA.gov). These policies were established in the mid-1990's and have been reviewed and modified accordingly over the years, most recently by Fiscal Policy Review Committees in both 2004 and 2011.

The five-year Financial Forecast, submitted in December of each year, is a review of economic trends on a local and national basis. It analyzes major municipal fund expenditure projections based upon service program assumptions and develops revenue estimates based on economic conditions and prior trends. The forecast projects department budgets based on various scenarios of key revenue sources (e.g., State Aid) and expenditure categories (e.g., health insurance, collective bargaining). These scenarios guide both the Select Board and Town Administrator in the preparation of the ensuing fiscal year's budget.

The six-year CIP, preliminarily submitted in November of each year and presented along with the Financial Forecast in December, comprehensively identifies municipal infrastructure and improvement needs by detailing each project, including cost, potential source(s) of funding, priority need, impact on the operating budget, and ongoing capital maintenance costs. Guided by the Town's formal policy, the CIP dedicates 6% of the prior year's net revenue, plus free cash to the extent possible to reach a total funding level of 7.5% of the prior year net revenue. The annual plan allows decision makers and voters the opportunity to regularly analyze and decide upon project funding. After inclusion in the Town Administrator's financial plan, the proposed CIP is reviewed by the Select Board, the Planning Board and the Advisory Committee. Then, as part of the budget article at the Annual Town Meeting, projects contained in the first year of the CIP are recommended for funding.

The annual Operating Budget, submitted in February of each year as part of the Annual Financial Plan, follows a program management format that details sources and uses recommendations for all major funds; departmental missions, goals, objectives and annual work plans; and performance measurement and financial management criteria for each budget cycle. The financial plan has again been recognized by the GFOA for excellence in budget presentation. The budget maintains consistency with the Select Board's financial management standards and policies. The budget funding sources include the General Fund, comprised of revenues including property tax, auto, meals, and hotel taxes, user fee receipts, State Aid, investment income and miscellaneous program income; enterprise funds for the water and sewer operation and the golf course; and the Recreation Revolving Fund. The enterprise funds are intended to be self-supporting through user-based charges.

Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Term Exp.</u>
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2022
Superintendent of Schools	Linus J. Guillory Jr., PhD	Appointed - 3 years	2024
Deputy Town Administrator	Melissa Goff	Appointed - 1 year	2022
Assistant Town Administrator	Justin Casanova-Davis	Appointed - 1 year	2022
Finance Director and Treasurer	Justin Casanova-Davis	Interim	
Town Comptroller	Michael F. DiPietro	Appointed - 1 year	2022
Town Clerk	Ben Kaufman	Elected - 3 years	2024
Town Counsel	Vacant	Appointed - 1 year	

Tax Base/Local Economy

Brookline is bordered by the City of Boston. It has both urban and suburban features and is characterized by comparatively high property values. Approximately 78% of general fund revenues are financed by the annual tax on property. The remaining revenues come from locally derived receipts (approximately 9%), State Aid (approximately 8%), transfers from other non-general funds (approximately 3%), and Free Cash (approximately 2%).

Residential properties comprise approximately 89% of the full and fair value of the property in Brookline and they are responsible for 82% of the taxes. The Town has been adopting the tax classification authorization that permits it to set dual tax rates. The current tax rates are:

Residential	\$ 9.80 per thousand of property value
Commercial	\$ 15.99 per thousand of property value

A combination of significant new development and a healthy real estate market has contributed to a steadily growing tax base. The tax base (current market valuation of \$26 billion) has increased more than 47% over the past decade, reflecting strong development and real estate appreciation. The Town's tax base is the fourth largest in Massachusetts. Building permit fee activity continues at a strong pace, having averaged \$5.4 million annually

over the last five years. Per capita housing market value of \$476,107 is also among the highest in the state, as is the per capita personal income level, which is \$95,466 according to the 2018 MA DOR Income Per Capita Report.

Long-term Financial Planning

The Town continues to manage its financial affairs in a prudent manner. Throughout all of the changes in the economy, resulting in increases in expenses and decreased State Aid, the Town has maintained its Aaa bond rating. It has done so by incorporating long-range planning tools such as the five-year Financial Forecast and the six-year CIP; establishing rainy day accounts and budgeting stabilization reserves; prioritizing spending plans and identifying operating efficiencies; developing long-term planning for all liabilities including pension and other post-retirement benefits (OPEBs); investing in technology to make operations more efficient; and growing the tax base in a manner that balances neighborhood concerns with the need for additional revenues.

Brookline has also enhanced its revenue flexibility by utilizing enterprise funds for certain operations. This allows the Town to charge 100% of operating costs and capital improvements to the users of certain services so that no tax support goes toward providing these services. This includes the water/sewer and municipal golf course operations. By doing so, the Town is able to provide the maximum tax dollars available to all other services. Cost recovery efforts have also been increased in the recreation area, with the Recreation Revolving Fund picking up more of the costs of their programs. This has allowed for reductions in the Recreation Department's General Fund budget.

The Annual Financial Plan

Property taxes comprise approximately three-quarters of the Town's General Fund revenue. The Town continues to levy the maximum allowable level of property taxes under Proposition 2 ½, leaving little Excess Capacity. New Growth (property tax growth from new construction, renovations, etc.) has augmented the annual 2.5% growth in the levy, playing a large role in the Town's ability to maintain service levels. Over the past five years, New Growth has averaged \$2.5 million per year, allowing for an additional 1% growth in the largest revenue source of the Town.

Several weeks after the initial FY 2021 Budget was submitted on February 15, the COVID-19 pandemic struck the United States and caused a rapid and comprehensive economic breakdown. The Town revised its budget to reflect a 3.7% reduction in revenue. To meet this reduction in revenue, less money was allocated to the School department and Municipal department's budgets. The Budget is balanced based upon a realistic yet conservative projection of revenues and expenses. The Capital Improvement Plan programs a series of renovations, upgrades and major maintenance of the Town's infrastructure. The Town will need to carefully plan how to finance the major school projects it faces in a way that does not overburden taxpayers or overtake budget capacity that is needed for operations.

Two revenue streams that impact the budget significantly are State Aid and Local Receipts. State Aid represents general and programmatic aid provided to the Town from the Commonwealth of Massachusetts. The willingness of state government to fund its commitment to local government has avoided a drastic reduction in the Town's FY 2021 budget. In FY 2021, this aid to represented about 7% of the Town's general revenue. After several years of expansion, the Town's Chapter 70 Education Aid program was level-funded FY 2021. Now that the State has reached its minimum funding commitment to Brookline of 17.5%, future Chapter 70 increases will effectively be limited to \$20 more per pupil, translated as a "Minimum Aid" community. The Town believes the Chapter 70 formula does not adequately reflect the costs incurred by cities and towns in public education. We support the Governor's budget that adopted some reforms proposed by the Foundation Budget Review Commission and hope that the Legislature will act more aggressively in areas such as the cost of employee benefits and the cost of providing special education benefits. Unfortunately, given the need to spend most of the State's funding on poorer urban school districts, it is unlikely that the Town of Brookline will benefit substantially by any Chapter 70 reforms.

In some ways the Town of Brookline is insulated from major swings of revenue due to economic cycles. Over 70% of the Town's revenues are made up from property taxes. Property taxes are a stable source of revenue whose growth is limited, but fixed, at 2.5% per year (Proposition 2½). Its collection is highly reliable given a municipality's ability to place liens on property and the large percentage of taxes paid automatically through mortgage companies.

Local Receipts, which consist of sources such as motor vehicle excise, refuse fees, building permits, interest income, parking tickets, and meals and hotel/motel excise taxes, make up approximately 10% of the Town's annual revenue. Over the past decade, the Town has increased certain local receipts in order to replace revenue lost from State Aid cuts, thereby increasing reliance on local revenues to cover the increasing cost of providing services. Examples include increases in the refuse fee, fines for parking violations, and parking meter fees. The Town continues to review all current and potential sources of revenue. Along with many other communities in Massachusetts, Brookline adopted three new local options designed to raise local revenues. The first was the adoption of a 0.75% meals excise tax. The second was an amendment to the Local Room Occupancy tax, increasing the local option excise tax from 4% to 6%. Both these local options became effective on October 1, 2009, and the Town began receiving the additional revenue in December, 2009. Most recently, the Town has adopted the local option to impose a sales tax of up to 3% on local sales of marijuana products by licensed marijuana retailers operating within the community. Recreational sales are an unknown market, and the Town plans on conservatively budgeting this new revenue stream within the next year or two. The Town's Local Receipts were directly impacted by economic performance, including excise taxes levied upon motor vehicles, hotel stays, food and drink, and cannabis sales. Altogether, revenue from Local Receipts was reduced by \$10.7M, or 30% less than the initial FY 2021 Budget.

Free Cash continues to be used according to the Town's Free Cash Policy, which states that this volatile source of revenue shall be used for reserves, fund balance protection, capital projects, and augmenting employee-benefit funds (e.g., pensions, OPEB's). In FY 2021, the \$14.4 million of certified Free Cash was used for capital projects (\$7.6 million), fund balance protection (\$2.6 million left unappropriated), reserves (\$2.6 million), and affordable housing (\$726,000).

Over the past decade, a number of cost centers have placed significant pressures on the operating budget, including health insurance, pensions, utilities, special education, and school enrollment. These cost pressures have made maintaining the level and quality of services the Town delivers difficult.

The ability to provide reasonable wages and benefits to municipal employees within the structural gap that Proposition 2½ creates is a challenge. In addition to normal step increases and general wage increases, collective bargaining with municipal employee unions also involves costly benefits such as sick leave, vacation leave, longevity payments and specialty pay for nighttime assignments or hazardous duty.

Effective July 1, 2010 (FY 2011), the Town and its unions agreed to enter the Group Insurance Commission (GIC), the state agency that provides life, health, disability and dental and vision services to more than 300,000 state employees, retirees and their dependents. This action enabled the Town to reduce its group health budget from what was expected to be \$25.8 million to \$20.2 million, a savings of \$5.6 million. It also reduced premium withholdings for employees from 25% to 17%. The GIC has been very aggressive in keeping its costs/rates as low as possible, resulting in a composite projected rate increase for FY 2021 of 5.5%. However, this is a statewide average for all plans. It is our experience that Brookline's rate increase will be higher than the average given our proximity and access to the expensive teaching hospitals in Boston and the type of plans selected by our employees.

Health insurance is provided during the working life of employees and in their retirement. The annual cost of group healthcare insurance referred to in the preceding paragraph represents the premiums paid for a particular year for both working and retired employees and eligible dependents. The accompanying basic financial statements, prepared in accordance with GAAP, reflect additions, costs, liabilities and disclosures related to the

healthcare obligation the Town has to its working and retired employees and their dependents, and the anticipated costs the Town will incur in the future for its working employees in their retirement years. Financial accounting and disclosure for healthcare provided to employees in retirement is established by GAAP for Other Postemployment Benefits, (OPEB), and the Town has developed an OPEB funding plan which increased the appropriation annually by \$250,000. This increase was deferred in FY2021 to mitigate COVID-19 budget reductions.

Increases in the Town's contribution to the Retirement System have averaged more than \$1 million per year over the past five years. As a result of the world-wide economic down-turn, government retirement systems experienced significant investment losses in both calendar year 2008 and 2011. Knowing that the calendar year 2008 losses would require the Town to dramatically increase the FY 2012 appropriation, the Town took steps to offset the anticipated budget impact by ramping up to the higher appropriation over a three-year period. This strategy was successful in moderating the budgetary impact in FY 2012. The Town also experienced investment losses in calendar year 2011, although not as dramatic as in 2008. In addition, the Town authorized an increase in the COLA ceiling from \$12,000 per retiree to \$13,000 per retiree. Combined, these two actions required a large increase in the Town's pension contribution for FY 2015. In response, the Town approved additional funding in FY 2013 to offset the increase in the following year. The FY 2015 pension appropriation was increased by \$200,000 above the amount required per the funding schedule and \$500,000 from Free Cash was appropriated into the pension fund, both measures were taken with an eye toward paying down the unfunded liability more rapidly. Lastly, \$300,000 of Free Cash was appropriated in FY2020 to further support this appropriation.

The most recent actuarial valuation for the year ending January 1, 2020, included the following changes to the financial assumptions:

- the anticipated rate of return on investments remains at 7.20%
- the annual appropriation increase was unchanged at 7.85%
- the estimate date of full funding of the unfunded liability was un-changed remaining at FY 2030

While the Town has long been a leader in cost effective procurement of energy and reduction in usage through energy conservation and new technologies, a new effort has taken hold that pushes the boundaries of the Town's energy goals. Spurred by the warming of the planet and motivated by Town Meeting commitments to meet aggressive carbon reduction goals, the Select Board has been encouraged to take on more ambitious goals for reducing the Town's carbon footprint. While a Town Meeting Resolution adopted in 2017 seeking "net zero" energy design for its school projects was just taking hold, a new goal of eliminating the Town's use of fossil fuels to power and heat its buildings and vehicles has been adopted. Already, more aggressive efforts are underway in designing our newest schools to employ non-fossil energy sources and delivery systems. It is expected that procurement of the Town's heat and electricity, along with vehicles that consume fuel, will include options for renewable energy. It is essential that these decisions are evaluated with a full "life cycle" approach, taking into consideration both short and long term financial implications of these decisions.

Our K-12 student population has grown by 28.6% since FY 2006 from 5,766 students to 7,412. The district's K-8 enrollment increased by 40.3% during the last 10 years, growing by 1,570 students. While the increase in size of Brookline's kindergarten enrollment has driven the growth, these larger elementary grades will soon begin to enter the high school. Brookline High School has grown 4.1% in the last ten years, with a five-year growth of 12.7%. In the past five years, student enrollment at the high school has increased from 1,726 students to 1,946. Massachusetts public school enrollment fell by approximately 4% in 2020-2021 compared to the previous year; Brookline's enrollment fell by 11%. The primary factor in this decrease is international students not arriving, with withdrawal to private schools also an impact on enrollment. In the midst of uncertainty about when/if this trend will change, Brookline Public Schools has retained staff for the time being; reduced student-teacher ratios allowing for stronger academic/socioemotional support during the pandemic and will ensure sufficient staff if enrollment rebounds quickly following the pandemic.

In order to create the classroom space necessary to accommodate this enrollment level, both larger-scale renovation projects and smaller-scale space conversion projects have been undertaken. A total of 55 classrooms were added through the use of an “Expand-in-Place” strategy since 2008 including but not limited to:

- Six classrooms built at Heath School;
- Four classrooms built at Lawrence School;
- Two modular classrooms added at Baker School;
- Eleven Brookline Early Education Program (BEEP) classes moved out of K-8 buildings into leased Commercial space;
- Four classrooms in leased commercial space for Pierce;
- One brand new school will be built at Devotion to add 12 classrooms; and
- Buffer zones were expanded to maintain class size at desired levels.

On September 26, 2019, the School Committee unanimously approved moving forward with the Long-Term Capital Plan to address Brookline’s overcrowded schools, substandard facilities, and historic enrollment growth over the past ten years. Through this plan, the district will renovate and expand the Pierce School through the Massachusetts School Building Authority (MSBA) partnership, and renovate and expand the Driscoll School. At the December 10, 2019 special election, Brookline voters approved a debt exclusion override to fund the development of a new Driscoll School. This CIP does not include an estimate for the Pierce School project beyond the feasibility/schematic design phase, but a Debt Exclusion Override is also assumed for this project.

On December 14, 2018, Newbury College announced that it would cease operations in May 2019. The former Newbury College campus, located in the Fisher Hill neighborhood, was recently sold to Welltower, a leading developer of senior housing facilities. Welltower is redeveloping the eastern portion of the former Newbury College campus into a continuing care facility that would include independent living units, assisted living units, and memory care units for seniors. The Town acquired the west side of the former Newbury College Campus, which was approved as a debt exclusion in November 2020.

The Capital Improvement Program (CIP)

Through the CIP process, the Town of Brookline has identified \$267.6 million in capital improvements needed over the next six years. Large components of this total include the following:

- The Pierce School project, in partnership with the MSBA.
- Rehabilitation of streets and sidewalks (\$25 million). The 2008 Override included additional funding for streets and sidewalks, proof of the Town’s and taxpayers’ commitment to maintaining its infrastructure. State funding via the Chapter 90 program is expected to fund \$5.7 million of this work.
- Upgrades and rehabilitation of various parks/playgrounds/open spaces (\$28 million).
- Fire station renovations, (\$40 million).
- Upgrading of the Radio Infrastructure for the Police and Fire radio channels by lease-financing the cost of this project over a 5-year period with an estimated lease payment of \$900,000 per year.

Several weeks after the initial FY 2021 Budget was submitted on February 15, the COVID-19 pandemic struck the United States and caused a rapid and comprehensive economic breakdown. To meet a reduction in revenue, reductions in the operating funding normally dedicated to the Capital budget were made to mitigate the undesirable impact of reducing staffing and services, especially during the pandemic. The Town anticipates restoration of these reductions through the American Rescue Plan Act (ARPA).

Other Postemployment Benefits

The Town of Brookline is legally and contractually obligated to pay retiree healthcare costs of past, present and future Town / School retirees who have worked a minimum of 10 years for the Town. At June 30, 2020, the bi-annual actuarial analysis projected a liability of \$285 million with an unfunded liability of approximately \$226 million. At June 30, 2020, the Town had a balance of approximately \$59 million of assets in a fiduciary-managed trust fund that is designed to be the source of funding to satisfy the obligation. GAAP requires that the unfunded liability be recognized in the basic financial statements. Although there is currently no legal requirement to make annual payments. The Town has adopted a policy consistent with GASB 74/75 to meet an annual required contribution (ARC) for a 30-year full funding schedule. Once the ARC is achieved, the Town plans to increase the annual appropriation to reduce and eliminate this temporary liability.

The Town established an Other Post-Employment Benefits (OPEB) Taskforce to address this challenge. It made several recommendations to the Select Board, which, if implemented, would significantly reduce the OPEB liability. In addition, the Committee made several recommendations regarding the development of a long-term funding strategy over a 30-year period. The Town has adopted some of the funding recommendations, including an annual and escalating appropriation in the Financial Plan. The current strategy increases the annual funding commitment each year until the Town reaches the annual funding requirement (ARC). In the remaining years, annual contributions will exceed the ARC, so that the Town reaches full funding by approximately FY 2054.

In addition, the Town continues to allocate retiree healthcare costs to all enterprise, revolving, grant, and special funds of the Town and to some of the School Department's non-general funds. This plan could result in increased fees charged to the users. Finally, the Town will have the opportunity to determine whether it should use the budgetary capacity currently allocated to the unfunded pension liability when that obligation is fully funded in 2030. In the area of cost containment, the Town and Unions reached an agreement to enter the State's Government Insurance Commission (GIC) to provide medical insurance coverage for current working and retired employees and their eligible dependents, which significantly reduced the OPEB liability because of their lower premiums. The Town will continue to explore strategies to reduce health care costs and/or redistribute the cost sharing and risk.

Cash Management Policies and Practices

The Town of Brookline issues property tax bills four times a year and derives approximately 78% of its annual revenue from this source. These quarterly billings result in a reasonably steady cash flow throughout the year. Every effort is made to put any reserve funds to work. This has become more challenging of late due to continuing changes in the rate of return for most traditional investment vehicles. Nevertheless, the Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield available with those constraints.

On a daily basis, the Treasurer automatically transfers excess funds out of all depository accounts into a sweep account (repurchase agreement) with the same depository bank. Frequently, depending on the level of receipts, money is transferred into the Town account that offers the highest yield.

Finally, a significant portion of the Town's non-expendable trust funds are currently managed by professional and nationally recognized investment management firms. Each of these funds has a distinct purpose and, therefore, the mix of holdings in cash, fixed income securities, and equities will vary by fund. The amount of annual income desired and the timing of disbursements generally govern the mix.

Risk Management

The Town of Brookline manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Workers' compensation, unemployment and municipal building activities are self-insured while exposures to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters are covered through policies purchased from commercial carriers. Various loss control techniques, including employee accident prevention training, have been performed to minimize accident-related losses.

Workers' compensation claims are administered by a third-party administrator and are funded on a pay-as-you-go basis from annual appropriations that are deposited into a dedicated trust fund. Third-party coverage is maintained for individual workers' compensation claims in excess of \$800,000. In addition, the Town administers an insurance reserve fund to help offset the annual cost of its risk management program. Additional information on the Town of Brookline's risk management activity can be found in the notes to the financial statements.

Initiatives

OpenGov

Brookline has partnered with OpenGov, a leader in cloud software for government budgeting, performance, and communications – to drive effectiveness, accountability, and improve community engagement. By partnering with OpenGov, the Town of Brookline brings increased efficiency to the budgeting process, improved performance outcomes, and enhanced communications with the community.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Town Administrator's Office and the Finance Department. We would like to express our appreciation to all the members of the department who assisted and contributed to the preparation of this report. Credit should also be given to the Select Board for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Brookline's finances.

Respectfully submitted,



Melvin A. Kleckner
Town Administrator

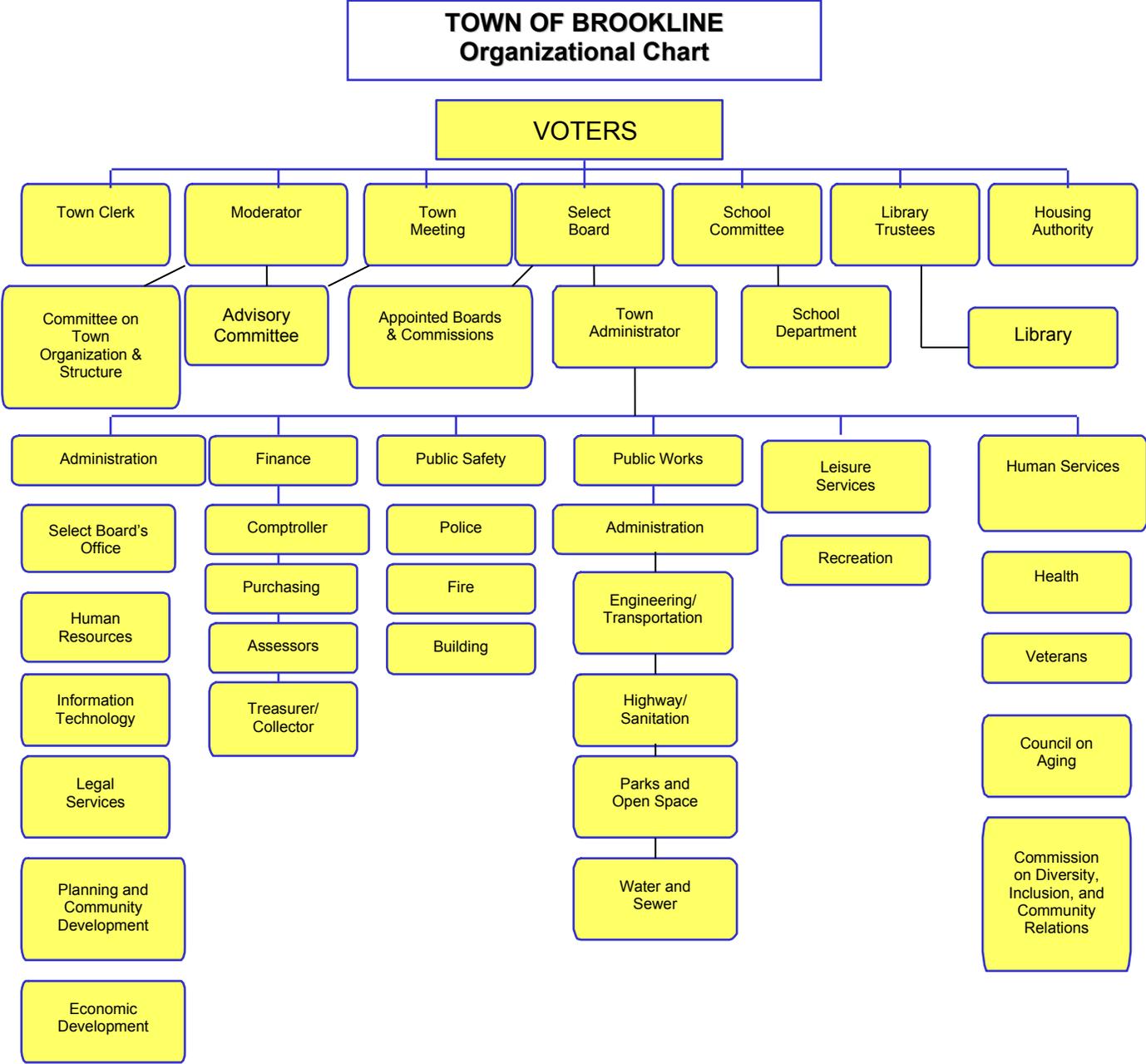


Michael F. DiPietro
Town Comptroller



Justin Casanova-Davis
Acting Finance Director/Treasurer

Organizational Charts



**BOARDS/COMMISSIONS APPOINTED
BY THE SELECT BOARD**

Planning/ Development	Administration and Finance	Public Works	Cultural/ Leisure Services	Human Services
Board of Appeals	Board of Assessors	Conservation Commission	Broadband Monitoring Committee	Advisory Council on Public Health
Board of Examiners	Human Resources Board	Solid Waste Advisory Committee	Brookline Interactive Group	Commission for the Disabled
Building Commission	Registrars of Voters	Transportation Board	Celebrations Committee	Commission for Women
Economic Development Advisory Board	Retirement Board	Tree Planting Committee	Brookline Commission for the Arts	Council on Aging
Housing Advisory Board	Information Technology	Trustees of Walnut Hills Cemetery	Park and Recreation Commission	Holocaust Memorial Committee
Planning Board	Audit Committee			Commission on Diversity, Inclusion, and Community Relations
Preservation Commission				



Independent Auditor's Report

To the Honorable Select Board
Town of Brookline, Massachusetts

100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts as of and for the year ended June 30, 2021, (except for the Brookline Contributory Retirement System which is as of December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town of Brookline, Massachusetts' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brookline, Massachusetts' basic financial statements. The letter of transmittal and organizational charts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The letters of transmittal and organizational charts have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of the Town of Brookline, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brookline's internal control over financial reporting and compliance.

Powers & Sullivan, LLC

December 20, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Brookline, Massachusetts, we offer readers of the Town of Brookline's financial statements this narrative overview and analysis of the financial activities of the Town of Brookline for the year ended June 30, 2021. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

The Governmental Accounting Standards Board (GASB) is the authoritative standards setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. The Town of Brookline has received an unmodified opinion on its financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Brookline's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on the Town's assets and deferred outflows of resources, and deferred inflows of resources and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, community development, leisure services, legal settlement, and interest. The business-type activities include water and sewer and golf activities.

The basic financial statements include not only the Town of Brookline itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Brookline is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Brookline adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, and golf activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for workers' compensation benefits, unemployment, and municipal building insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds. The Town uses the fiduciary funds to account for Pension, OPEB and private purpose trust funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the general fund budget and progress in funding its obligation to provide postemployment benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown below, governmental liabilities and deferred inflows exceeded assets and deferred outflows which results in a net position deficit of \$159.1 million at the close of 2021.

For the governmental activities, net position of \$253.9 million reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. \$12.2 million represents resources that are subject to external restrictions on expenditures. The balance of unrestricted net position has a year-end deficit of \$425.2 million which includes a \$216.7 million liability for postemployment benefits, and a \$186.7 million net pension liability. Please see Note 12 for more information on the net pension liability and Note 13 for more information on the other postemployment benefits liability.

Governmental Activities Net Position

At the end of the current year, the Town is able to report positive balances in two out of three categories of net position. The Town's liabilities and deferred inflows exceeded its assets and deferred outflows resulting in a deficit in net position of \$159.1 million at the close of 2021.

	2021	2020 (As Revised)
Assets:		
Current assets.....	\$ 354,102,654	\$ 248,913,464
Noncurrent assets (excluding capital).....	275,000	721,000
Capital assets, nondepreciable.....	244,866,785	161,254,480
Capital assets, net of accumulated depreciation....	296,264,885	283,952,591
Total assets.....	895,509,324	694,841,535
Deferred outflows of resources.....	4,727,616	13,252,071
Liabilities:		
Current liabilities (excluding debt).....	60,859,572	37,620,351
Noncurrent liabilities (excluding debt).....	425,361,918	462,936,078
Current debt.....	29,609,342	22,426,676
Noncurrent debt.....	472,245,043	314,458,907
Total liabilities.....	988,075,875	837,442,012
Deferred inflows of resources.....	71,250,852	35,531,523
Net position:		
Net investment in capital assets.....	253,879,006	244,655,935
Restricted.....	12,214,170	20,771,664
Unrestricted.....	(425,182,963)	(430,307,528)
Total net position.....	\$ (159,089,787)	\$ (164,879,929)

The Town's governmental net position increased by \$5.8 million in 2021. Key elements of the change are as follows:

	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services..... \$	30,982,130	\$ 32,814,298
Operating grants and contributions.....	72,872,653	62,302,516
Capital grants and contributions.....	3,819,125	883,365
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	253,670,635	237,170,693
Motor vehicle and other excise taxes.....	6,387,317	6,531,428
Hotel/motel tax.....	613,630	2,285,895
Meals and marijuana excise taxes.....	1,925,884	2,988,797
Penalties and interest on taxes.....	745,255	572,118
Payments in lieu of taxes.....	2,023,502	1,590,248
Grants and contributions not restricted to specific programs.....	7,197,438	7,259,824
Unrestricted investment income.....	2,154,518	1,697,233
Miscellaneous.....	502,394	502,826
Total revenues.....	<u>382,894,481</u>	<u>356,599,241</u>
Expenses:		
General government.....	27,756,345	25,798,137
Public safety.....	69,966,850	68,743,730
Education.....	209,116,456	200,834,324
Public works.....	27,413,884	26,120,122
Community development.....	1,061,585	1,095,663
Human services.....	6,228,865	6,472,042
Leisure services.....	11,585,268	13,150,748
Claims and judgments.....	15,100,000	-
Interest.....	8,875,086	7,057,774
Total expenses.....	<u>377,104,339</u>	<u>349,272,540</u>
Change in net position.....	5,790,142	7,326,701
Net position, beginning of year (as revised).....	<u>(164,879,929)</u>	<u>(172,206,630)</u>
Net position, end of year..... \$	<u>(159,089,787)</u>	<u>(164,879,929)</u>

The increase in net position is due to several factors.

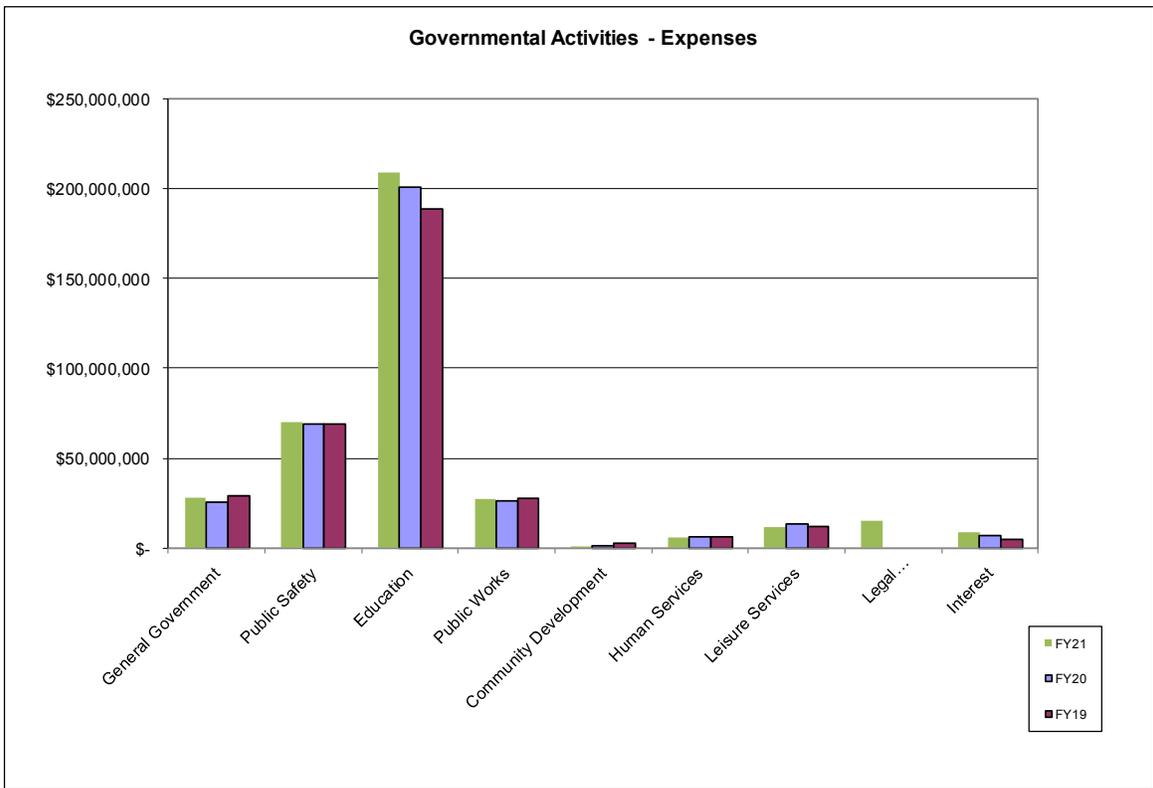
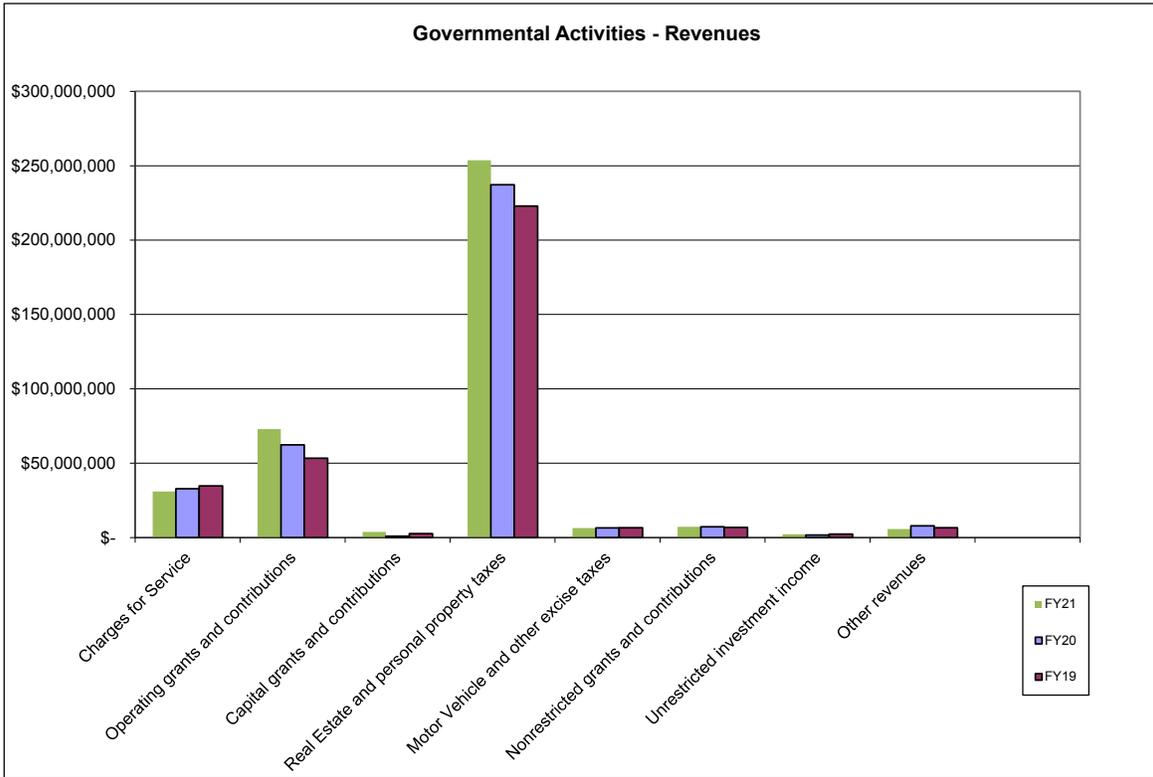
Increasing net position were capital grants of \$1.4 million related to the MSBA reimbursement of various school construction projects and \$2.4 million related to Chapter 90 grant allocations, amortization of previous years debt premiums of \$2.5 million, a \$9.3 million decrease in net pension benefits liability accrual and its related deferred inflows/outflows, and the Town's ability to fund approximately \$8.4 million of capital additions from current revenues. Additional item increasing net position included an operating surplus in the general fund of \$2.6 million.

Decreasing net position was a legal settlement accrual of \$15.1 million (see Note 20 for more information), an increase of \$869,000 in the compensated absence accrual, and the fact that depreciation exceeded principal payments on long-term debt by \$7.4 million.

The governmental expenses totaled \$377.1 million of which \$107.7 million (28.6%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants.

General revenues totaled \$275.2 million, primarily coming from property taxes, motor vehicle and other excise, and non-restricted state aid.

The following tables show the functional sources and uses of 2021 revenues and expenses.



COVID-19

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. As of June 30, 2021, the Town incurred COVID-19 related expenses totaling \$7.4 million, the majority of which relate to first responder, building cleaning/disinfecting, accelerated telework capacity, and personal protective equipment (PPE) costs. The Town anticipates being reimbursed for these costs through the Coronavirus Relief Fund and the Federal Emergency Management Agency and has recorded a receivable of \$3.0 million related to the anticipated reimbursements.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$274.2 million which is comprised of \$43.1 million in the general fund, \$4.5 million in the Florida Ruffin Ridley School renovation fund, \$186.7 million in the school capital fund, \$13.4 million in the capital articles fund, and \$26.6 million in the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$29.5 million, while total fund balance was \$43.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund revenues. Unassigned fund balance represents 9% of total general fund revenues, while total fund balance represents 12% of that same amount. A good range for unassigned fund balance is 10-15% of total general fund revenues of which the Town strives to meet.

Fund balance of the General Fund increased by \$2.6 million during 2021. This is due to a budgetary surplus of \$2.4 million and \$578,000 of investment income received in the stabilization fund included in the general fund for reporting purposes.

The Florida Ruffin Ridley School Renovation Fund is used to account for financial resources for the renovation of the School building. At the end of the current year, this fund has a fund balance of \$4.5 million. This is primarily the result of the timing of bond proceeds and MSBA reimbursements being issued and received and the expenditure of such funds. In 2021, \$120,000 was spent on the project.

The School Capital Fund is used to account for financial resources for the renovation/construction school projects. At the end of the current year, this fund has a fund balance of \$186.7 million. This is primarily the result of the timing of bond proceeds and MSBA reimbursements being issued and received and the expenditure of such funds. In 2021, \$148.7 million of bonds proceeds was received along with a \$7.6 million premium on bonds. These increases were offset by \$81.7 million of expenditures on the Brookline High School renovation/expansion project and Driscoll School reconstruction project.

The Capital Article Fund is used to account for various revenue financed capital projects. At the end of the current year, the fund has a fund balance of \$13.4 million. This is due to the timing of the expenditure of funds transferred in for capital related purposes.

The Chapter 90 Highway fund is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks. The Chapter 90 revenues and expenditures equaled during 2021. As a result, the fund has a zero balance at year end.

General Fund Budgetary Highlights

There was a \$1 million increase between the original and final budget. This change represents the net increases/decreases to various budgetary line items. The Town has elected to carry forward encumbrances and appropriations totaling \$3.1 million.

Business-type Activities.

Key elements of the business-type activities are as follows:

	2021 Water & Sewer Activities	2020 Water & Sewer Activities
Assets:		
Current assets.....	\$ 20,170,126	\$ 19,953,672
Capital assets, net of accumulated depreciation....	58,909,476	59,494,668
Total assets.....	79,079,602	79,448,340
Deferred outflows of resources.....	94,409	267,257
Liabilities:		
Current liabilities (excluding debt).....	537,555	508,624
Noncurrent liabilities (excluding debt).....	8,244,866	9,351,618
Current debt.....	1,632,803	1,676,665
Noncurrent debt.....	9,010,636	8,643,439
Total liabilities.....	19,425,860	20,180,346
Deferred inflows of resources.....	1,441,594	720,384
Net position:		
Net investment in capital assets.....	58,988,623	58,564,703
Unrestricted.....	(682,066)	250,164
Total net position.....	\$ 58,306,557	\$ 58,814,867

	2021 Water & Sewer Activities	2020 Water & Sewer Activities
Program Revenues:		
Charges for services.....	\$ 29,027,156	\$ 27,921,226
Capital grants and contributions.....	-	1,968,300
General Revenues:		
Unrestricted investment income.....	6,663	11,453
Total revenues.....	29,033,819	29,900,979
Expenses:		
Water and sewer.....	29,542,129	28,578,147
Change in net position.....	(508,310)	1,322,832
Net position, beginning of year.....	58,814,867	57,492,035
Net position, end of year.....	\$ 58,306,557	\$ 58,814,867

The water and sewer enterprise net position decreased by \$508,000 during the current year. The primary reasons for this decrease are an increase in MWRA charges for both water & sewer, increases in payroll costs, and overall increase in other operating costs.

	2021 Golf Course Activities	2020 Golf Course Activities
Assets:		
Current assets.....	\$ 882,189	\$ 348,247
Capital assets, net of accumulated depreciation....	2,506,704	2,353,593
Total assets.....	3,388,893	2,701,840
Deferred outflows of resources.....	7,818	23,128
Liabilities:		
Current liabilities (excluding debt).....	215,799	83,348
Noncurrent liabilities (excluding debt).....	1,021,850	858,014
Current debt.....	98,660	95,000
Noncurrent debt.....	885,030	1,005,000
Total liabilities.....	2,221,339	2,041,362
Deferred inflows of resources.....	56,475	38,037
Net position:		
Net investment in capital assets.....	1,208,345	1,312,507
Unrestricted.....	(89,448)	(666,938)
Total net position.....	\$ 1,118,897	\$ 645,569

	2021 Golf Course Activities	2020 Golf Course Activities
Program Revenues:		
Charges for services.....	\$ 2,296,325	\$ 1,434,386
General Revenues:		
Unrestricted investment income.....	8,306	21,849
Total revenues.....	2,304,631	1,456,235
Expenses:		
Golf course.....	1,831,303	1,772,708
Change in net position.....	473,328	(316,473)
Net position, beginning of year.....	645,569	962,042
Net position, end of year.....	\$ 1,118,897	\$ 645,569

The golf enterprise net position increased by \$473,000 during the current year. The increase is primarily the result of an increase in all golf course activities once the course was allowed to open to the public.

Capital Planning and Budgeting

Capital planning and budgeting is a critical undertaking for any government and is central to the delivery of essential services and the quality of life for residents. In fact, without a sound plan for long-term investment in infrastructure and equipment, the ability of local government to accomplish its goals is greatly hampered. In 1994, as part of the override discussion that year, the Select Board implemented a Financial Improvement Program. A key area addressed in the Program was capital planning and, since then, the Town has made a significant commitment to its Capital Improvement Program (CIP) to address the backlog of capital needs created by the under-investment in infrastructure during the late-1970's and the 1980's. Over the last 10 years (FY12 - FY21), the Town has authorized expenditures of \$665 million, for an average of \$67 million per year. Although there continues to be more to do in the areas of street and sidewalk repairs, parks/open space improvements, and school and Town facilities upgrades, the commitment to capital improvements is showing positive results.

Each year's CIP takes into account a projected six-year view. The FY2022 – FY2027 CIP calls for an investment of \$156 million, for an average of approximately \$26 million per year and continues the Town's aggressive approach toward maintaining and improving the Town's physical assets. Developed within the parameters of the Select Board's CIP Policies, the CIP incorporated a number of major projects along with a financing plan that includes outside funding sources and grant opportunities. It also continued to fund school projects related to the enrollment surge of the past few years.

In addition to the 6% financing called for in the CIP Policy, Free Cash and State/Federal grants are other key components of the overall financing strategy of the CIP. The Town's Free Cash Policy dedicates this revenue source to the CIP after funding various strategic reserves / protecting fund balance levels so that total CIP funding is equal to 7.5% of the prior year's net revenue. This important funding source allows for the expansion of the pay-as-you-go component of the CIP. Without Free Cash, the Town would be unable to fund many of the projects being recommended. The Town's certified Free Cash for the fiscal year ending June 30, 2020 was \$14.3 million. After funding strategic reserves to the levels called for in the Town's Reserve policies, and after leaving \$2.6 million un-appropriated to address an unreserved fund balance issue, \$7.6 million of additional pay-as-you-go capacity was made available to the CIP for FY 2021. For the out-years of the CIP, approximately \$6.6 million is estimated for Free Cash, which yields between \$4.8 - \$3.8 million per year for the CIP.

State/Federal grants total \$1.2 million over the six-year period. Another key CIP financing policy is that the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund cover 100% of their debt service. When additional capital work to the water and sewer infrastructure or to the golf course is requested, the impact debt service has on those enterprise funds is taken into consideration. Since they are both 100% cost recovery funds, any growth in debt service may well necessitate increases in fees. Therefore, the decision to authorize additional debt is made carefully.

On December 14, 2018, Newbury College announced that it would cease operations in May 2019. The former Newbury College campus, located in the Fisher Hill neighborhood, was recently sold to Welltower, a leading developer of senior housing facilities. Welltower is redeveloping the eastern portion of the former Newbury College campus into a continuing care facility that would include independent living units, assisted living units, and memory care units for seniors. The Town acquired the west side of the former Newbury College Campus, which was approved as a debt exclusion in November 2020. The Town intends to use the existing Academic Building for municipal and/or school uses on a temporary basis. During this time, the Town will undertake an extensive and comprehensive planning process including robust public participation to identify a permanent use of the property that responds to municipal/school needs and respects the neighborhood context in which the property is located.

Since 2005, Brookline has experienced historic enrollment growth in its public schools. The K-8 elementary schools have grown by 40% going from 3,904 students in 2006 to 5,482 students in 2017, which is equivalent to adding three schools into our existing schools in just over 10 years. For a decade now, the Town and School Department have been addressing the expanding student population by studying potential sites for a new elementary school and by adding classrooms to existing schools by dividing classrooms; converting offices, locker rooms, and hallways into classrooms; renting private buildings; and building new classrooms or adding modular classes. Despite adding nearly 60 classrooms to our existing schools through this “Expand-in-Place” strategy, the schools continue to be severely overcrowded.

While the increase in size of Brookline’s kindergarten enrollment has driven the growth, these larger elementary grades will soon begin to enter the high school. Brookline High School is currently experiencing the initial wave of rapid enrollment growth that will increase the student body from 1,800 students in 2015, to at least 2,600 or more students by 2023. This CIP continues to address the overcrowding issue in a comprehensive manner:

- Classroom Capacity – in both FY08 and FY10, Town Meeting appropriated \$400,000 to address space needs, followed by \$530,000 in FY11 and \$1.75 million in FY’s 13-15. The CIP includes an additional \$8.6 million over the course of the six years, with \$2.25 million coming in FY16. The Classroom Capacity item in FY 2021 covers the leases at the temples, 62 Harvard, 24 Webster Place and the Baker modules. The FY2021 – 2026 budgets assume continuation of those lease arrangements.
- Building Projects – To address Brookline's ongoing enrollment growth and space capacity issues, the School Committee, Select Board, Building Department staff, and School Department staff continue to work on three important capital improvement projects: In May 2018, Brookline voters supported a debt exclusion override to fund the expansion and renovation of Brookline High School. The project is nearing completion.
- On September 26, 2019, the School Committee unanimously approved moving forward with the Long-Term Capital Plan to address Brookline's overcrowded schools, substandard facilities, and historic enrollment growth over the past ten years. Through this plan, the district will renovate and expand the Pierce School through the Massachusetts School Building Authority (MSBA) partnership and renovate and expand the Driscoll School. At the December 10, 2019 special election, Brookline voters approved a debt exclusion override to fund the development of a new Driscoll School.

- This CIP does not include an estimate for the Pierce School project beyond the feasibility/schematic design phase, but a Debt Exclusion Override is also assumed for this project.

All of this is being addressed while at the same time continuing to address on-going infrastructure improvements including streets, sidewalks, parks/playgrounds, and water/sewer systems. The core of any CIP should be the repair of and improvement to a community's infrastructure and that is the case with this CIP. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these economic and budgetary times. Fortunately, Brookline's CIP policies (dedicated CIP funding) and taxpayer support (debt exclusions for Schools and an Override that included infrastructure needs) have allowed the community to fund these needs far more adequately than would otherwise be the case.

Several weeks after the initial FY 2021 Budget was submitted on February 15, 2020, the COVID-19 pandemic struck the United States and caused a rapid and comprehensive economic breakdown. To meet a reduction in revenue in the operating funding normally dedicated to the Capital budget, changes were made to mitigate the undesirable impact of reducing staffing and services, especially during the pandemic. The Town anticipates restoration of these reductions through the American Rescue Plan Act (ARPA).

The following schedule reflects the CIP expenditure activity for fiscal 2021, together with outstanding encumbrances and available budget balances, for both Debt and Revenue Funded Capital Projects:

Fiscal 2021 Schedule of Capital Improvement Plan Expenditures, Encumbrances and Available Budget

	All Capital Improvement Projects			Revenue Financed Projects			Debt Financed Projects		
	Expended in Fiscal 2021	Encumbrances	Available Budget	Expended in Fiscal 2021	Encumbrances	Available Budget	Expended in Fiscal 2021	Encumbrances	Available Budget
General Government Capital Equipment/Planning..	\$ 16,741,222	\$ 78,975	\$ 85,097	\$ 1,825,583	\$ 60,552	\$ 79,375	\$ 14,915,639	\$ 18,423	\$ 5,722
Building Projects	83,879,397	171,952,012	46,940,401	2,056,425	436,872	2,104,589	81,822,972	171,515,140	44,835,812
Public Safety Projects	872,670	10,685	1,445,630	869,450	10,685	1,443,279	3,220	-	2,351
DPW Projects	8,062,835	4,895,207	11,564,612	6,403,763	3,064,612	7,203,201	1,659,072	1,830,595	4,361,411
Recreation Projects	22,362	-	189,284	22,362	-	189,284	-	-	-
Library Projects	14,469	-	-	14,469	-	-	-	-	-
DPW Enterprise Related Projects	1,058,800	3,794,673	9,611,742	232,882	484	545,767	825,918	3,794,189	9,065,975
Golf Enterprise Projects	-	-	748,914	-	-	-	-	-	748,914
Grand Total	\$ 110,651,755	\$ 180,731,552	\$ 70,585,680	\$ 11,424,934	\$ 3,573,205	\$ 11,565,495	\$ 99,226,821	\$ 177,158,347	\$ 59,020,185

Capital Asset and Debt Administration

Capital Assets. The Town of Brookline's investment in capital assets for its governmental and business type activities as of June 30, 2021, amount to \$602.5 million (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, roads, sidewalks, bridges and water and sewer lines.

The net increase in the Town of Brookline's investment in capital assets for the current year was \$95.6 million, including a \$96.0 million increase for governmental activities and a \$432,000 decrease for business-type activities, net of depreciation.

As noted in the table above the Town's major capital projects relate to school renovations and various infrastructure projects.

Major Capital asset additions during the current year included the following:

- ❖ Approximately \$101.5 million was capitalized for the building improvements.
- ❖ Approximately \$3.1 million was capitalized for town park and land improvements.
- ❖ Approximately \$5.2 million was capitalized for roads, sidewalks, wastewater, and other related infrastructure.
- ❖ Approximately \$7.5 million was capitalized for machinery and equipment.
- ❖ Approximately \$1.6 million was capitalized for water improvements.
- ❖ Approximately \$470,000 was capitalized for golf equipment.

Please see Note 4 for further capital asset information.

Town of Brookline's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business-Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
	\$	\$	\$	\$	\$	\$	
Land	874,873	874,873	-	-	874,873	874,873	
Construction in Progress	243,991,912	160,379,607	-	-	243,991,912	160,379,607	
Land Improvements	25,830,987	26,089,273	1,546,062	1,797,725	27,377,049	27,886,999	
Buildings	215,809,550	210,156,215	3,046,497	2,803,398	218,856,047	212,959,613	
Machinery and Equipment	20,646,680	16,115,275	2,104,782	1,605,515	22,751,462	17,720,790	
Infrastructure	33,977,668	31,591,829	54,718,839	55,641,623	88,696,507	87,233,451	
Total	\$ 541,131,670	\$ 445,207,071	\$ 61,416,180	\$ 61,848,261	\$ 602,547,850	\$ 507,055,332	

Long-term Debt. At the end of the current year, the Town of Brookline had total bonded debt outstanding of \$472.2 million, of which \$461.7 million is governmental debt and \$10.5 million is business-type debt. This entire amount is classified as outstanding long-term debt. In the current year, the Town issued \$171.8 million of governmental and \$1.9 million of business-type debt net of capitalized bond premiums.

In 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under this program, the assistance is paid to support construction costs and reduce the total debt service of the Town. The Town has been approved for a project at the Florida Ruffin Ridley School, formerly known as the Devotion School under this program. Through the end of FY2021, the Town has recorded capital grant revenue totaling approximately \$23.5 million, from the MSBA which is equal to 38.30% of approved construction costs incurred to date. The Town received reimbursements related to the Florida Ruffin Ridley School for approximately \$1.4 million in 2021 and recorded a receivable of \$567,000.

In order to take advantage of favorable interest rates, the Town issued \$4.1 million of general obligation refunding bonds on March 24, 2021. Of the bonds, \$3.9 million was governmental and \$154,000 related to the golf enterprise fund. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$4.7 million and became callable on May 1, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$739,000 and a reduction of \$815,000 in future debt service payments.

Please see notes 7 and 8 for further debt information.

Cash and Investments

At June 30, 2021, the Town had recorded Cash and Investments of \$427,017,823. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash of \$260,478; Investment accounts maintained by the Trustees of the Brookline Public Library of \$5,134,610; and Cash and Investment accounts maintained by the Brookline Retirement System of \$6,216,544 and \$380,434,324 respectively. This resulted in total Cash and Investments of \$819,063,779 as reflected in the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Brookline's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller at Brookline Town Hall, 333 Washington Street, Brookline, Massachusetts 02146.

You are also invited to visit our website at <http://www.brooklinema.gov>.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 97,620,128	\$ 13,088,867	\$ 110,708,995
Investments.....	231,614,344	-	231,614,344
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	9,082,654	-	9,082,654
Tax liens.....	1,559,656	-	1,559,656
Motor vehicle and other excise taxes.....	910,817	-	910,817
User charges.....	168,760	7,963,448	8,132,208
Departmental and other.....	3,585,485	-	3,585,485
Intergovernmental - other.....	9,533,437	-	9,533,437
Internal balances.....	25,000	(25,000)	-
Other assets.....	2,373	-	2,373
Total current assets.....	354,102,654	21,027,315	375,129,969
NONCURRENT:			
Internal balances.....	275,000	(275,000)	-
Capital assets, nondepreciable.....	244,866,785	-	244,866,785
Capital assets, net of accumulated depreciation.....	296,264,885	61,416,180	357,681,065
Total noncurrent assets.....	541,406,670	61,141,180	602,547,850
TOTAL ASSETS.....	895,509,324	82,168,495	977,677,819
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	3,424,189	75,355	3,499,544
Deferred outflows related to other postemployment benefits.....	1,303,427	26,872	1,330,299
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	4,727,616	102,227	4,829,843
LIABILITIES			
CURRENT:			
Warrants payable.....	16,428,389	42,839	16,471,228
Accrued payroll.....	5,409,822	-	5,409,822
Tax refunds payable.....	9,343,493	-	9,343,493
Accrued interest.....	3,174,376	138,646	3,313,022
Other liabilities.....	2,673,461	24,430	2,697,891
Unearned revenue.....	590,970	-	590,970
Legal settlement.....	15,100,000	-	15,100,000
Capital lease obligations.....	1,078,640	91,772	1,170,412
Landfill closure.....	47,000	-	47,000
Compensated absences.....	7,980,421	430,667	8,411,088
Workers' compensation.....	111,640	-	111,640
Notes payable.....	6,700,000	-	6,700,000
Bonds payable.....	21,830,702	1,731,463	23,562,165
Total current liabilities.....	90,468,914	2,459,817	92,928,731
NONCURRENT:			
Unearned revenue.....	16,203,225	-	16,203,225
Capital lease obligations.....	2,839,889	281,807	3,121,696
Landfill closure.....	680,000	-	680,000
Compensated absences.....	2,467,774	135,085	2,602,859
Workers' compensation.....	2,679,360	-	2,679,360
Net pension liability.....	186,677,429	4,108,184	190,785,613
Net other postemployment benefits liability.....	216,654,130	4,466,640	221,120,770
Bonds payable.....	469,405,154	9,895,666	479,300,820
Total noncurrent liabilities.....	897,606,961	18,887,382	916,494,343
TOTAL LIABILITIES.....	988,075,875	21,347,199	1,009,423,074
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	20,950,677	461,058	21,411,735
Deferred inflows related to other postemployment benefits.....	50,300,175	1,037,011	51,337,186
TOTAL DEFERRED INFLOWS OF RESOURCES.....	71,250,852	1,498,069	72,748,921
NET POSITION			
Net investment in capital assets.....	253,879,006	60,196,968	314,075,974
Restricted for:			
Permanent funds:			
Expendable.....	6,716,162	-	6,716,162
Nonexpendable.....	1,956,074	-	1,956,074
Gifts and grants.....	3,541,934	-	3,541,934
Unrestricted.....	(425,182,963)	(771,514)	(425,954,477)
TOTAL NET POSITION.....	\$ (159,089,787)	\$ 59,425,454	\$ (99,664,333)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 27,756,345	\$ 6,047,943	\$ 5,663,030	\$ -	\$ (16,045,372)
Public safety.....	69,966,850	10,876,433	631,330	-	(58,459,087)
Education.....	209,116,456	5,686,266	64,189,733	1,441,285	(137,799,172)
Public works.....	27,413,884	4,564,263	776,511	2,377,840	(19,695,270)
Community development.....	1,061,585	294,450	1,119,253	-	352,118
Human services.....	6,228,865	467,162	363,489	-	(5,398,214)
Leisure services.....	11,585,268	3,045,613	95,645	-	(8,444,010)
Legal settlement.....	15,100,000	-	-	-	(15,100,000)
Interest.....	8,875,086	-	33,662	-	(8,841,424)
Total Governmental Activities.....	<u>377,104,339</u>	<u>30,982,130</u>	<u>72,872,653</u>	<u>3,819,125</u>	<u>(269,430,431)</u>
<i>Business-Type Activities:</i>					
Water and sewer.....	29,542,129	29,027,156	-	-	(514,973)
Golf course.....	1,831,303	2,296,325	-	-	465,022
Total Business-Type Activities.....	<u>31,373,432</u>	<u>31,323,481</u>	<u>-</u>	<u>-</u>	<u>(49,951)</u>
Total Primary Government.....	<u>\$ 408,477,771</u>	<u>\$ 62,305,611</u>	<u>\$ 72,872,653</u>	<u>\$ 3,819,125</u>	<u>\$ (269,480,382)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (269,430,431)	\$ (49,951)	\$ (269,480,382)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	253,670,635	-	253,670,635
Motor vehicle and other excise taxes.....	6,387,317	-	6,387,317
Hotel/motel tax.....	613,630	-	613,630
Meals and marijuana excise taxes.....	1,925,884	-	1,925,884
Penalties and interest on taxes.....	745,255	-	745,255
Payments in lieu of taxes.....	2,023,502	-	2,023,502
Grants and contributions not restricted to specific programs.....	7,197,438	-	7,197,438
Unrestricted investment income.....	2,154,518	14,969	2,169,487
Miscellaneous.....	502,394	-	502,394
Total general revenues and transfers.....	275,220,573	14,969	275,235,542
 Change in net position.....	 5,790,142	 (34,982)	 5,755,160
<i>Net position:</i>			
Beginning of year (as revised).....	(164,879,929)	59,460,436	(105,419,493)
End of year.....	\$ (159,089,787)	\$ 59,425,454	\$ (99,664,333)
			(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Florida Ruffin Ridley School Renovation	School Capital	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 24,093,350	\$ 2,746,035	\$ 15,921,202	\$ 13,664,395	\$ -	\$ 35,478,718	\$ 91,903,700
Investments.....	33,837,435	-	187,205,675	-	-	10,571,234	231,614,344
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	9,082,654	-	-	-	-	-	9,082,654
Tax liens.....	1,559,656	-	-	-	-	-	1,559,656
Motor vehicle and other excise taxes.....	910,817	-	-	-	-	-	910,817
User charges.....	168,760	-	-	-	-	-	168,760
Departmental and other.....	2,800,657	-	-	-	-	784,828	3,585,485
Intergovernmental - other.....	422,000	566,608	79,021	-	4,199,287	4,266,521	9,533,437
Due from other funds.....	300,000	1,193,494	-	-	-	-	1,493,494
Other assets.....	-	-	-	-	-	2,373	2,373
TOTAL ASSETS.....	\$ 73,175,329	\$ 4,506,137	\$ 203,205,898	\$ 13,664,395	\$ 4,199,287	\$ 51,103,674	\$ 349,854,720
LIABILITIES							
Warrants payable.....	\$ 1,019,362	-	\$ 14,497,939	\$ 306,199	\$ 1,600	\$ 603,289	\$ 16,428,389
Accrued payroll.....	5,409,822	-	-	-	-	-	5,409,822
Tax refunds payable.....	9,343,493	-	-	-	-	-	9,343,493
Due to other funds.....	-	-	-	-	1,193,494	-	1,193,494
Other liabilities.....	1,499,045	-	-	-	-	1,174,416	2,673,461
Unearned revenue.....	159,945	-	-	-	-	16,634,250	16,794,195
Notes payable.....	-	-	2,000,000	-	-	4,700,000	6,700,000
TOTAL LIABILITIES.....	17,431,667	-	16,497,939	306,199	1,195,094	23,111,955	58,542,854
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue.....	12,656,597	-	-	-	3,004,193	1,406,208	17,066,998
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	1,956,074	1,956,074
Restricted.....	-	4,506,137	186,707,959	-	-	24,629,437	215,843,533
Committed.....	-	-	-	13,358,196	-	-	13,358,196
Assigned.....	13,540,539	-	-	-	-	-	13,540,539
Unassigned.....	29,546,526	-	-	-	-	-	29,546,526
TOTAL FUND BALANCES.....	43,087,065	4,506,137	186,707,959	13,358,196	-	26,585,511	274,244,868
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 73,175,329	\$ 4,506,137	\$ 203,205,898	\$ 13,664,395	\$ 4,199,287	\$ 51,103,674	\$ 349,854,720

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total governmental fund balances.....		\$ 274,244,868
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		541,131,670
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		17,066,998
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(66,523,236)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		2,925,428
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(3,174,376)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(491,235,856)	
Net pension liability.....	(186,677,429)	
Net other postemployment benefits liability.....	(216,654,130)	
Landfill closure.....	(727,000)	
Capital lease obligations.....	(3,918,529)	
Legal settlement liability.....	(15,100,000)	
Compensated absences.....	<u>(10,448,195)</u>	
Net effect of reporting long-term liabilities.....		<u>(924,761,139)</u>
Net position of governmental activities.....		\$ <u><u>(159,089,787)</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

	General	Florida Ruffin Ridley School Renovation	School Capital	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 252,490,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,490,132
Motor vehicle and other excise taxes.....	6,040,964	-	-	-	-	-	6,040,964
Hotel/motel tax.....	613,630	-	-	-	-	-	613,630
Meals and marijuana excise taxes.....	1,925,884	-	-	-	-	-	1,925,884
Charges for services.....	7,537,317	-	-	-	-	5,829,227	13,366,544
Penalties and interest on taxes.....	745,255	-	-	-	-	-	745,255
Fees and rentals.....	-	-	-	-	-	8,612	8,612
Payments in lieu of taxes.....	2,023,502	-	-	-	-	-	2,023,502
Licenses and permits.....	5,760,660	-	-	-	-	-	5,760,660
Fines and forfeitures.....	2,011,219	-	-	-	-	-	2,011,219
Intergovernmental - state aid.....	22,315,413	-	-	-	-	-	22,315,413
Intergovernmental - Teachers Retirement.....	40,479,311	-	-	-	-	-	40,479,311
Intergovernmental - other.....	-	1,441,285	79,021	-	1,205,251	18,953,776	21,679,333
Departmental and other.....	3,877,256	-	-	-	-	7,350,517	11,227,773
Contributions and donations.....	-	-	-	-	-	1,566,232	1,566,232
Investment income.....	502,457	-	-	-	-	1,642,450	2,144,907
TOTAL REVENUES.....	346,323,000	1,441,285	79,021	-	1,205,251	35,350,814	384,399,371
EXPENDITURES:							
Current:							
General government.....	10,522,722	-	-	1,361,323	-	19,849,187	31,733,232
Public safety.....	42,446,297	-	-	4,674,001	-	7,163,883	54,284,181
Education.....	120,201,429	119,732	81,737,741	1,944,229	-	15,182,731	219,185,862
Public works.....	17,540,907	-	-	4,337,529	1,205,251	1,970,754	25,054,441
Community development.....	-	-	-	-	-	1,517,792	1,517,792
Human services.....	2,912,070	-	-	10,894	-	1,624,058	4,547,022
Leisure services.....	5,180,023	-	-	333,608	-	3,867,890	9,381,521
Pension benefits.....	26,036,416	-	-	-	-	-	26,036,416
Pension benefits - Teachers Retirement.....	40,479,311	-	-	-	-	-	40,479,311
Employee benefits.....	39,598,962	-	-	-	-	-	39,598,962
State and county charges.....	6,844,100	-	-	-	-	-	6,844,100
Debt service:							
Principal.....	13,674,000	-	-	-	-	-	13,674,000
Principal payment on current refunding.....	4,500,000	-	-	-	-	-	4,500,000
Interest.....	11,382,165	-	-	-	-	-	11,382,165
TOTAL EXPENDITURES.....	341,318,402	119,732	81,737,741	12,661,584	1,205,251	51,176,295	488,219,005
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	5,004,598	1,321,553	(81,658,720)	(12,661,584)	-	(15,825,481)	(103,819,634)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	148,666,500	-	-	19,244,750	167,911,250
Issuance of refunding bonds.....	3,919,560	-	-	-	-	-	3,919,560
Premium from issuance of bonds.....	-	-	7,604,330	-	-	2,016,220	9,620,550
Premium from issuance of refunding bonds.....	580,440	-	-	-	-	-	580,440
Capital lease financing.....	811,026	-	-	3,825,550	-	-	4,636,576
Transfers in.....	727,654	-	-	8,428,247	-	1,372,421	10,528,322
Transfers out.....	(8,397,380)	-	-	(202,265)	-	(1,928,677)	(10,528,322)
TOTAL OTHER FINANCING SOURCES (USES).....	(2,358,700)	-	156,270,830	12,051,532	-	20,704,714	186,668,376
NET CHANGE IN FUND BALANCES.....	2,645,898	1,321,553	74,612,110	(610,052)	-	4,879,233	82,848,742
FUND BALANCES AT BEGINNING OF YEAR (AS REVISED)....	40,441,167	3,184,584	112,095,849	13,968,248	-	21,706,278	191,396,126
FUND BALANCES AT END OF YEAR.....	\$ 43,087,065	\$ 4,506,137	\$ 186,707,959	\$ 13,358,196	\$ -	\$ 26,585,511	\$ 274,244,868

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....		\$ 82,848,742
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	116,981,389	
Depreciation expense.....	<u>(21,056,790)</u>	
Net effect of reporting capital assets.....		95,924,599
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,514,501)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	1,063,732	
Issuance of bonds.....	(167,911,250)	
Issuance of refunding bonds.....	(3,919,560)	
Premium from issuance of bonds.....	(9,620,550)	
Premium from issuance of refunding bonds.....	(580,440)	
Principal payment on current refunded debt.....	4,500,000	
Capital lease financing.....	(4,636,576)	
Net amortization of premium from issuance of bonds.....	2,461,842	
Debt service principal payments.....	<u>13,674,000</u>	
Net effect of reporting long-term debt.....		(164,968,802)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(869,000)	
Net change in accrued interest on long-term debt.....	45,237	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(12,795,031)	
Net change in net pension liability.....	22,081,991	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(31,448,753)	
Net change in net other postemployment benefits liability.....	31,684,031	
Net change in landfill closure.....	305,000	
Net change in legal settlement liability.....	<u>(15,100,000)</u>	
Net effect of recording long-term liabilities.....		(6,096,525)
The net activity of internal service funds is reported with Governmental Activities.....		<u>(403,371)</u>
Change in net position of governmental activities.....		<u>\$ 5,790,142</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Water and Sewer	Golf Course	Total	Governmental Activities - Internal Service Fund
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 12,206,678	\$ 882,189	\$ 13,088,867	\$ 5,716,428
Receivables, net of allowance for uncollectibles:				
User charges.....	7,963,448	-	7,963,448	-
Total current assets.....	20,170,126	882,189	21,052,315	5,716,428
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	58,909,476	2,506,704	61,416,180	-
TOTAL ASSETS.....	79,079,602	3,388,893	82,468,495	5,716,428
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	67,803	7,552	75,355	-
Deferred outflows related to other postemployment benefits.....	26,606	266	26,872	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	94,409	7,818	102,227	-
LIABILITIES				
CURRENT:				
Warrants payable.....	17,816	25,023	42,839	-
Due to other funds.....	-	25,000	25,000	-
Accrued interest.....	131,976	6,670	138,646	-
Other liabilities.....	-	24,430	24,430	-
Capital lease obligations.....	-	91,772	91,772	-
Compensated absences.....	387,763	42,904	430,667	-
Workers' compensation.....	-	-	-	111,640
Bonds payable.....	1,632,803	98,660	1,731,463	-
Total current liabilities.....	2,170,358	314,459	2,484,817	111,640
NONCURRENT:				
Due to other funds.....	-	275,000	275,000	-
Capital lease obligations.....	-	281,807	281,807	-
Compensated absences.....	125,998	9,087	135,085	-
Workers' compensation.....	-	-	-	2,679,360
Net pension liability.....	3,696,452	411,732	4,108,184	-
Net other postemployment benefits liability.....	4,422,416	44,224	4,466,640	-
Bonds payable.....	9,010,636	885,030	9,895,666	-
Total noncurrent liabilities.....	17,255,502	1,906,880	19,162,382	2,679,360
TOTAL LIABILITIES.....	19,425,860	2,221,339	21,647,199	2,791,000
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	414,850	46,208	461,058	-
Deferred inflows related to other postemployment benefits.....	1,026,744	10,267	1,037,011	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,441,594	56,475	1,498,069	-
NET POSITION				
Net investment in capital assets.....	58,988,623	1,208,345	60,196,968	-
Unrestricted.....	(682,066)	(89,448)	(771,514)	2,925,428
TOTAL NET POSITION.....	\$ 58,306,557	\$ 1,118,897	\$ 59,425,454	\$ 2,925,428

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021

	Water and Sewer	Golf Course	Total	Governmental Activities - Internal Service Fund
OPERATING REVENUES:				
Employer contributions.....	\$ -	\$ -	\$ -	\$ 2,099,729
Charges for services.....	29,027,156	2,296,325	31,323,481	-
Other operating revenues.....	-	-	-	83,712
TOTAL OPERATING REVENUES	29,027,156	2,296,325	31,323,481	2,183,441
OPERATING EXPENSES:				
Cost of services and administration.....	27,082,031	1,477,382	28,559,413	-
Depreciation.....	2,211,229	316,610	2,527,839	-
Employee benefits.....	-	-	-	2,596,423
TOTAL OPERATING EXPENSES.....	29,293,260	1,793,992	31,087,252	2,596,423
OPERATING INCOME (LOSS).....	(266,104)	502,333	236,229	(412,982)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	6,663	8,306	14,969	9,611
Interest expense.....	(248,869)	(37,311)	(286,180)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(242,206)	(29,005)	(271,211)	9,611
CHANGE IN NET POSITION.....	(508,310)	473,328	(34,982)	(403,371)
NET POSITION AT BEGINNING OF YEAR.....	58,814,867	645,569	59,460,436	3,328,799
NET POSITION AT END OF YEAR.....	\$ 58,306,557	\$ 1,118,897	\$ 59,425,454	\$ 2,925,428

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 28,099,900	\$ 2,271,325	\$ 30,371,225	\$ -
Receipts from interfund services provided.....	-	-	-	2,183,441
Payments to vendors.....	(25,133,663)	(936,494)	(26,070,157)	(2,599,682)
Payments to employees.....	(2,186,929)	(554,705)	(2,741,634)	(189,000)
NET CASH FROM OPERATING ACTIVITIES.....	779,308	780,126	1,559,434	(605,241)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds.....	1,725,500	-	1,725,500	-
Premium from the issuance of bonds.....	274,500	-	274,500	-
Acquisition and construction of capital assets.....	(1,626,037)	-	(1,626,037)	-
Principal payments on bonds and notes.....	(1,676,665)	(95,000)	(1,771,665)	-
Principal payments on capital lease obligations.....	-	(96,142)	(96,142)	-
Interest expense.....	(194,071)	(63,348)	(257,419)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,496,773)	(254,490)	(1,751,263)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	6,663	8,306	14,969	9,611
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(710,802)	533,942	(176,860)	(595,630)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	12,917,480	348,247	13,265,727	6,312,058
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 12,206,678	\$ 882,189	\$ 13,088,867	\$ 5,716,428
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (266,104)	\$ 502,333	\$ 236,229	\$ (412,982)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	2,211,229	316,610	2,527,839	-
Deferred (outflows)/inflows related to pensions.....	252,115	27,329	279,444	-
Deferred (outflows)/inflows related to OPEB.....	641,943	6,419	648,362	-
Changes in assets and liabilities:				
User charges.....	(927,256)	-	(927,256)	-
Warrants payable.....	(75,960)	21,490	(54,470)	(3,259)
Due to other funds.....	-	(25,000)	(25,000)	-
Other liabilities.....	-	4,707	4,707	-
Compensated absences.....	82,170	20,765	102,935	-
Workers' compensation.....	-	-	-	(189,000)
Net pension liability.....	(492,084)	(88,060)	(580,144)	-
Other postemployment benefits.....	(646,745)	(6,467)	(653,212)	-
Total adjustments.....	1,045,412	277,793	1,323,205	(192,259)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 779,308	\$ 780,126	\$ 1,559,434	\$ (605,241)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital lease financing.....	-	\$ 469,721	\$ 469,721	-
Issuance of refunding bonds.....	-	153,690	153,690	-
Long-term bonds refunded.....	-	(175,000)	(175,000)	-
Refunding premium.....	-	21,310	21,310	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 6,872,317	\$ 3,115,693
Investments:		
Investments in Pension Reserve Investment Trust.....	446,422,569	-
U.S. treasuries.....	-	961,163
Government sponsored enterprises.....	-	1,423,557
Equity securities.....	-	2,550,240
Equity mutual funds.....	-	369,248
Alternative and real estate investments.....	14,775,278	250,375
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	14,822	-
TOTAL ASSETS.....	468,084,986	8,670,276
LIABILITIES		
Other liabilities.....	-	373,274
TOTAL LIABILITIES.....	-	373,274
NET POSITION		
Restricted for pensions.....	386,665,690	-
Restricted for other postemployment benefits.....	81,419,296	-
Held in trust for other purposes.....	-	8,297,002
TOTAL NET POSITION.....	\$ 468,084,986	\$ 8,297,002

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 32,076,380	\$ -
Employer contributions for other postemployment benefit payments...	12,371,984	-
Member contributions.....	7,903,401	-
Retirement benefits - transfers from other systems.....	1,677,891	-
Private donations.....	-	254,656
Intergovernmental.....	296,720	-
Total contributions.....	54,326,376	254,656
Net investment income:		
Investment income.....	61,369,545	1,154,000
Less: investment expense.....	(2,115,474)	-
Net investment income (loss).....	59,254,071	1,154,000
TOTAL ADDITIONS.....	113,580,447	1,408,656
DEDUCTIONS:		
Administration.....	511,925	-
Retirement benefits - transfers to other systems.....	2,353,796	-
Retirement benefits and refunds.....	33,057,225	-
Other postemployment benefit payments.....	12,371,984	-
Educational scholarships.....	-	279,256
TOTAL DEDUCTIONS.....	48,294,930	279,256
NET INCREASE (DECREASE) IN NET POSITION.....	65,285,517	1,129,400
NET POSITION AT BEGINNING OF YEAR.....	402,799,469	7,167,602
NET POSITION AT END OF YEAR.....	\$ 468,084,986	\$ 8,297,002

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Brookline, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was founded in 1630 as a part of Boston and was incorporated in 1705 under the Statutes of the Commonwealth of Massachusetts. The Town operates under a representative Town Meeting form of government and provides the following services to the residents of its community: administrative, public safety, public works, education, community development, water and sewer, health and human services, elder and leisure services.

The Town of Brookline is a municipal corporation that is governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the Town and the component unit.

The Brookline Contributory Retirement System (System) was established to provide retirement benefits to Town employees, the Brookline Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), an appointee of the Select Board, two members elected by the Retirement System's participants, and one member appointed by the other four Board members. The Retirement System is presented using the accrual basis of accounting and is reported as the Pension Trust Fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The Retirement System is audited as part of the Town's financial statement audit. More information regarding the Retirement System may be obtained by contacting the Retirement System located at 11 Pierce Street, Brookline, MA 02445.

Joint Ventures – The Town is a member of the Massachusetts Water Resources Authority (MWRA), a joint venture with other Massachusetts governmental entities that was organized to provide water and sewer services to the respective members' Cities, Towns, and Districts. Complete financial statements for the MWRA can be obtained directly from their administrative office located at 100 First Avenue, Building 39, Boston, Massachusetts 02129.

The Town is also a member of the Massachusetts Bay Transportation Authority (MBTA), a joint venture with other Massachusetts governmental entities that was organized to provide public transportation services to the respective members' Cities, Towns, and Districts. Complete financial statements for the MBTA can be obtained directly from their administrative office located at 10 Park Plaza, Boston, Massachusetts 02116.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days of year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred, and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Florida Ruffin Ridley School renovation fund* is used to account for financial resources for the renovation of the School building.

The *School capital fund* is used to account for financial resources for school capital projects.

The *capital article fund* is used to account for revenue financed capital projects.

The *chapter 90 highway fund* is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks.

The nonmajor governmental funds consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water and sewer enterprise fund* is used to account for the water and sewer activities.

The *golf enterprise fund* is used to account for the Town's golf course activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation, unemployment and municipal building insurance.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension and other postemployment benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulate resources to provide pension and OPEB benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 1, Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 for further details.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed annually and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered fully collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details and parking tickets and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred, and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Restricted Assets

Certain assets of the enterprise fund are classified as restricted if their use is restricted by contract covenants.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town reported deferred outflows of resources relate to pensions and other postemployment benefits.

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, *deferred inflows of resources*, 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 reported deferred inflows of resources relate to pensions and other postemployment benefits.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have not been recorded in the governmental fund financial statements, but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art; historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value.

Except for the capital assets of the governmental activity's column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costing more than \$60,000 and having a useful life of greater than one year are capitalized.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-50
Buildings.....	5-50
Machinery and equipment.....	3-20
Infrastructure.....	10-75

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balances”.

The general fund has provided a long-term interest free loan to the golf enterprise fund and these balances are included in the statement of net position as “internal balances”.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

The general fund has provided a long-term interest free loan to the golf enterprise fund and these balances are included in the fund statements as “Due from other funds” or “Due to other funds”.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Unearned and Unavailable Revenue

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received, but not yet earned.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements. As of June 30, 2021, unavailable revenue consisted of taxes billed not yet received and grant awards related to expenditure driven grants in which the grant requirements have not been met.

N. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Grants and gifts” represents amounts restricted by outside sources for specific purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Comptroller has the authority to assign fund balance. Funds are assigned when the Town has an obligation to purchase goods or services from the current years’ appropriation.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable material bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Brookline Contributory Retirement System (“System”) and the Massachusetts Teachers Retirement System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

The golf, water and sewer enterprise funds and the internal service funds retain their investment income.

R. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

S. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

U. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the pension trust fund and the other postemployment benefits trust fund are held separately from those of other funds.

For the general fund, statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). Trust fund investments are subject to the Town's investment policies which are described further in this note. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$22,350,789 and the bank balance totaled \$36,174,568. Of the bank balance, \$852,832 was covered by Federal Depository Insurance, and \$35,321,736 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$22,350,789 in deposits and \$92,129,672 in cash equivalents. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts totaled \$110,708,995 and \$3,771,466 respectively. The fiduciary amount includes OPEB Fund cash of \$655,773, which is blended with the Pension Trust Fund. See investments below for amounts designated as cash equivalents.

At December 31, 2020, the carrying amount of deposits for the Retirement System totaled \$6,216,544 and the bank balance totaled \$6,520,214. The entire bank balance of the System was covered by Federal Depository Insurance.

Investments

The Town of Brookline had the following investments, including cash equivalents classified as investments, at June 30, 2021:

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt securities:</u>					
U.S. Treasury notes.....	\$ 118,510,499	\$ 41,034,409	\$ 76,982,134	\$ 493,956	\$ -
Government sponsored enterprises.....	102,239,673	4,129,816	97,910,916	198,941	-
Corporate bonds.....	1,349,528	-	1,120,766	228,762	-
Bond mutual funds.....	1,274,880	-	1,274,880	-	-
Total debt securities.....	223,374,580	\$ 45,164,225	\$ 177,288,696	\$ 921,659	\$ -
<u>Other investments:</u>					
Equity securities.....	8,397,247				
Equity mutual funds.....	5,134,610				
International securities.....	262,490				
Money market mutual funds.....	48,361,112				
Pension Reserve Investment Trust (OPEB).....	80,763,523				
MMDT - Cash portfolio.....	43,768,560				
Total investments.....	\$ 410,062,122				
Total investments per above.....	\$ 410,062,122				
Less: cash equivalents.....	(92,129,672)				
Total investments.....	\$ 317,932,450				

The Town’s investments are reported in both the primary government and the fiduciary funds. Those amounts total \$231,614,344 and \$5,554,583 respectively. The OPEB investments are blended with the Pension Trust Fund and amount to \$80,763,523.

As of December 31, 2020, the Retirement System had the following investments:

<u>Other investments:</u>	
Alternative investments.....	\$ 11,682,691
Real estate.....	3,092,587
Pension Reserve Investment Trust (PRIT).....	<u>365,659,046</u>
 Total investments.....	 \$ <u>380,434,324</u>

Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town’s investments, \$102,239,673 in Government Sponsored Enterprises, \$1,349,528 in Corporate Bonds, and \$8,397,247 in Equity Securities, the Town has a total custodial credit risk exposure of \$111,986,448 because the related securities are uninsured, unregistered and held by the counterparty.

The Town has an investment policy for custodial credit risk that states; 1) a maximum of 70% of the Town’s portfolio can be in equity securities and further that any one security can make up only 5% of the Town’s portfolio, 2) a maximum of 50% of the Town’s portfolio can be in fixed income securities, 3) a maximum of 20% of the Town’s portfolio can be in cash. The policy also states that there are no limits or restrictions with respect to U.S. Government Securities and that the minimum rating of bonds shall be investment grade.

Interest Rate Risk – Town Investments

In investments other than the general fund, the Town’s formal investment policy limits the selection of investments to the prudent investor rule, which states that the trustee should exercise reasonable care, skill, and caution. The Town contracts with an investment manager who assists the Town in managing the investment exposure to fair value losses arising from increasing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk – Town Investments

The Town has adopted a formal policy related to credit risk. At June 30, 2021 the Town’s debt securities were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 102,239,673	\$ -
A+.....	-	186,731
A-.....	-	209,100
BBB+.....	-	511,347
BBB.....	<u>-</u>	<u>442,350</u>
 Total.....	 \$ <u>102,239,673</u>	 \$ <u>1,349,528</u>

Custodial Credit Risk – Retirement System Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Retirement System will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The System does not have any investments subject to custodial credit risk.

The Retirement System has an investment policy for custodial credit risk that states the Retirement System is willing to accept a level of market risk consistent with moderate interim volatility without sacrificing the potential for long-term real growth of assets. To accomplish this goal the Retirement System will utilize extensive diversification to minimize company and industry specific risks while avoiding extreme levels of volatility that could adversely affect the Retirement Systems' participants. All decisions regarding the System's investment policies are voted on by the Retirement Board.

Interest Rate Risk – Retirement System

The Retirement System has a formal investment policy that establishes the objectives and constraints that govern the investment of the Retirement System's assets. The Retirement System's assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

When managing assets, the Retirement System at all times must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA) and Department of Labor regulations.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.19 to 16.28 years.

Concentration of Credit Risk

The Town limits the amount that may be invested in any one issuer to 5% of the total investments. At June 30, 2021, the Town does not have any investments that exceed the 5% threshold.

The Retirement System limits the amount that may be invested in any one issuer to 5% of the total investments. At December 31, 2020, the Retirement System does not have any investments that exceed the 5% threshold.

Fair Market Value of Investments

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 chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021 are below:

Investment Type	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 118,510,499	\$ 118,510,499	\$ -	-
Government sponsored enterprises.....	102,239,673	102,239,673	-	-
Corporate bonds.....	1,349,528	-	1,349,528	-
Bond mutual funds.....	1,274,880	1,274,880	-	-
Total debt securities.....	223,374,580	222,025,052	1,349,528	-
<u>Other investments:</u>				
Equity securities.....	8,397,247	8,397,247	-	-
Equity mutual funds.....	5,134,610	5,134,610	-	-
International securities.....	262,490	262,490	-	-
Money market mutual funds.....	48,361,112	48,361,112	-	-
Total other investments.....	62,155,459	62,155,459	-	-
Total investments measured at fair value.....	285,530,039	284,180,511	1,349,528	-
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	43,768,560			
Investments measured at net asset value:				
Pension Reserve Investment Trust (OPEB)....	80,763,523			
Total investments.....	\$ 410,062,122			

U.S. Treasury notes, government sponsored enterprises, bond mutual funds, equity securities, equity mutual funds, international securities, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Retirement System

The System significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. See Note 14 for schedules that breakdown the Pension and OPEB Trust figures. This schedule includes only Pension Trust investments.

The System has the following recurring fair value measurements as of December 31, 2020:

Investment Type	December 31, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Other investments:</u>				
Alternative investments.....	\$ 11,682,691	\$ -	\$ -	11,682,691
Real estate.....	3,092,587	-	-	3,092,587
Total investments measured at fair value.....	14,775,278	\$ -	\$ -	14,775,278
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	365,659,046			
Total investments.....	\$ 380,434,324			

Alternative investments and real estate classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the individual major governmental funds and non-major internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 9,082,654	\$ -	\$ 9,082,654
Tax liens.....	1,559,656	-	1,559,656
Motor vehicle and other excise taxes.....	1,252,954	(342,137)	910,817
User charges.....	168,760	-	168,760
Departmental and other.....	5,213,843	(1,628,358)	3,585,485
Intergovernmental - other.....	9,533,437	-	9,533,437
Total.....	\$ 26,811,304	\$ (1,970,495)	\$ 24,840,809

At June 30, 2021, receivables for the water and sewer enterprise fund totaled \$7,963,448. The amount is considered fully collectible.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 6,808,291	\$ -	\$ 6,808,291
Tax liens.....	1,546,072	-	1,546,072
Motor vehicle and other excise taxes.....	910,817	-	910,817
User charges.....	168,760	-	168,760
Departmental and other.....	2,800,657	102,499	2,903,156
Intergovernmental - other.....	422,000	4,307,902	4,729,902
Total.....	<u>\$ 12,656,597</u>	<u>\$ 4,410,401</u>	<u>\$ 17,066,998</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 874,873	\$ -	\$ -	\$ 874,873
Construction in progress.....	160,379,607	83,684,642	(72,337)	243,991,912
Total capital assets not being depreciated.....	<u>161,254,480</u>	<u>83,684,642</u>	<u>(72,337)</u>	<u>244,866,785</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	51,222,244	3,147,453	-	54,369,697
Buildings.....	377,398,942	17,933,620	-	395,332,562
Machinery and equipment.....	46,740,750	7,137,238	-	53,877,988
Infrastructure.....	55,671,220	5,150,773	(3,347,617)	57,474,376
Total capital assets being depreciated.....	<u>531,033,156</u>	<u>33,369,084</u>	<u>(3,347,617)</u>	<u>561,054,623</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(25,132,971)	(3,405,739)	-	(28,538,710)
Buildings.....	(167,242,728)	(12,280,284)	-	(179,523,012)
Machinery and equipment.....	(30,625,475)	(2,605,833)	-	(33,231,308)
Infrastructure.....	(24,079,391)	(2,764,934)	3,347,617	(23,496,708)
Total accumulated depreciation.....	<u>(247,080,565)</u>	<u>(21,056,790)</u>	<u>3,347,617</u>	<u>(264,789,738)</u>
Total capital assets being depreciated, net.....	<u>283,952,591</u>	<u>12,312,294</u>	<u>-</u>	<u>296,264,885</u>
Total governmental activities capital assets, net.....	<u>\$ 445,207,071</u>	<u>\$ 95,996,936</u>	<u>\$ (72,337)</u>	<u>\$ 541,131,670</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer:				
Land improvements.....	\$ 635,277	\$ -	\$ -	\$ 635,277
Buildings.....	3,486,380	440,415	-	3,926,795
Machinery and equipment.....	4,529,717	407,422	-	4,937,139
Infrastructure.....	83,288,694	778,200	-	84,066,894
Total capital assets being depreciated.....	<u>91,940,068</u>	<u>1,626,037</u>	<u>-</u>	<u>93,566,105</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(140,763)	(49,978)	-	(190,741)
Buildings.....	(1,670,500)	(112,862)	-	(1,783,362)
Machinery and equipment.....	(2,987,066)	(347,405)	-	(3,334,471)
Infrastructure.....	(27,647,071)	(1,700,984)	-	(29,348,055)
Total accumulated depreciation.....	<u>(32,445,400)</u>	<u>(2,211,229)</u>	<u>-</u>	<u>(34,656,629)</u>
Total water and sewer activities capital assets, net..	<u>\$ 59,494,668</u>	<u>\$ (585,192)</u>	<u>\$ -</u>	<u>\$ 58,909,476</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Activities:				
Land improvements.....	\$ 2,888,222	\$ -	\$ -	\$ 2,888,222
Buildings.....	2,028,007	-	-	2,028,007
Machinery and equipment.....	213,779	469,721	-	683,500
Total capital assets being depreciated.....	<u>5,130,008</u>	<u>469,721</u>	<u>-</u>	<u>5,599,729</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,585,011)	(201,685)	-	(1,786,696)
Buildings.....	(1,040,489)	(84,454)	-	(1,124,943)
Machinery and equipment.....	(150,915)	(30,471)	-	(181,386)
Total accumulated depreciation.....	<u>(2,776,415)</u>	<u>(316,610)</u>	<u>-</u>	<u>(3,093,025)</u>
Total golf course activities capital assets, net.....	<u>\$ 2,353,593</u>	<u>\$ 153,111</u>	<u>\$ -</u>	<u>\$ 2,506,704</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 3,088,335
Public safety.....	1,924,627
Education.....	7,742,557
Public works.....	5,905,292
Human services.....	538,318
Culture and recreation.....	<u>1,857,661</u>

Total depreciation expense - governmental activities..... \$ 21,056,790

Business-Type Activities:

Water and sewer.....	\$ 2,211,229
Golf course.....	<u>316,610</u>

Total depreciation expense - business-type activities..... \$ 2,527,839

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables between funds at June 30, 2021, relate to temporary short-term cash flow needs.

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Capital Article fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 7,270,831	\$ 1,126,549	\$ 8,397,380
Nonmajor governmental funds.....	525,389	1,157,416	245,872	1,928,677
Capital article fund.....	202,265	-	-	202,265
Total.....	\$ 727,654	\$ 8,428,247	\$ 1,372,421	\$ 10,528,322

Transfers represent amounts voted to fund the 2021 operating budget, fund various capital articles, and transfers between various non-major funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into various lease agreements to finance the acquisition of DPW equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities	Business-Type Activities
Machinery and equipment.....	\$ 5,159,863	\$ 469,721
Less: accumulated depreciation...	(568,315)	(46,972)
Total.....	\$ 4,591,548	\$ 422,749

Future minimum lease payments under capitalized leases consist of the following at June 30, 2021:

Years ending June 30:	Governmental Activities	Business-Type Activities
2022.....	\$ 1,168,376	\$ 96,143
2023.....	990,774	96,142
2024.....	990,773	96,143
2025.....	990,774	96,142
Total minimum lease payments.....	4,140,697	384,570
Less: amounts representing interest.....	(222,168)	(10,991)
Present value of minimum lease payments... \$	\$ 3,918,529	\$ 373,579

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the year ended June 30, 2021, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
BAN	Municipal Purpose.....	2.00%	3/25/2021	\$ 4,700,000	\$ -	\$ (4,700,000)	\$ -
BAN	Municipal Purpose.....	2.00%	3/25/2021	2,000,000	-	(2,000,000)	-
BAN	Municipal Purpose.....	1.50%	3/25/2022	-	4,700,000	-	4,700,000
BAN	Municipal Purpose.....	1.50%	3/25/2022	-	2,000,000	-	2,000,000
Total Governmental Funds.....				\$ 6,700,000	\$ 6,700,000	\$ (6,700,000)	\$ 6,700,000

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

The Town issued \$169,636,750 of new general obligation bonds. The current year financials statements have recognized bond proceeds in the amount of \$167,911,250 in the governmental funds and \$1,725,500 in the water and sewer enterprise fund.

In order to take advantage of favorable interest rates, the Town issued \$4,073,250 of general obligation refunding bonds on March 24, 2021. Of the bonds, \$3,919,560 related to governmental bonds and \$153,690 related to the golf enterprise fund. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$4,675,000 and became callable on May 1, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$738,779 and a reduction of \$814,540 in future debt service payments.

Details related to the Town’s outstanding indebtedness and debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<i>Inside Debt Limit</i>				
Schools.....	2045	\$ 182,376,425	2.00-5.00	\$ 153,165,000
General Government.....	2046	100,221,578	2.00-5.00	<u>55,334,000</u>
Sub-total.....				208,499,000
<i>Outside Debt Limit</i>				
Schools.....	2044	276,213,825	2.00-5.00	<u>253,181,810</u>
Total Bonds Payable.....				461,680,810
Add: Unamortized premium on bonds.....				<u>29,555,046</u>
Total Bonds Payable, net.....				<u>\$ 491,235,856</u>

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<i>Inside Debt Limit</i>				
Golf Course Fund.....	2036	\$ 6,388,740	2.00-5.00	\$ 983,690
Water Fund.....	2029	10,198,832	0.00-5.00	4,012,500
Sewer Fund.....	2029	16,852,350	0.00-5.00	<u>5,551,885</u>
Total Bonds Payable.....				10,548,075
Add: Unamortized premium on bonds.....				<u>1,079,054</u>
Total Bonds Payable, net.....				<u>\$ 11,627,129</u>

Included within the water fund is \$462,000 of direct debt from the MWRA. Included within the sewer debt is \$876,885 of direct debt from the MWRA.

Debt service requirements for principal and interest for governmental bonds payable are as follows:

Year	Principal	Interest	Total
2022.....\$	19,260,840 \$	14,878,783 \$	34,139,623
2023.....	18,611,960	14,520,467	33,132,427
2024.....	18,526,960	13,704,240	32,231,200
2025.....	18,581,990	12,900,465	31,482,455
2026.....	18,337,070	12,084,995	30,422,065
2027.....	18,297,150	11,264,845	29,561,995
2028.....	18,652,260	10,439,697	29,091,957
2029.....	18,192,380	9,620,257	27,812,637
2030.....	18,147,520	8,807,985	26,955,505
2031.....	18,537,680	7,997,435	26,535,115
2032.....	18,195,000	7,247,016	25,442,016
2033.....	18,105,000	6,685,554	24,790,554
2034.....	18,170,000	6,287,746	24,457,746
2035.....	18,570,000	5,828,567	24,398,567
2036.....	18,970,000	5,357,687	24,327,687
2037.....	19,255,000	4,851,204	24,106,204
2038.....	19,690,000	4,333,094	24,023,094
2039.....	20,115,000	3,844,145	23,959,145
2040.....	20,535,000	3,342,740	23,877,740
2041.....	21,020,000	2,777,362	23,797,362
2042.....	20,940,000	2,197,400	23,137,400
2043.....	20,130,000	1,621,928	21,751,928
2044.....	18,480,000	1,059,628	19,539,628
2045.....	16,300,000	572,738	16,872,738
2046.....	8,060,000	162,092	8,222,092
Total..... \$	<u>461,680,810</u> \$	<u>172,388,066</u> \$	<u>634,068,876</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable are as follows:

Year	Principal	Interest	Total
2022.....	\$ 1,534,975	\$ 406,612	\$ 1,941,587
2023.....	1,428,855	356,489	1,785,344
2024.....	1,373,855	303,368	1,677,223
2025.....	1,273,825	252,495	1,526,320
2026.....	1,120,455	204,620	1,325,075
2027.....	1,005,375	158,238	1,163,613
2028.....	910,265	116,512	1,026,777
2029.....	839,145	79,602	918,747
2030.....	689,005	42,973	731,978
2031.....	222,320	13,223	235,543
2032.....	40,000	4,731	44,731
2033.....	30,000	3,500	33,500
2034.....	30,000	2,552	32,552
2035.....	30,000	1,600	31,600
2036.....	20,000	652	20,652
Total.....	\$ <u>10,548,075</u>	\$ <u>1,947,167</u>	\$ <u>12,495,242</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2021, \$435,000 of such assistance was received for reimbursement. Approximately \$435,000 will be received in future years. Of this amount, \$13,000 represents reimbursement of long-term interest costs, and \$422,000 represents reimbursement of approved construction costs. Accordingly, a \$422,000 intergovernmental receivable and corresponding deferred inflows of resources has been reported in governmental fund financial statements. The deferred inflows of resources have been recognized as revenue in the conversion to the government-wide financial statements.

Beginning in 2005, the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2021, the Town has received capital grant proceeds totaling \$23.5 million from the MSBA, which is equal to 38.30% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$567,000 of grant proceeds related to 2021. Accordingly, a \$567,000 intergovernmental receivable and corresponding deferred inflows of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2021, the Town had the following authorized and unissued debt:

Purpose	Amount
Sewers.....	\$ 265
Traffic Circulation, Pedestrian & Bicycle Crossing Improvements.....	1,200,000
Golf Course Improvements.....	690,000
Florida Ruffin Ridley School Renovation/Construction.....	2,667,621
15-19 Oak Street Land Acquisition Baldwin.....	4,700,000
Pierce School Feasibility Study.....	2,000,000
Wastewater Improvements.....	3,000,000
Town/School Building Roof Repairs.....	1,000,000
High School Renovation.....	1,729,170
Wastewater System Improvements.....	3,000,000
Murphy Playground.....	915,000
Robinson Playground.....	1,150,000
Building Envelope/Fenestration.....	750,000
Total.....	\$ 22,802,056

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities on the following page:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 308,024,000	\$ 171,830,810	\$ (18,174,000)	\$ -	\$ -	\$ 461,680,810	\$ 19,260,840
Add: Unamortized premium on bonds.....	21,815,898	-	-	10,200,990	(2,461,842)	29,555,046	2,569,862
Total bonds payable.....	329,839,898	171,830,810	(18,174,000)	10,200,990	(2,461,842)	491,235,856	21,830,702
Capital lease obligations.....	345,685	-	-	4,636,576	(1,063,732)	3,918,529	1,078,640
Landfill closure.....	1,032,000	-	-	7,000	(312,000)	727,000	47,000
Compensated absences.....	9,579,195	-	-	8,011,698	(7,142,698)	10,448,195	7,980,421
Workers' compensation.....	2,980,000	-	-	109,000	(298,000)	2,791,000	111,640
Net pension liability.....	208,759,420	-	-	4,242,236	(26,324,227)	186,677,429	-
Legal settlement.....	-	-	-	15,100,000	-	15,100,000	11,000,000
Other postemployment benefits.....	248,338,161	-	-	750,000	(32,434,031)	216,654,130	-
Total governmental activity long-term liabilities.....	\$ 800,874,359	\$ 171,830,810	\$ (18,174,000)	\$ 43,057,500	\$ (70,036,530)	\$ 927,552,139	\$ 42,048,403
Business-Type Activities:							
Long-term bonds payable.....	\$ 10,450,700	\$ 1,879,190	\$ (1,781,815)	\$ -	\$ -	\$ 10,548,075	\$ 1,534,975
Add: Unamortized premium on bonds.....	969,404	-	-	274,500	(164,850)	1,079,054	196,488
Total bonds payable.....	11,420,104	1,879,190	(1,781,815)	274,500	(164,850)	11,627,129	1,731,463
Capital lease obligations.....	-	-	-	469,721	(96,142)	373,579	91,772
Compensated absences.....	462,817	-	-	464,300	(361,365)	565,752	430,667
Net pension liability.....	4,688,328	-	-	156,000	(736,144)	4,108,184	-
Other postemployment benefits.....	5,119,852	-	-	86,000	(739,212)	4,466,640	-
Total business-type activity long-term liabilities.....	\$ 21,691,101	\$ 1,879,190	\$ (1,781,815)	\$ 1,450,521	\$ (2,097,713)	\$ 21,141,284	\$ 2,253,902

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities of \$2,791,000 for worker's compensation are included as part of the governmental activities totals above. Except for the amounts related to the internal service funds and a portion of the bonds, the governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	General	Florida Ruffin Ridley School Renovation	School Capital	Capital Article Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	1,956,074	\$ 1,956,074
Restricted for:						
Housing trust funds.....	-	-	-	-	4,052,666	4,052,666
Parking meter fund.....	-	-	-	-	24,590	24,590
Revolving funds.....	-	-	-	-	3,004,847	3,004,847
Trust funds.....	-	-	-	-	1,947	1,947
Federal grant funds.....	-	-	-	-	1,094,766	1,094,766
Gift and grant funds.....	-	-	-	-	2,447,168	2,447,168
Sale of cemetery lots/graves.....	-	-	-	-	535,898	535,898
Sale of municipal property.....	-	-	-	-	80,000	80,000
Other special revenue funds.....	-	-	-	-	1,924,841	1,924,841
Cemetery perpetual care.....	-	-	-	-	548,367	548,367
Library permanent fund.....	-	-	-	-	5,395,088	5,395,088
Other permanent funds.....	-	-	-	-	772,707	772,707
Debt financed school capital project.....	-	4,506,137	186,707,959	-	-	191,214,096
Debt financed town capital project.....	-	-	-	-	4,746,552	4,746,552
Committed to:						
Articles and continuing appropriations:						
Revenue financed capital article major fund..	-	-	-	13,358,196	-	13,358,196
Assigned to:						
General government.....	530,575	-	-	-	-	530,575
Public safety.....	903,946	-	-	-	-	903,946
Education.....	755,373	-	-	-	-	755,373
Public works.....	827,610	-	-	-	-	827,610
Human services.....	46,182	-	-	-	-	46,182
Leisure services.....	72,638	-	-	-	-	72,638
Employee benefits.....	2,325	-	-	-	-	2,325
Free cash used for subsequent year budget.....	10,401,890	-	-	-	-	10,401,890
Unassigned.....	29,546,526	-	-	-	-	29,546,526
Total Fund Balances.....	\$ 43,087,065	\$ 4,506,137	\$ 186,707,959	\$ 13,358,196	\$ 26,585,511	\$ 274,244,868

NOTE 10 – STABILIZATION FUND

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year-end, the balance of the General Stabilization Fund is \$8,734,354 and is reported as unassigned fund balance within the General Fund. The fund earned \$577,824 of investment income and the Town transferred in \$1 million during 2021. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is self-insured for its workers’ compensation, unemployment and municipal building insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Any incurred but not reported liability related to unemployment and municipal building insurance is deemed immaterial and is therefore not recorded.

Workers’ Compensation - Claims are administered by a third-party administrator and are funded on a pay-as-you-go basis from annual appropriations. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$800,000. The estimated future workers’ compensation liability is based on history and injury type.

At June 30, 2021, the amount of the liability for workers’ compensation claims totaled \$2,791,000. Changes in the reported liability since July 1, 2019, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2020.....	\$ 2,829,000	\$ 1,965,356	\$ (1,814,356)	\$ 2,980,000	\$ 298,000
2021.....	2,980,000	1,447,853	(1,636,853)	2,791,000	111,640

NOTE 12 – PENSION PLAN

Plan Descriptions

The Town is a member of the Brookline Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The Town is a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor

and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer’s covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$40,479,311 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth’s collective net pension liability associated with the Town is \$327,729,685 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no reported changes in pension benefits as of December 31, 2020.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2020, the System membership consists of the following:

Active members.....	1,411
Inactive members.....	1,593
Retirees and beneficiaries currently receiving benefits.....	<u>911</u>
Total.....	<u><u>3,915</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2020, was \$27,748,662, 33.79% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$26,569,845 which equaled its actual contribution. The Town made an additional contribution of \$334,526.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2021 were as follows:

Total pension liability.....	\$	583,513,761
Total pension plan's fiduciary net position.....		<u>(386,665,690)</u>
Total net pension liability.....	\$	<u>196,848,071</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		66.27%

At June 30, 2021, the Town reported a liability of \$190,785,613 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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 members. At December 31, 2020, the Town's proportion was 96.92%, and at December 31, 2019, the Town's proportion was 96.84%.

Pension Expense

For the year ended June 30, 2021, the Town recognized pension expense of \$17,316,711. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$3,499,544 and deferred inflows of resources related to pensions of \$21,411,735.

The balances of deferred outflows and inflows at June 30, 2021, for the Town are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (3,565,820)	\$ (3,565,820)
Difference between projected and actual earnings, net.....	-	(17,746,475)	(17,746,475)
Changes in assumptions.....	3,222,094	-	3,222,094
Changes in proportion and proportionate share of contributions.....	<u>277,450</u>	<u>(99,440)</u>	<u>178,010</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>3,499,544</u>	\$ <u>(21,411,735)</u>	\$ <u>(17,912,191)</u>

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022.....	\$ (5,148,544)
2023.....	(1,958,469)
2024.....	(7,621,546)
2025.....	<u>(3,183,632)</u>
	\$ <u>(17,912,191)</u>

Noncontributory Retirement Allowance

The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the Retirement System. The general fund expenditures for 2021 totaled \$38,699.

Actuarial Assumptions

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Appropriation increasing at 7.85% per year.
Remaining amortization period.....	As of July 1, 2020, 10 years.
Asset valuation method.....	Market value of assets less unrecognized return in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the market value.
Investment rate of return.....	7.20% (previously 7.40%).
Discount rate.....	7.20% (previously 7.40%).
Inflation rate.....	3.50%
Projected salary increases.....	4.50% for Groups 1 and 2 and 4.75% for Group 4
Cost of living adjustments.....	3% of the first \$13,000 of the annual retirement allowance.
Mortality rates.....	<i>Pre-Retirement:</i> RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017. <i>Health Retiree:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017. <i>Disabled Retiree:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity		
Developed international equities.....	12.00%	7.00%
Emerging international equities.....	5.00%	8.82%
Core fixed income		
Core bonds.....	15.00%	0.38%
Value added fixed income		
High-yield bonds.....	8.00%	2.97%
Domestic equity.....	22.00%	6.28%
Private equity.....	14.00%	10.11%
Real estate.....	10.00%	3.50%
Timber.....	4.00%	3.45%
Hedge fund, GTAA, Risk parity.....	10.00%	2.35%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability, calculated using the discount rate of 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate.

	December 31, 2020 Measurement Date		
	1% Decrease	Current	1% Increase
	(6.20%)	Discount (7.20%)	(8.20%)
The Town's proportionate share of the net pension liability.....	\$ 253,776,221	\$ 190,785,613	\$ 137,935,257

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Brookline administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. For 2021, the Town contributes 83% of the cost of current-year premiums for healthcare for eligible retired plan members and their spouses and 75% of current-year premiums for life insurance for eligible plan members. For the year ended June 30, 2021, the Town’s average contribution rate was 8.98% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin prefunding its OPEB liabilities. The Town has named the Retirement System as Trustees of the OPEB Fund. The majority of assets are invested in the Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine-member Board of Trustees governs the PRIM Board.

Investment Policy

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy. During 2021, the Town prefunded future OPEB liabilities totaling \$4,181,979 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$81.4 million. The Town’s policy is to fund contributions annually from the operating budget and to incrementally increase the contributions by at least \$250,000 per year until funding the total ARC.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2020:

Active members.....	1,686
Inactive members currently receiving benefits.....	<u>1,607</u>
Total.....	<u><u>3,293</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$	302,540,066
Less: OPEB plan's fiduciary net position.....		<u>(81,419,296)</u>
Net OPEB liability.....	\$	<u>221,120,770</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		26.91%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2021, to be in accordance with GASB Statement #75:

Valuation date.....	Actuarially determined contribution for fiscal year ending June 30, 2021 was determined with the June 30, 2020 actuarial valuation.
Actuarial cost method.....	Entry Age Normal - Level Percentage of Payroll
Amortization method.....	Level percent of payroll
Asset valuation method.....	Market value
Investment rate of return.....	7.00% (Previously 7.2%)
Healthcare cost trend rate.....	Medical and Prescription Drug: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50%. Medicare Part B Premium: 4.50%. Contributions: Retiree contributions are expected to increase with medical trend.
Discount rate.....	7.00%
Salary increases.....	4.50% for Group 1 (excluding teachers) and Group 2 employees. 4.75% for Group 4 employees. Service related increases for teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.
Mortality rates.....	Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017. Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017. Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Table set forward one year projected generationally using Scale MP-2017. Pre-Retirement (Teachers): RP-2014 White Collar Healthy Mortality Table projected generationally using Scale MP-2019. Healthy (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019. Disabled (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019.

Rate of return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation as of June 30, 2021, and projected arithmetic real rates of return for each major class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity		
Developed International equities.....	12.00%	7.00%
Emerging international equities.....	5.00%	8.82%
Core fixed income		
Core bonds.....	15.00%	0.38%
Value added fixed income		
High-yield bonds.....	8.00%	2.97%
Domestic equity.....	22.00%	6.28%
Private equity.....	14.00%	10.11%
Real estate.....	10.00%	3.50%
Commodities.....	4.00%	3.45%
Hedge fund, GTAA, Risk parity.....	10.00%	2.35%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021, which decreased from the discount rate of 7.20% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability..... \$	263,757,962	\$ 221,120,770	\$ 186,265,789

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 7.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Rate	1% Increase
Net OPEB liability.....	\$ 180,210,640	\$ 221,120,770	\$ 272,626,284

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 312,547,139	\$ 59,089,126	\$ 253,458,013
Changes for the year:			
Service cost.....	9,360,052	-	9,360,052
Interest.....	22,739,013	-	22,739,013
Differences between expected and actual experience...	(13,984,400)	-	(13,984,400)
Changes in assumptions and other inputs.....	(15,731,254)	-	(15,731,254)
Contributions - employer.....	-	16,699,702	(16,699,702)
Net investment income.....	-	18,020,952	(18,020,952)
Benefit payments.....	(12,390,484)	(12,390,484)	-
Net change.....	(10,007,073)	22,330,170	(32,337,243)
Balances at June 30, 2021.....	\$ 302,540,066	\$ 81,419,296	\$ 221,120,770

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$16,459,574. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,330,299	\$ (11,986,626)	\$ (10,656,327)
Difference between projected and actual earnings, net.....	-	(8,981,866)	(8,981,866)
Changes in assumptions.....	-	(30,368,694)	(30,368,694)
Total deferred outflows/(inflows) of resources.....	\$ 1,330,299	\$ (51,337,186)	\$ (50,006,887)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement date year ended June 30:

2022.....	\$	(10,919,510)
2023.....		(10,921,117)
2024.....		(10,921,116)
2025.....		(7,861,166)
2026.....		(5,138,885)
Thereafter.....		<u>(4,245,093)</u>
 Total.....	\$	<u><u>(50,006,887)</u></u>

Changes of Assumptions

The per capita health costs, retiree contributions and trends were updated to reflect current experience. The mortality projection scale for teachers was updated. The discount rate was decreased from 7.20% to 7.00%.

Changes in Plan Provisions

None.

NOTE 14 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2020)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 6,216,544	\$ 655,773	\$ 6,872,317
Investments:			
Investments in Pension Reserve Investment Trust.....	365,659,046	80,763,523	446,422,569
Alternative and real estate investments.....	14,775,278	-	14,775,278
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	<u>14,822</u>	<u>-</u>	<u>14,822</u>
TOTAL ASSETS.....	<u>386,665,690</u>	<u>81,419,296</u>	<u>468,084,986</u>
NET POSITION			
Restricted for pensions.....	386,665,690	-	386,665,690
Restricted for other postemployment benefits.....	<u>-</u>	<u>81,419,296</u>	<u>81,419,296</u>
TOTAL NET POSITION.....	<u>\$ 386,665,690</u>	<u>\$ 81,419,296</u>	<u>\$ 468,084,986</u>

	Pension Trust Fund (as of December 31, 2020)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 27,748,662	\$ 4,327,718	\$ 32,076,380
Employer contributions for other postemployment benefit payments...	-	12,371,984	12,371,984
Member contributions.....	7,903,401	-	7,903,401
Transfers from other systems.....	1,677,891	-	1,677,891
Intergovernmental.....	296,720	-	296,720
Total contributions.....	37,626,674	16,699,702	54,326,376
Net investment income:			
Investment income.....	43,348,593	18,020,952	61,369,545
Less: investment expense.....	(2,115,474)	-	(2,115,474)
Net investment income (loss).....	41,233,119	18,020,952	59,254,071
TOTAL ADDITIONS.....	78,859,793	34,720,654	113,580,447
DEDUCTIONS:			
Administration.....	493,425	18,500	511,925
Transfers to other systems.....	2,353,796	-	2,353,796
Retirement benefits and refunds.....	33,057,225	-	33,057,225
Other postemployment benefit payments.....	-	12,371,984	12,371,984
TOTAL DEDUCTIONS.....	35,904,446	12,390,484	48,294,930
NET INCREASE (DECREASE) IN NET POSITION.....	42,955,347	22,330,170	65,285,517
NET POSITION AT BEGINNING OF YEAR.....	343,710,343	59,089,126	402,799,469
NET POSITION AT END OF YEAR.....	\$ 386,665,690	\$ 81,419,296	\$ 468,084,986

NOTE 15 – LANDFILL CLOSURE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1972. The Town has reflected \$727,000 as the estimate of the landfill closure and post-closure care liability at June 30, 2021. This amount is based on estimates of what it would cost to perform all future closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in regulations.

NOTE 16 – INTERFUND LOAN

On August 7, 2012, the General Fund issued an interest free note in the amount of \$500,000 to Putterham Meadows Golf Club Enterprise Fund for the construction of a maintenance shed. The note is payable at \$25,000 per year, beginning in 2015. At June 30, 2021 the outstanding loan balance was \$300,000.

NOTE 17 – COMMITMENTS

The Town has entered into a long-term contract with Casella Waste Management of Massachusetts, Inc. to load, haul and dispose of municipal solid waste. The Town is charged a flat rate per ton that is subject to increase annually. There are no minimum tonnage requirements that the Town must comply with. The FY20 price was \$78.00 per ton and the FY21 price is currently \$118 per ton. The FY21 cost was \$777,221, the expected cost for FY22 is \$865,600.

The Town entered into a long-term contract with Casella Waste Management of Massachusetts, Inc. to provide collection and processing of single stream recycling for the Town. The FY21 price was \$1,379,050.00 for collection of single stream recycling and the per ton processing fee was 80% of ACR-\$90 when ACR is greater \$90 per ton and a dollar for dollar charge of ACR-\$90 when ACR is less than \$90 per ton. The FY22 total contract price is expected to be \$1,618,022.

The Town has entered into contracts for renovations of the High School, including building a new addition at 111 Cypress St.; various Town and School building repairs; a fire maintenance facility; the Reservoir Park project; wastewater system improvements; and various other building and construction projects.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for regular ed transportation. The FY21 cost was \$347,560, the expected cost for FY22 is \$535,840. The contract was extended through FY23 with an additional 5 option years.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc., with specific details on ridership and routing yet to be finalized, to provide transportation for its special needs students. The FY21 cost was \$1,767,313 and the expected cost for FY22 is \$2,514,502. The contract was extended through FY22.

NOTE 18 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable.

As of October 5, 2021, the Town approved a settlement in the amount of \$11 million in relation to an ongoing racial discrimination suit. A legal settlement accrual has been recorded for the entity wide financial statements.

NOTE 19 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely.

These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town’s portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2021, which is the date the financial statements were available to be issued.

On October 5, 2021, the Town approved a settlement agreement to settle all claims asserted by Mr. Gerald Alston against the Town of Brookline, Town Officials, and related parties. Prior to this agreement the amount of the liability was indeterminable. Due to the settlement occurring prior to release of the Town’s financial statements, an \$11 million legal settlement liability has been recorded.

On September 15, 2021, a case was settled against the Town of Brookline related to an eminent domain taking at 111 Cypress Street, to allow for the expansion of the new high school project. The settlement which was paid out on December 15, 2021, amounted to \$4.1 million.

NOTE 21 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #84, *Fiduciary Activities*. To reflect this change, the Town is reporting certain funds which had previously been reported as Agency Funds as Governmental Funds. This has resulted in the revision of the June 30, 2020, balances as follows:

	06/30/2020 Previously Reported Balances	Implementation of GASB #84	06/30/2020 Revised Balances
	<u> </u>	<u> </u>	<u> </u>
Government-Wide Financial Statements			
Governmental activities.....	\$ (163,893,011)	\$ (986,918)	\$ (164,879,929)
	<u> </u>	<u> </u>	<u> </u>
Fund-Based Financial Statements			
Non-Major Governmental funds.....	\$ 192,383,044	\$ (986,918)	\$ 191,396,126
	<u> </u>	<u> </u>	<u> </u>

NOTE 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	(A)	(B)	(A+B)	
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 253,831,859	\$ 253,831,859	\$ 253,831,859
Motor vehicle and other excise taxes.....	-	6,627,222	6,627,222	5,952,222
Hotel/motel tax.....	-	442,001	442,001	442,001
Meals and marijuana excise taxes.....	-	554,747	554,747	1,229,747
Charges for services.....	-	3,249,327	3,249,327	6,667,768
Penalties and interest on taxes.....	-	538,868	538,868	538,868
Payments in lieu of taxes.....	-	789,970	789,970	877,647
Licenses and permits.....	-	3,673,308	3,673,308	3,668,808
Fines and forfeitures.....	-	1,562,000	1,562,000	1,562,000
Intergovernmental - state aid.....	-	22,280,127	22,280,127	22,285,057
Departmental and other.....	-	7,288,133	7,288,133	3,240,727
Investment income.....	-	208,645	208,645	208,645
TOTAL REVENUES.....	-	301,046,207	301,046,207	300,505,349
EXPENDITURES:				
Current:				
General government.....	409,660	10,701,529	11,111,189	12,308,998
Public safety.....	774,278	41,955,780	42,730,058	44,031,336
Education.....	440,747	119,091,885	119,532,632	121,282,668
Public works.....	670,161	16,008,197	16,678,358	17,924,656
Human services.....	29,189	3,121,620	3,150,809	3,211,105
Leisure services.....	61,100	4,995,377	5,056,477	5,323,655
Pension benefits.....	-	26,569,845	26,569,845	26,569,845
Employee benefits.....	408,971	49,946,073	50,355,044	45,595,947
State and county charges.....	-	6,796,134	6,796,134	6,779,677
Debt service:				
Principal.....	-	13,674,000	13,674,000	13,674,000
Interest.....	-	11,530,625	11,530,625	11,530,625
TOTAL EXPENDITURES.....	2,794,106	304,391,065	307,185,171	308,232,512
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,794,106)	(3,344,858)	(6,138,964)	(7,727,163)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	2,743,744	2,743,744	3,264,532
Transfers out.....	-	(9,397,380)	(9,397,380)	(9,397,380)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(6,653,636)	(6,653,636)	(6,132,848)
NET CHANGE IN FUND BALANCE.....	(2,794,106)	(9,998,494)	(12,792,600)	(13,860,011)
BUDGETARY FUND BALANCE, Beginning of year.....	-	38,959,377	38,959,377	38,959,377
BUDGETARY FUND BALANCE, End of year.....	\$(2,794,106)	\$ 28,960,883	\$ 26,166,777	\$ 25,099,366

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	253,870,936	\$ -	\$ 39,077
	6,040,964	-	88,742
	613,630	-	171,629
	1,925,884	-	696,137
	7,537,317	-	869,549
	745,255	-	206,387
	2,023,502	-	1,145,855
	5,760,660	-	2,091,852
	2,011,219	-	449,219
	22,315,413	-	30,356
	3,877,256	-	636,529
	(75,367)	-	(284,012)
	<u>306,646,669</u>	<u>-</u>	<u>6,141,320</u>
	10,522,722	530,575	1,255,701
	42,446,297	903,946	681,093
	120,201,429	755,373	325,866
	16,729,881	827,610	367,165
	2,912,070	46,182	252,853
	5,180,023	72,638	70,994
	26,608,544	-	(38,699)
	41,645,578	2,325	3,948,044
	6,844,100	-	(64,423)
	13,674,000	-	-
	<u>11,382,165</u>	<u>-</u>	<u>148,460</u>
	<u>298,146,809</u>	<u>3,138,649</u>	<u>6,947,054</u>
	<u>8,499,860</u>	<u>(3,138,649)</u>	<u>13,088,374</u>
	3,346,398	-	81,866
	<u>(9,397,380)</u>	<u>-</u>	<u>-</u>
	<u>(6,050,982)</u>	<u>-</u>	<u>81,866</u>
	2,448,878	(3,138,649)	13,170,240
	<u>38,959,377</u>	<u>-</u>	<u>-</u>
\$	<u>41,408,255</u>	<u>(3,138,649)</u>	<u>\$ 13,170,240</u>

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Total pension liability:							
Service cost.....	\$ 9,255,303	\$ 9,579,238	\$ 10,619,644	\$ 11,007,819	\$ 11,656,856	\$ 12,082,943	\$ 12,512,079
Interest.....	32,675,994	33,783,255	35,531,295	36,743,979	37,818,314	39,054,341	40,314,086
Differences between expected and actual experience.....	-	1,204,511	-	(6,466,344)	-	(7,358,257)	-
Changes in assumptions.....	-	18,752,117	-	18,331,477	-	6,648,961	-
Benefit payments.....	(27,308,052)	(28,063,973)	(29,382,812)	(30,920,200)	(32,183,538)	(33,284,884)	(33,436,409)
Net change in total pension liability.....	14,623,245	35,255,148	16,768,127	28,696,731	17,291,632	17,143,104	19,389,756
Total pension liability - beginning.....	434,346,018	448,969,263	484,224,411	500,992,538	529,689,269	546,980,901	564,124,005
Total pension liability - ending (a).....	\$ <u>448,969,263</u>	\$ <u>484,224,411</u>	\$ <u>500,992,538</u>	\$ <u>529,689,269</u>	\$ <u>546,980,901</u>	\$ <u>564,124,005</u>	\$ <u>583,513,761</u>
Plan fiduciary net position:							
Employer contributions.....	\$ 18,432,347	\$ 19,232,179	\$ 20,290,863	\$ 21,885,829	\$ 24,208,429	\$ 25,453,548	\$ 27,748,662
Member contributions.....	6,233,795	6,197,022	6,514,452	7,403,133	7,295,624	7,653,263	7,903,401
Net investment income (loss).....	14,475,566	1,734,820	20,418,899	37,335,254	(8,149,249)	44,694,407	41,233,120
Administrative expenses.....	(416,818)	(413,350)	(475,767)	(477,128)	(635,414)	(457,782)	(493,425)
Retirement benefits and refunds.....	(27,308,052)	(28,063,973)	(29,382,812)	(30,920,200)	(32,183,538)	(33,284,884)	(33,436,411)
Net increase (decrease) in fiduciary net position.....	11,416,838	(1,313,302)	17,365,635	35,226,888	(9,464,148)	44,058,552	42,955,347
Fiduciary net position - beginning of year.....	246,419,880	257,836,718	256,523,416	273,889,051	309,115,939	299,651,791	343,710,343
Fiduciary net position - end of year (b).....	\$ <u>257,836,718</u>	\$ <u>256,523,416</u>	\$ <u>273,889,051</u>	\$ <u>309,115,939</u>	\$ <u>299,651,791</u>	\$ <u>343,710,343</u>	\$ <u>386,665,690</u>
Net pension liability - ending (a)-(b).....	\$ <u>191,132,545</u>	\$ <u>227,700,995</u>	\$ <u>227,103,487</u>	\$ <u>220,573,330</u>	\$ <u>247,329,110</u>	\$ <u>220,413,662</u>	\$ <u>196,848,071</u>
Plan fiduciary net position as a percentage of the total pension liability.....	57.43%	52.98%	54.67%	58.36%	54.78%	60.93%	66.27%
Covered payroll.....	\$ 64,829,168	\$ 67,587,462	\$ 70,417,269	\$ 73,332,427	\$ 76,361,036	\$ 78,839,469	\$ 82,124,230
Net pension liability as a percentage of covered payroll.....	294.82%	336.90%	322.51%	300.79%	323.89%	279.57%	239.70%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- payroll	Contributions as a percentage of covered- payroll
December 31, 2020.....	\$ 27,414,136	\$ (27,748,662)	\$ (334,526)	\$ 82,124,230	33.79%
December 31, 2019.....	25,418,763	(25,453,548)	(34,785)	78,839,469	32.29%
December 31, 2018.....	23,568,626	(24,208,429)	(639,803)	76,361,036	31.70%
December 31, 2017.....	21,853,154	(21,885,829)	(32,675)	73,332,427	29.84%
December 31, 2016.....	20,262,544	(20,290,863)	(28,319)	70,417,269	28.82%
December 31, 2015.....	19,206,203	(19,232,179)	(25,976)	67,587,462	28.46%
December 31, 2014.....	18,204,932	(18,432,347)	(227,415)	64,829,168	28.43%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2020.....	12.81%
December 31, 2019.....	15.95%
December 31, 2018.....	-1.75%
December 31, 2017.....	14.51%
December 31, 2016.....	8.83%
December 31, 2015.....	1.43%
December 31, 2014.....	7.01%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Pension Plan Schedules - Town

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- payroll	Net pension liability as a percentage of covered- payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2020.....	96.92%	\$ 190,785,613	\$ 79,481,986	240.04%	66.27%
December 31, 2019.....	96.84%	213,447,748	76,302,877	279.74%	60.93%
December 31, 2018.....	96.93%	239,732,913	74,102,462	323.52%	54.78%
December 31, 2017.....	96.69%	213,268,118	71,163,258	299.69%	58.36%
December 31, 2016.....	96.85%	219,943,037	68,135,389	322.80%	54.67%
December 31, 2015.....	96.92%	220,680,561	65,389,850	337.48%	52.98%
December 31, 2014.....	96.53%	184,493,444	62,892,101	293.35%	57.43%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- payroll	Contributions as a percentage of covered- payroll
June 30, 2021.....	\$ 26,569,845	\$ (26,904,371)	\$ (334,526)	\$ 79,481,986	33.85%
June 30, 2020.....	24,615,433	(24,650,218)	(34,785)	76,302,877	32.31%
June 30, 2019.....	22,844,765	(23,484,568)	(639,803)	74,102,462	31.69%
June 30, 2018.....	21,129,395	(21,162,070)	(32,675)	71,163,258	29.74%
June 30, 2017.....	19,623,677	(19,651,996)	(28,319)	68,135,389	28.84%
June 30, 2016.....	18,614,041	(18,640,019)	(25,978)	65,389,850	28.51%
June 30, 2015.....	17,572,573	(17,799,988)	(227,415)	62,892,101	28.30%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2021.....	\$ 327,729,685	\$ 40,479,311	50.67%
2020.....	289,844,334	35,148,656	53.95%
2019.....	267,520,203	27,109,299	54.84%
2018.....	257,870,942	26,914,741	54.25%
2017.....	240,203,751	24,502,357	52.73%
2016.....	213,814,290	10,664,282	55.38%
2015.....	161,142,974	9,502,310	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 7,834,451	\$ 7,550,831	\$ 7,815,110	\$ 9,147,433	\$ 9,360,052
Interest.....	20,535,436	21,719,882	22,922,081	21,843,116	22,720,513
Differences between expected and actual experience....	-	-	2,344,363	-	(13,984,400)
Changes of assumptions.....	-	-	(27,305,099)	(6,256,543)	(15,731,254)
Benefit payments.....	(11,482,521)	(12,699,732)	(13,899,848)	(12,832,083)	(12,371,984)
Net change in total OPEB liability.....	16,887,366	16,570,981	(8,123,393)	11,901,923	(10,007,073)
Total OPEB liability - beginning.....	275,310,262	292,197,628	308,768,609	300,645,216	312,547,139
Total OPEB liability - ending (a).....	<u>\$ 292,197,628</u>	<u>\$ 308,768,609</u>	<u>\$ 300,645,216</u>	<u>\$ 312,547,139</u>	<u>\$ 302,540,066</u>
Plan fiduciary net position					
Employer contributions.....	\$ 3,774,837	\$ 4,480,080	\$ 4,570,465	\$ 5,071,743	\$ 4,181,979
Employer contributions for OPEB payments.....	11,482,522	12,699,732	13,899,848	12,832,083	12,517,723
Net investment income.....	3,931,640	3,857,373	2,575,123	835,586	18,020,952
Benefit payments.....	(11,482,521)	(12,699,732)	(13,899,848)	(12,832,083)	(12,371,984)
Administrative expense.....	(18,611)	(5,500)	-	-	(18,500)
Net change in plan fiduciary net position.....	7,687,867	8,331,953	7,145,588	5,907,329	22,330,170
Plan fiduciary net position - beginning of year.....	30,016,389	37,704,256	46,036,209	53,181,797	59,089,126
Plan fiduciary net position - end of year (b).....	<u>\$ 37,704,256</u>	<u>\$ 46,036,209</u>	<u>\$ 53,181,797</u>	<u>\$ 59,089,126</u>	<u>\$ 81,419,296</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 254,493,372</u>	<u>\$ 262,732,400</u>	<u>\$ 247,463,419</u>	<u>\$ 253,458,013</u>	<u>\$ 221,120,770</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	12.90%	14.91%	17.69%	18.91%	26.91%
Covered-employee payroll.....	\$ 163,493,255	\$ 169,013,707	\$ 177,230,422	\$ 183,355,613	\$ 186,003,951
Net OPEB liability as a percentage of covered-employee payroll.....	155.66%	155.45%	139.63%	138.23%	118.88%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2021.....	\$ 22,273,562	\$ (16,699,702)	\$ 5,573,860	\$ 186,003,951	8.98%
June 30, 2020.....	23,261,978	(17,903,826)	5,358,152	183,355,613	9.76%
June 30, 2019.....	22,132,173	(18,470,313)	3,661,860	177,230,422	10.42%
June 30, 2018.....	21,333,975	(17,179,812)	4,154,163	169,013,707	10.16%
June 30, 2017.....	20,434,161	(15,257,359)	5,176,802	163,493,255	9.33%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	29.36%
June 30, 2020.....	1.98%
June 30, 2019.....	5.21%
June 30, 2018.....	9.40%
June 30, 2017.....	11.98%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the Town to adopt a balanced budget that is approved at the Annual Town Meeting. The Advisory Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted for each department by four major appropriation units, which are personal services, expenses, debt service and capital outlay that are mandated by Municipal Law. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Amendments to the originally adopted budget and transfers between departments require the approval of Town Meeting. Transfers between appropriation units within a department (except for the School Department and Library) require the approval of the Town Administrator and are subject to certain restrictions that may require authorization from the Board and Advisory Committee. Expenditures within the appropriation of the School Department are not restricted. Transfers between Library appropriation units require the approval of the Board of Library Trustees.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2021 approved budget, including amounts carried forward from the prior years authorized approximately \$316.6 million in appropriations. During 2021, Town Meeting approved appropriation increases totaling approximately \$1.0 million.

Funding for the current year budget comes from two primary sources: amounts raised in the current year and reserves accumulated over time (e.g. free cash and overlay). If the amount raised in the current year is less than the total amount appropriated, reserves are used to fund the difference. In 2021, the Town used approximately \$11.1 million of free cash to balance the budget. These reserves are used to fund one-time expenses, primarily capital projects.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$ 2,448,878
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,577,824
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(1,416,288)
Net change in recording 60 day receipts.....	35,484
Recognition of revenue for on-behalf payments.....	40,479,311
Recognition of expenditures for on-behalf payments.....	<u>(40,479,311)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 2,645,898</u>

C. Appropriation Deficits

During 2021, expenditures exceeded the budgeted appropriation for pension benefits and state and county charges. These deficits will be funded through tax levy and available funds in 2022.

NOTE B – PENSION PLAN

Brookline Contributory Retirement System Pension Plan Schedules

A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan’s net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the “total appropriation”. The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Returns

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules - TownA. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The Town's appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The Town's appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Town contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

None.

E. Changes in Plan Provisions

None.

NOTE C – OTHER POSTRETIREMENT BENEFITS

The Town of Brookline administers a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan with the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the GIC. Each participating municipality is assessed for the governmental share of health, dental and life insurance premiums paid on behalf of its retired teachers by the state.

The Other Postemployment Benefit Plan

A. Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered-employee payroll.

B. Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	Actuarially determined contribution for fiscal year ending June 30, 2021 was determined with the June 30, 2020 actuarial valuation.
Actuarial cost method.....	Entry Age Normal - Level Percentage of Payroll
Amortization method.....	Level percent of payroll
Asset valuation method.....	Market value
Investment rate of return.....	7.00% (Previously 7.2%)
Healthcare cost trend rate.....	Medical and Prescription Drug: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50%. Medicare Part B Premium: 4.50%. Contributions: Retiree contributions are expected to increase with medical trend.
Discount rate.....	7.00%

Salary increases.....	4.50% for Group 1 (excluding teachers) and Group 2 employees. 4.75% for Group 4 employees. Service related increases for teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.
Mortality rates.....	Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017. Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017. Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Table set forward one year projected generationally using Scale MP-2017. Pre-Retirement (Teachers): RP-2014 White Collar Healthy Mortality Table projected generationally using Scale MP-2019. Healthy (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019. Disabled (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes of Assumptions

The per capita health costs, retiree contributions and trends were updated to reflect current experience. The mortality projection scale for teachers was updated. The discount rate was decreased from 7.20% to 7.00%.

E. Changes in Plan Provisions

None.