



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF BROOKLINE, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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TOWN of BROOKLINE

Massachusetts

SELECT BOARD

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CHARLES CAREY
Town Administrator

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March 27, 2023

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, 2022, 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, 2022, 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 unqualified opinion that the Town of Brookline's financial statements for the fiscal year ended June 30, 2022, 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 nearly 7,100 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, 2022 voting members include Bernard Greene (Select Board Appointee), Lee Selwyn (Advisory Committee), Mariah Nobrega (School Committee), Alok Somani, Paul Healy Chair and Steve Herscovici (Moderator's Appointees). In addition to the six voting members, the Director of Finance (Lincoln Heineman), the Comptroller (Michael DiPietro), the Superintendent of Schools or his/her designee (Ruth Quinn Berdell), 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 (as of the date of this letter)

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Term Exp.</u>
Town Administrator	Charles Carey	Appointed - 3 years	2025
Superintendent of Schools	Linus J. Guillory Jr., PhD	Appointed - 3 years	2024
Deputy Town Administrator	Melissa Goff	Appointed - 1 year	2023
Finance Director and Treasurer	Lincoln Heineman	Appointed - 1 year	2023
Town Comptroller	Michael F. DiPietro	Appointed - 1 year	2023
Town Clerk	Ben Kaufman	Elected - 3 years	2024
Town Counsel	Joseph Callanan	Appointed - 1 year	2023

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 2023 current tax rates are:

Residential	\$ 9.97 per thousand of property value
Commercial	\$ 16.70 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 \$6.2 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 \$83,209 according to the 2019 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 \$2.8 million per year, allowing for an additional 1% growth in the largest revenue source of the Town.

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.

In FY 2022, Local Receipts represented 6.6% of the Budget. This is the area of Town revenue most impacted by the downturn in the economy created by the pandemic. Reduced commercial activity has contributed to lower than normal growth in receipts in fees related to restaurant licensing, parking meter fees, and excise taxes from the sale of meals, hotel rooms, and recreational cannabis. We are projecting for this revenue to rebound beginning in the second quarter of FY 2022, yet it will still lag behind prior projections. A major accounting shift in host community fees for marijuana retail stores (separate from the excise taxes) overstates the overall reduction in Local Receipts. Beginning in FY 2022, all fees derived from marijuana host community mitigation fees will be accounted for in a separate stabilization fund.

Free Cash represents the amount of the Town's prior year fund balance certified by the State as available for appropriation. The Town of Brookline maintains a very rigorous financial policy for Free Cash, limiting its use to non-recurring, non-operational expenses of the Town. Following the conclusion of FY 2021, the State certified \$13,001,890 in Free Cash available for appropriation in FY 2022. In order to meet the Town's fiscal policy goals of

having at least 10% of its prior year revenue allocated in Reserves, the Town will leave unappropriated \$2.6M of Free Cash and will appropriate \$2,829,788 million to be deposited into the Town's Stabilization Fund. This amount is necessary to offset the reduction in revenue at the end of FY 2020 because of COVID-19. The balance of \$4,839,918 was used to fund capital improvements and to cover various special reserve accounts of the Town in accordance with a formal policy on the use of Free Cash. . This year, as in FY 2021, an additional \$1 million of Free Cash was allocated to the annual Reserve Fund in order to provide the Town with flexibility in such uncertain times.

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 2022 of 6%. 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 and FY2022 to mitigate COVID-19 budget reductions but was resumed in FY2023.

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. .

The most recent actuarial valuation for the year ending January 1, 2022, included the following changes to the financial assumptions:

- the anticipated rate of return on investments was lowered from 7.20% to 6.9%
- the annual appropriation increase was unchanged at 7.85%

- the estimated date of full funding of the unfunded liability was un-changed remaining at FY 2030

For the last several years, Town Meeting has been the venue for setting municipal policy goals around carbon reduction and advocating for dedicated funding to support climate initiatives. These aggressive goals, seeking zero-emissions by 2050, also has focused on the regulatory side, seeking legal restrictions on the use of fossil fuels to heat and cool new buildings. While this local initiative has not yet been approved by the Attorney General, it has provided the impetus to require fossil fuel free systems in all of Brookline's new school buildings and to require such technology in private construction projects whenever the Town has leverage in negotiating mitigation agreements. Perhaps most importantly, this advocacy has spurred statewide action on stretch energy codes and the possibility of allowing a handful of communities to experiment with land use incentives and other mechanisms to move development towards renewable energy systems.

Following a study by the Collins Center of the University of Massachusetts Boston, the Town established and filled a new position dedicated to Sustainability. This position was elevated to a division director within the Planning and Community Development department. This division will expand over time, with both staff and consulting resources. Currently, the new director is establishing a strategic plan and shoring up the Town's Green Communities status and other requirements necessary to allow the Town to remain eligible and compete for grants. Meanwhile, the Select Board adopted recommendations of the Collins Center to reform its primary climate advisory body. A new Zero Emissions Advisory Board will replace the former Climate Advisory Committee.

Reducing the Town's carbon emissions is imbedded in many strategies and programs across all municipal departments, including converting to an electric fleet, installation of solar panels on town and school buildings, aggregating and procuring clean electricity options for Brookline's residents, purchasing MA Class 1 renewable energy credits (RECs), and partnering with the MBTA and other organizations to promote mass transit and other programs to reduce fossil fuel use.

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 \$156 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 (\$20 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 (\$23.4 million).
- Fire station renovations, (\$45 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.

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, 2022, the bi-annual actuarial analysis projected a liability of \$320 million with an unfunded liability of approximately \$238 million. At June 30, 2022, the Town had a balance of approximately \$82 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. There is currently no legal requirement to make annual payments in Massachusetts 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,

Charles Carey

Charles Carey
Town Administrator

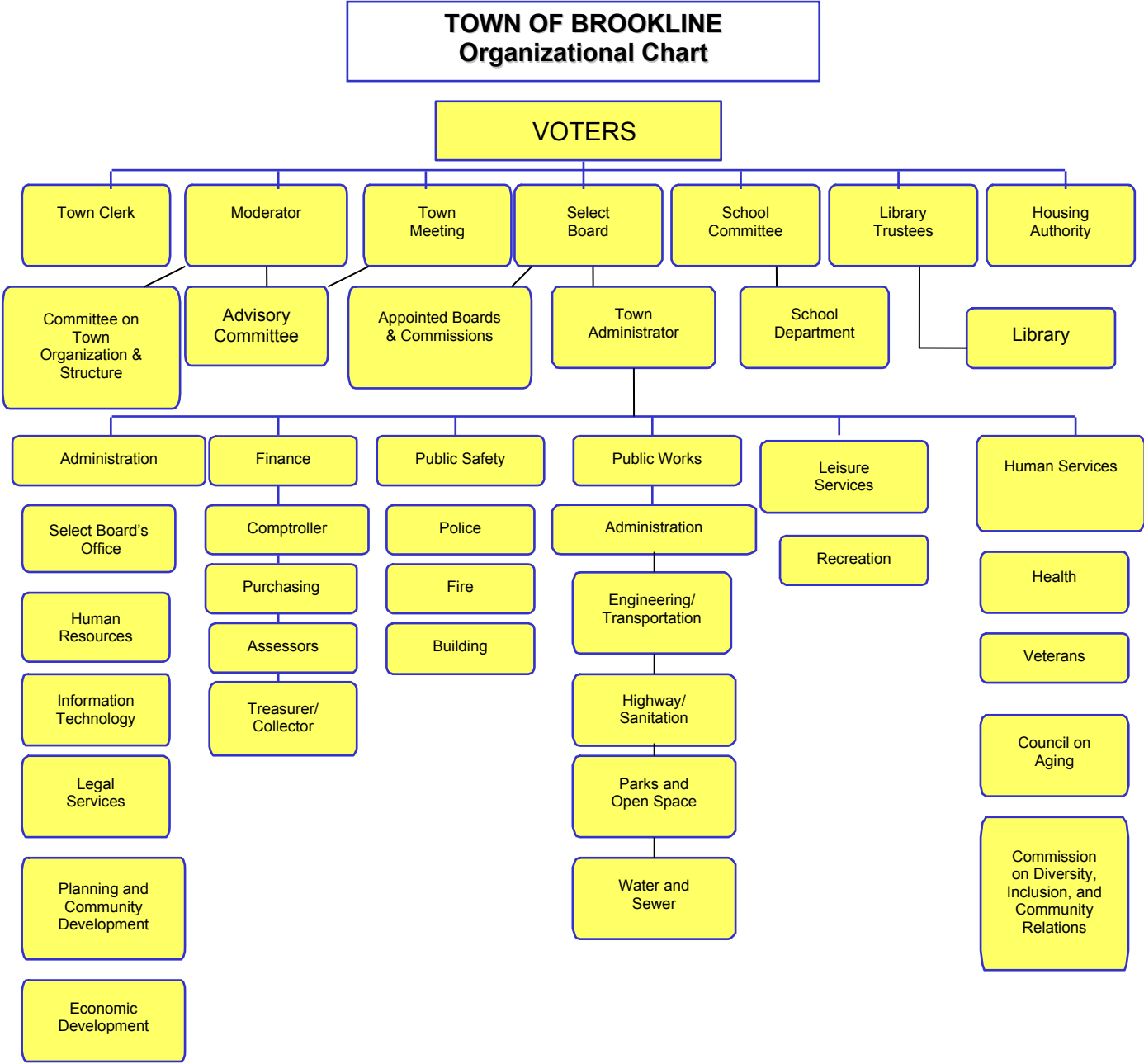
Michael F. DiPietro

Michael F. DiPietro
Town Comptroller

Lincoln Heineman

Lincoln Heineman
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

Report on the Financial Statements

Opinions

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, 2022, (except for the Brookline Contributory Retirement System which is as of December 31, 2021), 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.

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, 2022 (except for the Brookline Contributory Retirement System which is as of and for the year ended December 31, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Brookline, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principal

As discussed in Note 7 to the financial statements, in the year ending June 30, 2022, the Town adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Brookline, Massachusetts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brookline, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Brookline, Massachusetts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Brookline, Massachusetts' 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, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

March 27, 2023

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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, 2022. 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 \$105.3 million at the close of 2022.

For the governmental activities, net position of \$258.3 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. \$14.2 million represents resources that are subject to external restrictions on expenditures. The balance of unrestricted net position has a year-end deficit of \$377.8 million which includes a \$233 million liability for postemployment benefits, and a \$122.7 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 \$105.3 million at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 308,139,463	\$ 354,102,654
Noncurrent assets (excluding capital).....	250,000	275,000
Capital assets, nondepreciable.....	228,955,206	244,866,785
Capital assets, net of accumulated depreciation....	386,260,564	296,264,885
Total assets.....	923,605,233	895,509,324
Deferred outflows of resources.....	12,594,704	4,727,616
Liabilities:		
Current liabilities (excluding debt).....	48,863,856	60,859,572
Noncurrent liabilities (excluding debt).....	392,855,018	425,361,918
Current debt.....	28,803,397	29,609,342
Noncurrent debt.....	467,749,376	472,245,043
Total liabilities.....	938,271,647	988,075,875
Deferred inflows of resources.....	103,203,200	71,250,852
Net position:		
Net investment in capital assets.....	258,274,060	253,879,006
Restricted.....	14,226,925	12,214,170
Unrestricted.....	(377,775,895)	(425,182,963)
Total net position.....	\$ (105,274,910)	\$ (159,089,787)

The Town's governmental net position increased by \$53.8 million in 2022. Key elements of the change are as follows:

	<u>2022</u>	<u>2021</u>
Program Revenues:		
Charges for services.....	\$ 42,758,202	\$ 30,982,130
Operating grants and contributions.....	56,008,535	72,872,653
Capital grants and contributions.....	1,174,571	3,819,125
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	272,575,073	253,670,635
Motor vehicle and other excise taxes.....	5,999,167	6,387,317
Hotel/motel tax.....	2,054,538	613,630
Meals and marijuana excise taxes.....	2,377,952	1,925,884
Community preservation tax.....	2,601,478	-
Penalties and interest on taxes.....	4,169,327	745,255
Payments in lieu of taxes.....	1,971,640	2,023,502
Grants and contributions not restricted to specific programs.....	12,091,488	7,197,438
Unrestricted investment income.....	(4,525,740)	2,154,518
Gain on sale of assets.....	4,560,655	-
Miscellaneous.....	639,843	502,394
Total revenues.....	<u>404,456,729</u>	<u>382,894,481</u>
Expenses:		
General government.....	37,107,406	27,756,345
Public safety.....	66,875,021	69,966,850
Education.....	188,957,400	209,116,456
Public works.....	26,200,292	27,413,884
Community development.....	1,179,843	1,061,585
Human services.....	4,992,691	6,228,865
Leisure services.....	12,813,314	11,585,268
Claims and judgments.....	-	15,100,000
Interest.....	12,523,886	8,875,086
Total expenses.....	<u>350,649,853</u>	<u>377,104,339</u>
Excess (Deficiency) before transfers.....	<u>53,806,876</u>	<u>5,790,142</u>
Transfers.....	<u>8,001</u>	<u>-</u>
Change in net position.....	<u>53,814,877</u>	<u>5,790,142</u>
Net position, beginning of year.....	<u>(159,089,787)</u>	<u>(164,879,929)</u>
Net position, end of year.....	<u>\$ (105,274,910)</u>	<u>\$ (159,089,787)</u>

The increase in net position is due to several factors.

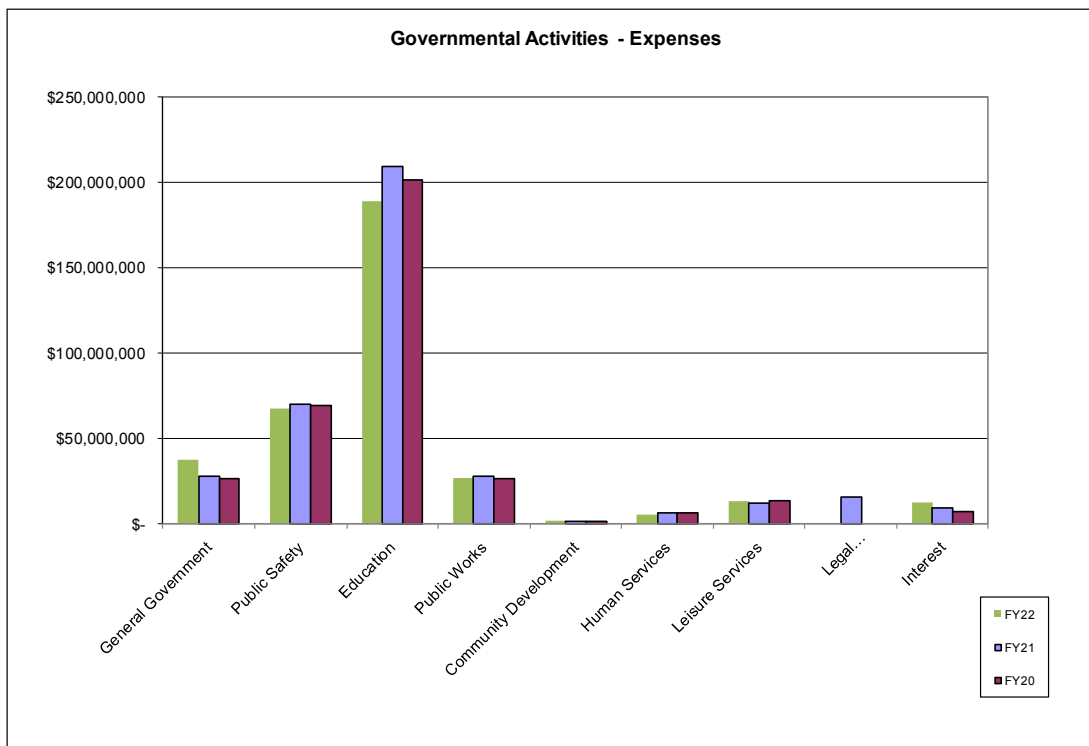
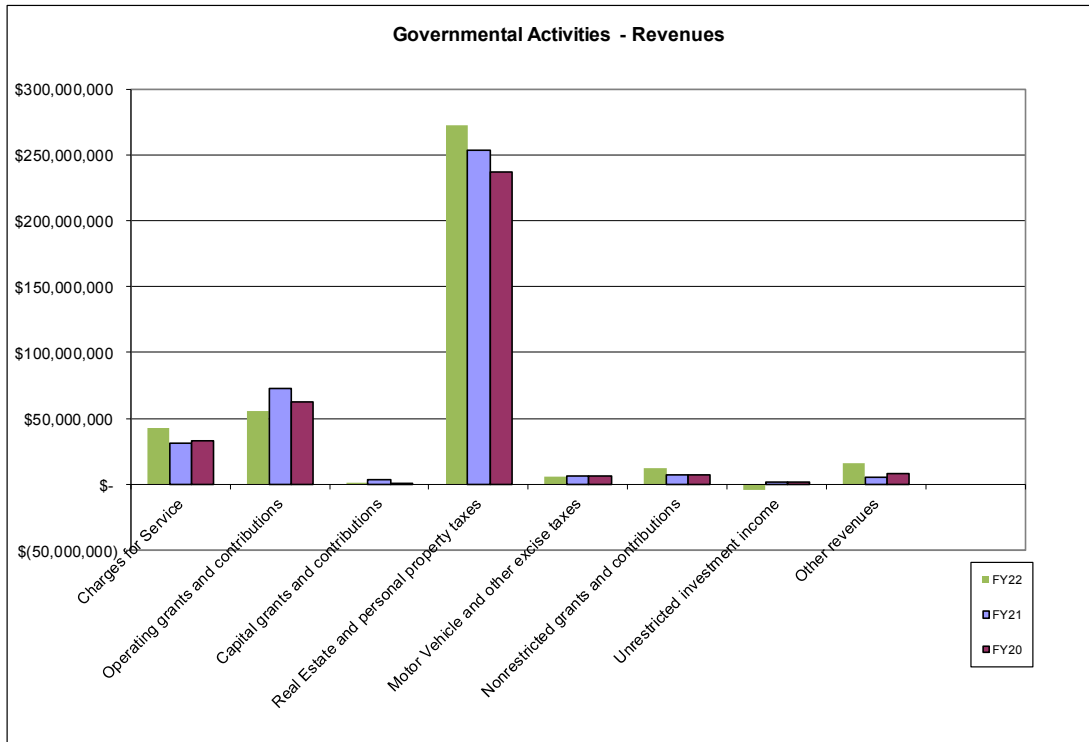
Increasing net position were capital grants of \$254,000 related to the MSBA reimbursement of various school construction projects and \$920,000 related to Chapter 90 grant allocations, amortization of previous years debt premiums of \$2.6 million, a \$22 million decrease in net pension benefits liability accrual and its related deferred inflows/outflows, and the Town's ability to fund approximately \$7.7 million of capital additions from current revenues. The investment income loss was due to a temporary unrealized loss in US treasury notes that fully recovered their value at maturity subsequent to year-end. Additional item increasing net position included an operating surplus in the general fund of \$19.3 million.

The Commonwealth makes the on be-half contribution to the Teachers Retirement System for Town Teachers as the State is legally required to assume 100% of the pension liability for all Teachers in the State. In 2021 the actuarial determined contribution was \$40.5 million and decreased by \$19.6 million to \$20.9 million in 2022. Both the education expense and operating grants revenues reported a decrease of approximately \$20 million.

The governmental expenses totaled \$350.6 million of which \$99.9 million (28.5%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants.

General revenues totaled \$304.5 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 2022 revenues and expenses.



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 \$230 million which is comprised of \$62.4 million in the general fund, \$110.8 million in the School Capital fund, \$13.2 million in the Capital Article fund, and \$43.7 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 \$48.9 million, while total fund balance was \$62.4 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 14% of total general fund revenues, while total fund balance represents 17% 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 \$19.3 million during 2022. Majority of change is due to a budgetary surplus of \$13 million.

The American Rescue Plan Act (ARPA) Fund is used to account for financial resources for the federal grant. The ARPA revenues and expenditures equaled during 2022. As a result, the fund has a zero balance at year end.

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 \$110.8 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 2022, \$6.3 million of bonds proceeds was received along with a \$659,000 premium on bonds. These increases were offset by \$83.2 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 \$13.2 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 2022. As a result, the fund has a zero balance at year end.

General Fund Budgetary Highlights

There was a \$1.9 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 million.

Business-type Activities.

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

	2022 Water & Sewer Activities	2021 Water & Sewer Activities
Assets:		
Current assets.....	\$ 19,013,897	\$ 20,170,126
Capital assets, net of accumulated depreciation....	60,713,080	58,909,476
Total assets.....	79,726,977	79,079,602
Deferred outflows of resources.....	242,523	94,409
Liabilities:		
Current liabilities (excluding debt).....	460,765	537,555
Noncurrent liabilities (excluding debt).....	7,213,074	8,244,866
Current debt.....	1,601,335	1,632,803
Noncurrent debt.....	8,159,301	9,010,636
Total liabilities.....	17,434,475	19,425,860
Deferred inflows of resources.....	2,015,007	1,441,594
Net position:		
Net investment in capital assets.....	60,748,570	58,988,623
Unrestricted.....	(228,552)	(682,066)
Total net position.....	\$ 60,520,018	\$ 58,306,557
	2022 Water & Sewer Activities	2021 Water & Sewer Activities
Program Revenues:		
Charges for services.....	\$ 29,702,420	\$ 29,027,156
Capital grants and contributions.....	2,250,000	-
General Revenues:		
Unrestricted investment income.....	17,196	6,663
Total revenues.....	31,969,616	29,033,819
Expenses:		
Water and sewer.....	29,723,154	29,542,129
Excess (Deficiency) before transfers.....	2,246,462	(508,310)
Transfers.....	(33,001)	-
Change in net position.....	2,213,461	(508,310)
Net position, beginning of year.....	58,306,557	58,814,867
Net position, end of year.....	\$ 60,520,018	\$ 58,306,557

The water and sewer enterprise net position increased by \$2.2 during the current year. The primary reason for this increase is due to \$2.2 million MWRA grant revenue capital contribution.

	2022 Golf Course Activities	2021 Golf Course Activities
Assets:		
Current assets.....	\$ 717,884	\$ 882,189
Capital assets, net of accumulated depreciation....	2,168,881	2,506,704
Total assets.....	2,886,765	3,388,893
Deferred outflows of resources.....	23,404	7,818
Liabilities:		
Current liabilities (excluding debt).....	190,502	215,799
Noncurrent liabilities (excluding debt).....	560,464	1,021,850
Current debt.....	184,785	98,660
Noncurrent debt.....	974,742	885,030
Total liabilities.....	1,910,493	2,221,339
Deferred inflows of resources.....	152,113	56,475
Net position:		
Net investment in capital assets.....	1,068,268	1,208,345
Unrestricted.....	(220,705)	(89,448)
Total net position.....	\$ 847,563	\$ 1,118,897
	2022 Golf Course Activities	2021 Golf Course Activities
Program Revenues:		
Charges for services.....	\$ 1,699,783	\$ 2,296,325
General Revenues:		
Unrestricted investment income.....	1,265	8,306
Total revenues.....	1,701,048	2,304,631
Expenses:		
Golf course.....	1,997,382	1,831,303
Excess (Deficiency) before transfers.....	(296,334)	473,328
Transfers.....	-	-
Change in net position.....	(296,334)	473,328
Net position, beginning of year.....	1,118,897	645,569
Net position, end of year.....	\$ 822,563	\$ 1,118,897

The golf enterprise net position decreased by \$271,000 during the current year. The decrease is primarily the result of a decrease in all golf course activities.

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 (FY13 - FY22), the Town has authorized expenditures of \$665 million, for an average of \$66 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 recommended FY2023 – FY2028 CIP calls for an investment of \$402 million, for an average of approximately \$67 million per year, and follows the Town's CIP and Free Cash policies for projects inside the levy limit. This continues the Town's commitment to prevent the decline of its infrastructure, upgrade its facilities, improve its physical appearance, and invest in opportunities that positively impact the Operating Budget. 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, 2021 was \$14.2 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, \$6.8 million of additional pay-as-you-go capacity was made available to the CIP for FY 2022. 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.

A study was made of the conditions of the fire stations and what was needed to provide significant modernization and attention to several critical areas (1) addressing the systemic changes necessary to provide a safe and healthy work environment for our firefighter's through the reduction of exposure to carcinogenic contaminants in the living quarters, (2) addressing the long overlooked areas of privacy equity and increased capacity for female firefighters, and lastly (3) addressing all applicable health and safety requirements in the work space under the state's newly adopted federal Occupational Safety and Health Administration (OSHA) standards. (4) anticipating the feasibility of Electric Vehicles for emergency response; specifying the infrastructure necessary for Electric Vehicle Supply Equipment (EVSE).

The project would include interventions such as industrial cleaning of all non-porous surfaces and all duct work, painting of all walls and ceilings (hard surfaces), replacement of all acoustic/porous ceiling tiles, replacement of all window treatments, replacement of all (soft) furniture in living areas, and the replacement of any fabric partitions. These upgrades form the foundation for the next phase of essential renovations necessary to transform the department's working and living spaces to provide for the long-term wellbeing of our firefighters and to accommodate our diverse workforce.

The first analysis focused on the integration of environmental zoning within the existing structures; primarily using enhanced HVAC equipment to create “pressurized” controls between working and living spaces. These newly established “zones” work in conjunction with enhanced policy and procedural decontamination standards and habits. Negative and positive pressure differences between the zones limit the conventional flow of contaminants between the garage or contaminated (red) working areas of the stations; pass through a neutral or reduced contamination (grey) zone before entering into the contamination-free living quarters (green). There are a limited number of changes that would need to be made to the physical structure of some stations to create the needed flow from zone to zone.

A second analysis was conducted by the same groups to address the long-overdue complete integration of female firefighters into the outmoded fire stations that were built exclusively for male occupancy. Brookline’s female firefighters have been subjected to disparate accommodations for over two-decades and are rightfully demanding that changes be implemented to increase capacity for bathroom and changing facilities providing more flexibility and privacy for our anticipated growing female workforce. The initial changes that were implemented, albeit well-intentioned, created even further disparity. The new analysis was designed to meet or exceed standards established by previous civil service ruling for integrated accommodations. These specific renovations were integrated to work in conjunction with the overall redesign plan to build resiliency for the next several decades of use by the department.

A third analysis was undertaken to review the newly instituted federal OSHA standards as they pertain to the fire stations. The committee finds that the majority of the identifiable potential violations that could be found within the scope of the standard has been, or will be, addressed within the larger renovation plans, and no additional specific recommendations are necessary at this time.

Finally, this project provides the opportunity for specifying and practical integration of Electric Vehicle Supply Equipment (EVSE) within the scope of construction.

This large-scale endeavor would be completed over the course of 5-7 years at an estimated cost of \$82 million dollars, necessitating a debt-exclusion from the Town residents. This project would necessitate that each fire station would be vacated in its entirety during the period of renovation. As such, the apparatus and personnel from the affected station are temporarily reassigned to another station(s). Some minor site work could be necessary to accommodate more personnel on a temporary basis. The renovations are estimated to take between 8-18 months for each station depending on the size and complexity of the project.

There is also funding allocated in FY2023 for two Traffic Calming/Safety Improvement projects. The first will focus on improving pedestrian, cyclist, micro-mobility, and motorist safety at 3 intersections and within the Baker School Zone along Beverly Road. The second project is related to the restoration of the historic Carlton Street footbridge. Given that the nearest crosswalks are 400 feet to the north and 450 feet to the south of the bridge location, as a condition of the bridge restoration project moving forward, MassDOT required the Town to develop a plan to improve access for pedestrians from the opposite side of the street near the bridge.

There is funding under Bike Access Improvements to support the Brookline Avenue Multi-Modal Improvements which will include a northbound shared BUS/BIKE/EMERGENCY VEHICLE travel lane, two northbound general purpose travel lanes, a southbound general purpose travel lane, and a southbound shared BUS/BIKE/EMERGENCY VEHICLE travel lane. The intersection of Brookline Avenue and Aspinwall Avenue will be upgraded to current ADA standards and will include improved bicycle accommodations including bike walks and left turn queue boxes. The southbound bus stop for the Rte. 60 & 65 bus at Aspinwall Avenue will be relocated to the far side of the intersection in accordance with MBTA preferred bus stop guidelines and, along with the changes at the intersection, a new protected two-way, street level cycle track will provide the missing connections in the Emerald Necklace Bicycle and micro-mobility paths along the Muddy River.

The Washington Street Project involves the rehabilitation of 1.3 miles of Washington Street and associated intersections from Station Street (Brookline Village) northerly up to and including its intersection with Beacon Street (Washington Square). This critical arterial roadway is in poor condition, serves as an important connection between Route 9/Boylston Street and Beacon Street which is utilized by high volumes of drivers, pedestrians, and bicyclists alike and provides access to 3 commercial districts, public safety facilities, County Court House, and other Town government services including the Library and Town Hall.). It is anticipated that the Town would be eligible for Federal and/or State funding for the project, currently estimated at \$26 million for construction. The Town funding share is currently estimated at \$5 million spread over several years to include preliminary design, public participation, right of way approvals, engineering bid documents, construction oversight, project management, funding assistance, implementation and Town preferred betterments.

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.

	All Capital Improvement Projects			Revenue Financed Projects			Debt Financed Projects		
	Expended in Fiscal 2022	Encumbrances	Available Budget	Expended in Fiscal 2022	Encumbrances	Available Budget	Expended in Fiscal 2022	Encumbrances	Available Budget
General Government Capital Equipment/Planning.....	167,635	38,836	87,603	161,892	25,938	82,097	5,742	12,898	5,506
Building Projects.....	98,332,373	99,199,983	29,343,656	2,585,476	137,047	2,152,538	95,746,897	99,062,936	27,191,119
Public Safety Projects.....	1,184,557	100,840	1,070,919	1,184,557	100,840	1,068,567	-	-	2,351
DPW Projects.....	6,116,290	4,359,391	12,664,341	4,449,700	3,795,467	6,637,848	1,666,590	563,924	6,026,493
Recreation Projects.....	-	-	189,284	-	-	189,284	-	-	-
DPW Enterprise Related Projects.....	4,498,053	4,206,064	10,382,297	854,969	221,739	149,542	3,643,084	3,984,325	10,232,755
Golf Enterprise Projects.....	-	-	748,914	-	-	-	-	-	748,914
Grand Total	110,298,907	107,905,113	54,487,013	9,236,594	4,281,031	10,279,876	101,062,314	103,624,082	44,207,137

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, 2022, amount to \$678.1 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 \$75.5 million, including a \$74 million increase for governmental activities and a \$1.5 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 \$652,000 was capitalized for the building improvements.
- ❖ Approximately \$2.8 million was capitalized for land improvements.
- ❖ Approximately \$6.1 million was capitalized for roads, sidewalks, wastewater, and other related infrastructure.
- ❖ Approximately \$3.1 million was capitalized for machinery and 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	
	2022	2021	2022	2021	2022	2021
	Land.....	\$ 874,873	\$ 874,873	\$ -	\$ -	\$ 874,873
Construction in Progress.....	228,080,333	243,991,912	-	-	228,080,333	243,991,912
Land Improvements.....	25,032,710	25,830,987	1,296,672	1,546,062	26,329,382	27,377,049
Buildings.....	304,623,767	215,809,550	2,838,170	3,046,497	307,461,937	218,856,047
Machinery and Equipment.....	20,853,628	20,646,680	2,314,022	2,104,782	23,167,650	22,751,462
Infrastructure.....	35,750,459	33,977,668	56,433,097	54,718,839	92,183,556	88,696,507
Total.....	\$ 615,215,770	\$ 541,131,670	\$ 62,881,961	\$ 61,416,180	\$ 678,097,731	\$ 602,547,850

Long-term Debt. At the end of the current year, the Town of Brookline had total long-term debt outstanding, including premiums, of \$502.6 million, of which \$491.7 million is governmental debt and \$10.9 million is business-type debt. This entire amount is classified as outstanding long-term debt. In the current year, the Town issued \$24.8 million of governmental and \$793,000 of business-type debt including capitalized bond premiums.

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 2022, 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 \$121,040 of grant proceeds related to 2022. Accordingly, a \$121,040 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 issued \$22.5 million of general obligation bonds on February 7, 2023. Of the bonds, \$21.7 million was governmental, \$750,000 related to the sewer enterprise fund, and \$43,000 related to the golf enterprise fund.

Please see notes 7 and 8 for further debt information.

Cash and Investments

At June 30, 2022, the Town had recorded Cash and Investments of \$312,640,735. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash of \$319,993; Investment accounts maintained by the Trustees of the Brookline Public Library of \$4,232,127; and Cash and Investment accounts maintained by the Brookline Retirement System of \$3,392,438 and \$469,982,402 respectively. This resulted in total Cash and Investments of \$790,567,695 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 115,024,265	\$ 13,262,362	\$ 128,286,627
Investments.....	175,516,845	-	175,516,845
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	4,743,942	-	4,743,942
Tax liens.....	859,864	-	859,864
Community preservation fund surtax.....	64,290	-	64,290
Motor vehicle and other excise taxes.....	634,884	-	634,884
User charges.....	195,505	6,469,419	6,664,924
Departmental and other.....	5,239,654	-	5,239,654
Intergovernmental - other.....	5,830,757	-	5,830,757
Internal balances.....	25,000	(25,000)	-
Other assets.....	4,457	-	4,457
Total current assets.....	308,139,463	19,706,781	327,846,244
NONCURRENT:			
Internal balances.....	250,000	(250,000)	-
Capital assets, nondepreciable.....	228,955,206	-	228,955,206
Capital assets, net of accumulated depreciation.....	386,260,564	62,881,961	449,142,525
Total noncurrent assets.....	615,465,770	62,631,961	678,097,731
TOTAL ASSETS.....	923,605,233	82,338,742	1,005,943,975
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	11,254,125	238,289	11,492,414
Deferred outflows related to other postemployment benefits.....	1,340,579	27,638	1,368,217
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	12,594,704	265,927	12,860,631
LIABILITIES			
CURRENT:			
Warrants payable.....	5,618,926	109,805	5,728,731
Accrued payroll.....	3,652,048	-	3,652,048
Tax refunds payable.....	8,126,627	-	8,126,627
Accrued interest.....	4,034,277	110,727	4,145,004
Other liabilities.....	3,523,722	29,295	3,553,017
Unearned revenue.....	681,044	-	681,044
Legal settlement.....	15,100,000	-	15,100,000
Landfill closure.....	82,000	-	82,000
Compensated absences.....	7,966,402	376,440	8,342,842
Workers' compensation.....	78,810	-	78,810
Notes payable.....	4,872,000	-	4,872,000
Long-term debt.....	23,931,397	1,786,120	25,717,517
Total current liabilities.....	77,667,253	2,412,387	80,079,640
NONCURRENT:			
Unearned revenue.....	31,771,161	-	31,771,161
Landfill closure.....	640,000	-	640,000
Compensated absences.....	2,234,113	122,709	2,356,822
Workers' compensation.....	2,548,190	-	2,548,190
Net pension liability.....	122,697,812	2,597,943	125,295,755
Net other postemployment benefits liability.....	232,963,742	4,802,886	237,766,628
Long-term debt.....	467,749,376	9,134,043	476,883,419
Total noncurrent liabilities.....	860,604,394	16,657,581	877,261,975
TOTAL LIABILITIES.....	938,271,647	19,069,968	957,341,615
DEFERRED INFLOWS OF RESOURCES			
Deferred infloWS related to pensions.....	70,793,539	1,498,947	72,292,486
Deferred infloWS related to other postemployment benefits.....	32,409,661	668,173	33,077,834
TOTAL DEFERRED INFLOWS OF RESOURCES.....	103,203,200	2,167,120	105,370,320
NET POSITION			
Net investment in capital assets.....	258,274,060	61,816,838	320,090,898
Restricted for:			
Permanent funds:			
Expendable.....	5,784,488	-	5,784,488
Nonexpendable.....	2,018,823	-	2,018,823
Gifts and grants.....	6,423,614	-	6,423,614
Unrestricted.....	(377,775,895)	(449,257)	(378,225,152)
TOTAL NET POSITION.....	\$ (105,274,910)	\$ 61,367,581	\$ (43,907,329)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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.....	\$ 37,107,406	\$ 7,162,560	\$ 2,296,088	\$ -	\$ (27,648,758)
Public safety.....	66,875,021	17,788,925	811,323	-	(48,274,773)
Education.....	188,957,400	7,871,736	50,015,238	254,325	(130,816,101)
Public works.....	26,200,292	5,247,647	784,455	920,246	(19,247,944)
Community development.....	1,179,843	-	1,073,565	-	(106,278)
Human services.....	4,992,691	133,585	623,419	-	(4,235,687)
Leisure services.....	12,813,314	4,553,749	391,785	-	(7,867,780)
Interest.....	12,523,886	-	12,662	-	(12,511,224)
Total Governmental Activities.....	350,649,853	42,758,202	56,008,535	1,174,571	(250,708,545)
<i>Business-Type Activities:</i>					
Water and sewer.....	29,723,154	29,702,420	-	2,250,000	2,229,266
Golf course.....	1,997,382	1,699,783	-	-	(297,599)
Total Business-Type Activities.....	31,720,536	31,402,203	-	2,250,000	1,931,667
Total Primary Government.....	\$ 382,370,389	\$ 74,160,405	\$ 56,008,535	\$ 3,424,571	\$ (248,776,878)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (250,708,545)	\$ 1,931,667	\$ (248,776,878)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	272,575,073	-	272,575,073
Motor vehicle and other excise taxes.....	5,999,167	-	5,999,167
Hotel/motel tax.....	2,054,538	-	2,054,538
Meals and marijuana excise taxes.....	2,377,952	-	2,377,952
Community preservation tax.....	2,601,478	-	2,601,478
Penalties and interest on taxes.....	4,169,327	-	4,169,327
Payments in lieu of taxes.....	1,971,640	-	1,971,640
Grants and contributions not restricted to specific programs.....	12,091,488	-	12,091,488
Unrestricted investment income.....	(4,525,740)	18,461	(4,507,279)
Gain (loss) on sale of assets.....	4,560,655	-	4,560,655
Miscellaneous.....	639,843	-	639,843
<i>Transfers, net</i>	8,001	(8,001)	-
Total general revenues and transfers.....	<u>304,523,422</u>	<u>10,460</u>	<u>304,533,882</u>
Change in net position.....	53,814,877	1,942,127	55,757,004
<i>Net position:</i>			
Beginning of year.....	<u>(159,089,787)</u>	<u>59,425,454</u>	<u>(99,664,333)</u>
End of year.....	\$ <u><u>(105,274,910)</u></u>	\$ <u><u>61,367,581</u></u>	\$ <u><u>(43,907,329)</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	American Rescue Plan Act Fund	School Capital	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 22,557,355	\$ 31,777,263	\$ -	\$ 13,326,598	\$ -	\$ 40,752,355	\$ 108,413,571
Investments.....	49,930,915	-	115,810,655	-	-	9,775,275	175,516,845
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	4,743,942	-	-	-	-	-	4,743,942
Tax liens.....	859,864	-	-	-	-	-	859,864
Community preservation fund surtax.....	-	-	-	-	-	64,290	64,290
Motor vehicle and other excise taxes.....	634,884	-	-	-	-	-	634,884
User charges.....	195,505	-	-	-	-	-	195,505
Departmental and other.....	3,342,409	-	-	-	-	1,897,245	5,239,654
Intergovernmental - other.....	-	-	121,040	-	3,924,281	1,785,436	5,830,757
Due from other funds.....	275,000	-	-	-	-	60,771	335,771
Other assets.....	195	-	-	-	-	4,262	4,457
TOTAL ASSETS.....	\$ 82,540,069	\$ 31,777,263	\$ 115,931,695	\$ 13,326,598	\$ 3,924,281	\$ 54,339,634	\$ 301,839,540
LIABILITIES							
Warrants payable.....	\$ 1,516,243	\$ 6,102	\$ 3,343,671	\$ 145,791	\$ -	\$ 585,087	\$ 5,596,894
Accrued payroll.....	3,652,048	-	-	-	-	-	3,652,048
Tax refunds payable.....	8,126,627	-	-	-	-	-	8,126,627
Due to other funds.....	-	-	-	-	60,771	-	60,771
Other liabilities.....	1,454,451	-	-	-	-	2,069,271	3,523,722
Unearned revenue.....	332,823	31,771,161	-	-	-	348,221	32,452,205
Notes payable.....	-	-	1,834,910	-	-	3,037,090	4,872,000
TOTAL LIABILITIES.....	15,082,192	31,777,263	5,178,581	145,791	60,771	6,039,669	58,284,267
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue.....	5,092,519	-	-	-	3,863,510	1,618,894	10,574,923
TOTAL DEFERRED INFLOWS OF RESOURCES.....	5,092,519	-	-	-	3,863,510	1,618,894	10,574,923
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	2,018,823	2,018,823
Restricted.....	-	-	186,547,849	-	116,282	49,853,167	236,517,298
Committed.....	-	-	(75,794,735)	13,180,807	-	-	(62,613,928)
Assigned.....	13,415,330	-	-	-	-	-	13,415,330
Unassigned.....	48,950,028	-	-	-	(116,282)	(5,190,919)	43,642,827
TOTAL FUND BALANCES.....	62,365,358	-	110,753,114	13,180,807	-	46,681,071	232,980,350
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 82,540,069	\$ 31,777,263	\$ 115,931,695	\$ 13,326,598	\$ 3,924,281	\$ 54,339,634	\$ 301,839,540

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....	\$	232,980,350
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		615,215,770
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		10,574,923
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.....		(90,608,496)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		3,961,662
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,034,277)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(488,528,893)	
Net pension liability.....	(122,697,812)	
Net other postemployment benefits liability.....	(232,963,742)	
Landfill closure.....	(722,000)	
Capital lease obligations.....	(3,151,880)	
Legal settlement liability.....	(15,100,000)	
Compensated absences.....	(10,200,515)	
Net effect of reporting long-term liabilities.....		<u>(873,364,842)</u>
Net position of governmental activities.....	\$	<u>(105,274,910)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	American Rescue Plan Act Fund	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.....	\$ 279,945,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,945,424
Motor vehicle and other excise taxes.....	6,275,101	-	-	-	-	-	6,275,101
Hotel/motel tax.....	2,054,538	-	-	-	-	-	2,054,538
Meals and marijuana excise taxes.....	2,377,952	-	-	-	-	-	2,377,952
Charges for services.....	6,396,846	-	-	-	-	6,411,717	12,808,563
Penalties and interest on taxes.....	4,167,995	-	-	-	-	1,332	4,169,327
Fees and rentals.....	-	-	-	-	-	7,820	7,820
Payments in lieu of taxes.....	1,971,640	-	-	-	-	-	1,971,640
Licenses and permits.....	9,694,832	-	-	-	-	-	9,694,832
Fines and forfeitures.....	2,203,323	-	-	-	-	-	2,203,323
Intergovernmental - state aid.....	22,967,392	-	-	-	-	-	22,967,392
Intergovernmental - Teachers Retirement.....	20,876,616	-	-	-	-	-	20,876,616
Intergovernmental - other.....	-	635,289	296,344	-	60,929	19,665,224	20,657,786
Departmental and other.....	5,700,144	-	-	-	-	9,862,389	15,562,533
Community preservation taxes.....	-	-	-	-	-	2,601,478	2,601,478
Contributions and donations.....	-	-	-	-	-	6,739,564	6,739,564
Investment income.....	(4,063,143)	-	-	-	-	(476,839)	(4,539,982)
TOTAL REVENUES.....	360,568,660	635,289	296,344	-	60,929	44,812,685	406,373,907
EXPENDITURES:							
Current:							
General government.....	10,461,640	635,289	-	1,150,283	-	13,815,606	26,062,818
Public safety.....	45,601,870	-	-	518,419	-	7,137,578	53,257,867
Education.....	120,917,510	-	83,216,189	1,837,994	-	17,273,313	223,245,006
Public works.....	17,148,498	-	-	3,310,292	60,929	1,013,822	21,533,541
Community development.....	-	-	-	-	-	1,179,843	1,179,843
Human services.....	3,138,032	-	-	55,911	-	490,534	3,684,477
Leisure services.....	5,592,443	-	-	359,486	-	5,208,598	11,160,527
Pension benefits.....	27,938,188	-	-	-	-	-	27,938,188
Pension benefits - Teachers Retirement.....	20,876,616	-	-	-	-	-	20,876,616
Employee benefits.....	41,286,582	-	-	-	-	-	41,286,582
State and county charges.....	6,844,019	-	-	-	-	-	6,844,019
Debt service:							
Principal.....	19,751,507	-	-	745,459	-	-	20,496,966
Principal payment on current refunding.....	5,250,000	-	-	-	-	-	5,250,000
Interest.....	15,000,536	-	-	-	-	-	15,000,536
TOTAL EXPENDITURES.....	339,807,441	635,289	83,216,189	7,977,844	60,929	46,119,294	477,816,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	20,761,219	-	(82,919,845)	(7,977,844)	-	(1,306,609)	(71,443,079)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	6,305,600	-	-	10,923,400	17,229,000
Issuance of refunding bonds.....	4,483,310	-	-	-	-	-	4,483,310
Premium from issuance of bonds.....	-	-	659,400	-	-	2,002,028	2,661,428
Premium from issuance of refunding bonds.....	766,690	-	-	-	-	-	766,690
Capital lease financing.....	469,477	-	-	-	-	-	469,477
Proceeds from the sale of assets.....	-	-	-	-	-	4,560,655	4,560,655
Transfers in.....	495,382	-	-	7,922,048	-	467,391	8,884,821
Transfers out.....	(7,697,785)	-	-	(121,593)	-	(1,057,442)	(8,876,820)
TOTAL OTHER FINANCING SOURCES (USES).....	(1,482,926)	-	6,965,000	7,800,455	-	16,896,032	30,178,561
NET CHANGE IN FUND BALANCES.....	19,278,293	-	(75,954,845)	(177,389)	-	15,589,423	(41,264,518)
FUND BALANCES AT BEGINNING OF YEAR.....	43,087,065	-	186,707,959	13,358,196	-	31,091,648	274,244,868
FUND BALANCES AT END OF YEAR.....	\$ 62,365,358	\$ -	\$ 110,753,114	\$ 13,180,807	\$ -	\$ 46,681,071	\$ 232,980,350

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, 2022

Net change in fund balances - total governmental funds.....		\$ (41,264,518)
<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.....	95,459,409	
Depreciation expense.....	<u>(21,375,309)</u>	
Net effect of reporting capital assets.....		74,084,100
<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>		
		(6,492,075)
<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.....	1,236,126	
Issuance of bonds.....	(17,229,000)	
Issuance of refunding bonds.....	(4,483,310)	
Premium from issuance of bonds.....	(2,661,428)	
Premium from issuance of refunding bonds.....	(766,690)	
Principal payment on current refunded debt.....	5,250,000	
Capital lease financing.....	(469,477)	
Net amortization of premium from issuance of bonds.....	3,336,551	
Debt service principal payments.....	<u>19,260,840</u>	
Net effect of reporting long-term debt.....		3,473,612
<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.....	247,680	
Net change in accrued interest on long-term debt.....	(859,901)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(42,012,926)	
Net change in net pension liability.....	63,979,617	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	17,927,666	
Net change in net other postemployment benefits liability.....	(16,309,612)	
Net change in landfill closure.....	<u>5,000</u>	
Net effect of recording long-term liabilities.....		22,977,524
The net activity of internal service funds is reported with Governmental Activities.....		<u>1,036,234</u>
Change in net position of governmental activities.....		<u>\$ 53,814,877</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Water and Sewer	Golf Course	Total	Governmental Activities - Internal Service Fund
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 12,544,478	\$ 717,884	\$ 13,262,362	\$ 6,610,694
Receivables, net of allowance for uncollectibles:				
User charges.....	6,469,419	-	6,469,419	-
Total current assets.....	19,013,897	717,884	19,731,781	6,610,694
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	60,713,080	2,168,881	62,881,961	-
TOTAL ASSETS.....	79,726,977	2,886,765	82,613,742	6,610,694
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	215,159	23,130	238,289	-
Deferred outflows related to other postemployment benefits.....	27,364	274	27,638	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	242,523	23,404	265,927	-
LIABILITIES				
CURRENT:				
Warrants payable.....	25,811	83,994	109,805	22,032
Due to other funds.....	-	25,000	25,000	-
Accrued interest.....	99,188	11,539	110,727	-
Other liabilities.....	-	29,295	29,295	-
Capital lease obligations.....	-	-	-	-
Compensated absences.....	335,766	40,674	376,440	-
Workers' compensation.....	-	-	-	78,810
Long-term debt.....	1,601,335	184,785	1,786,120	-
Total current liabilities.....	2,062,100	375,287	2,437,387	100,842
NONCURRENT:				
Due to other funds.....	-	250,000	250,000	-
Capital lease obligations.....	-	-	-	-
Compensated absences.....	111,971	10,738	122,709	-
Workers' compensation.....	-	-	-	2,548,190
Net pension liability.....	2,345,770	252,173	2,597,943	-
Net other postemployment benefits liability.....	4,755,333	47,553	4,802,886	-
Long-term debt.....	8,159,301	974,742	9,134,043	-
Total noncurrent liabilities.....	15,372,375	1,535,206	16,907,581	2,548,190
TOTAL LIABILITIES.....	17,434,475	1,910,493	19,344,968	2,649,032
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	1,353,450	145,497	1,498,947	-
Deferred inflows related to other postemployment benefits.....	661,557	6,616	668,173	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	2,015,007	152,113	2,167,120	-
NET POSITION				
Net investment in capital assets.....	60,748,570	1,068,268	61,816,838	-
Unrestricted.....	(228,552)	(220,705)	(449,257)	3,961,662
TOTAL NET POSITION.....	\$ 60,520,018	\$ 847,563	\$ 61,367,581	\$ 3,961,662

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	Water and Sewer	Golf Course	Total	Governmental Activities - Internal Service Fund
OPERATING REVENUES:				
Employer contributions.....	\$ -	\$ -	\$ -	\$ 2,456,223
Charges for services.....	29,702,420	1,699,783	31,402,203	-
Other operating revenues.....	-	-	-	109,234
TOTAL OPERATING REVENUES	29,702,420	1,699,783	31,402,203	2,565,457
OPERATING EXPENSES:				
Cost of services and administration.....	27,256,225	1,618,792	28,875,017	-
Depreciation.....	2,326,162	337,823	2,663,985	-
Employee benefits.....	-	-	-	1,543,465
TOTAL OPERATING EXPENSES.....	29,582,387	1,956,615	31,539,002	1,543,465
OPERATING INCOME (LOSS).....	120,033	(256,832)	(136,799)	1,021,992
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	17,196	1,265	18,461	14,242
Interest expense.....	(140,767)	(40,767)	(181,534)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(123,571)	(39,502)	(163,073)	14,242
CAPITAL CONTRIBUTIONS.....	2,250,000	-	2,250,000	-
TRANSFERS:				
Transfers in.....	-	25,000	25,000	-
Transfers out.....	(33,001)	-	(33,001)	-
TOTAL TRANSFERS.....	(33,001)	25,000	(8,001)	-
CHANGE IN NET POSITION.....	2,213,461	(271,334)	1,942,127	1,036,234
NET POSITION AT BEGINNING OF YEAR.....	58,306,557	1,118,897	59,425,454	2,925,428
NET POSITION AT END OF YEAR.....	\$ 60,520,018	\$ 847,563	\$ 61,367,581	\$ 3,961,662

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	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.....	\$ 31,196,449	\$ 1,674,783	\$ 32,871,232	\$ -
Receipts from interfund services provided.....	-	-	-	2,565,457
Payments to vendors.....	(25,607,533)	(836,262)	(26,443,795)	(1,521,433)
Payments to employees.....	(2,299,187)	(887,223)	(3,186,410)	(164,000)
NET CASH FROM OPERATING ACTIVITIES.....	3,289,729	(48,702)	3,241,027	880,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	25,000	25,000	-
Transfers out.....	(33,001)	-	(33,001)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(33,001)	25,000	(8,001)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds.....	750,000	-	750,000	-
Proceeds from the issuance of refunding bonds.....	-	42,690	42,690	-
Capital contributions.....	2,250,000	-	2,250,000	-
Acquisition and construction of capital assets.....	(4,129,766)	-	(4,129,766)	-
Principal payments on bonds, notes and capital financing.....	(1,436,315)	(148,660)	(1,584,975)	-
Interest expense.....	(370,043)	(35,898)	(405,941)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,936,124)	(141,868)	(3,077,992)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	17,196	1,265	18,461	14,242
NET CASH FROM INVESTING ACTIVITIES.....	17,196	1,265	18,461	14,242
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	337,800	(164,305)	173,495	894,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	12,206,678	882,189	13,088,867	5,716,428
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 12,544,478	\$ 717,884	\$ 13,262,362	\$ 6,610,694
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 120,033	\$ (256,832)	\$ (136,799)	\$ 1,021,992
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	2,326,162	337,823	2,663,985	-
Deferred (outflows)/inflows related to pensions.....	791,244	83,711	874,955	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(365,945)	(3,659)	(369,604)	-
Changes in assets and liabilities:				
User charges.....	1,494,029	-	1,494,029	-
Investment in Energy New England.....	-	-	-	22,032
Warrants payable.....	7,995	58,971	66,966	-
Due to other funds.....	-	(25,000)	(25,000)	-
Other liabilities.....	-	4,865	4,865	-
Capital lease obligations.....	-	(91,772)	(91,772)	-
Compensated absences.....	(66,024)	(579)	(66,603)	(164,000)
Net pension liability.....	(1,350,682)	(159,559)	(1,510,241)	-
Other postemployment benefits.....	332,917	3,329	336,246	-
Total adjustments.....	3,169,696	208,130	3,377,826	(141,968)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,289,729	\$ (48,702)	\$ 3,241,027	\$ 880,024
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Issuance of refunding bonds.....	\$ -	\$ 42,690	\$ 42,690	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 3,966,925	\$ 3,430,839
Investments:		
Investments in Pension Reserve Investment Trust.....	537,331,664	-
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.....	14,498,790	102,216
TOTAL ASSETS.....	555,797,379	8,837,263
LIABILITIES		
Warrants payable.....	-	1,725
Other liabilities.....	-	476,970
TOTAL LIABILITIES.....	-	478,695
NET POSITION		
Restricted for pensions.....	473,374,840	-
Restricted for other postemployment benefits.....	82,422,539	-
Held in trust for other purposes.....	-	8,358,568
TOTAL NET POSITION.....	\$ 555,797,379	\$ 8,358,568

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	Pension Trust Fund (as of December 31, 2021)	Other Postemployment Benefit Trust Fund	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
ADDITIONS:				
Contributions:				
Employer contributions.....	\$ 29,602,194	\$ 4,181,979	\$ 33,784,173	\$ -
Employer contributions for other postemployment benefit payments....	-	13,589,864	13,589,864	-
Member contributions.....	7,787,028	-	7,787,028	-
Retirement benefits - transfers from other systems.....	987,870	-	987,870	-
Private donations.....	-	-	-	263,449
Intergovernmental.....	133,119	-	133,119	-
Total contributions.....	38,510,211	17,771,843	56,282,054	263,449
Net investment income:				
Investment income.....	86,748,482	(3,178,736)	83,569,746	158,445
Less: investment expense.....	(2,466,378)	-	(2,466,378)	-
Net investment income (loss).....	84,282,104	(3,178,736)	81,103,368	158,445
TOTAL ADDITIONS.....	122,792,315	14,593,107	137,385,422	421,894
DEDUCTIONS:				
Administration.....	481,669	-	481,669	-
Retirement benefits - transfers to other systems.....	2,214,068	-	2,214,068	-
Retirement benefits and refunds.....	33,387,428	-	33,387,428	-
Other postemployment benefit payments.....	-	13,589,864	13,589,864	-
Educational scholarships.....	-	-	-	360,328
TOTAL DEDUCTIONS.....	36,083,165	13,589,864	49,673,029	360,328
NET INCREASE (DECREASE) IN NET POSITION.....	86,709,150	1,003,243	87,712,393	61,566
NET POSITION AT BEGINNING OF YEAR.....	386,665,690	81,419,296	468,084,986	8,297,002
NET POSITION AT END OF YEAR.....	\$ 473,374,840	\$ 82,422,539	\$ 555,797,379	\$ 8,358,568

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 *American Rescue Plan Act fund* is used to account for financial resources for the ARPA federal grant.

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 \$23,065,401 and the bank balance totaled \$20,419,690. Of the bank balance, \$697,668 was covered by Federal Depository Insurance, and \$16,041,474 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$23,065,401 in deposits and \$109,226,552 in cash equivalents. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts totaled \$128,286,267 and \$3,430,839 respectively. The fiduciary amount includes OPEB Fund cash of \$574,487, which is blended with the Pension Trust Fund. See investments below for amounts designated as cash equivalents.

At December 31, 2021, the carrying amount of deposits for the Retirement System totaled \$3,392,438 and the bank balance totaled \$3,551,296. 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, 2022:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. Treasury notes.....	\$ 68,490,988	\$ 45,784,454	\$ 21,745,053	\$ 961,481
Government sponsored enterprises.....	94,976,760	27,571,629	67,229,550	175,581
Corporate bonds.....	1,938,331	100,148	1,614,684	223,499
Bond mutual funds.....	1,709,288	-	1,709,288	-
Total debt securities.....	167,115,367	\$ 73,456,231	\$ 92,298,575	\$ 1,360,561
<u>Other investments:</u>				
Equity securities.....	9,346,029			
Equity mutual funds.....	4,232,127			
International securities.....	229,746			
Money market mutual funds.....	22,369,906			
Pension Reserve Investment Trust (OPEB).....	81,848,052			
MMDT - Cash portfolio.....	86,856,646			
Total investments.....	\$ 371,997,873			
Total investments per above.....	\$ 371,997,873			
Less: cash equivalents.....	(109,226,552)			
Total investments.....	\$ 262,771,321			

The Town’s investments are reported in both the primary government and the fiduciary funds. Those amounts total \$175,516,845 and \$5,406,424 respectively. The OPEB investments are blended with the Pension Trust Fund and amount to \$81,848,052.

As of December 31, 2021, the Retirement System had the following investments:

<u>Other investments:</u>	
Alternative investments.....	\$ 11,109,264
Real estate.....	3,389,526
Pension Reserve Investment Trust (PRIT).....	<u>455,483,612</u>
 Total investments.....	 \$ <u>469,982,402</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, \$94,976,760 in Government Sponsored Enterprises, \$1,938,331 in Corporate Bonds, and \$9,346,029 in Equity Securities, the Town has a total custodial credit risk exposure of \$106,261,120 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, 2022 the Town’s debt securities were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 94,976,760	\$ -
A-.....	-	313,737
AA-.....	-	301,907
BBB+.....	-	761,992
BBB.....	-	<u>560,695</u>
 Total.....	 \$ <u>94,976,760</u>	 \$ <u>1,938,331</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, 2022, 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, 2021, 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, 2022 are below:

Investment Type	June 30, 2022	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.....	\$ 68,490,988	\$ 68,490,988	\$ -	-
Government sponsored enterprises.....	94,976,760	94,976,760	-	-
Corporate bonds.....	1,938,331	-	1,938,331	-
Bond mutual funds.....	1,709,288	1,709,288	-	-
Total debt securities.....	167,115,367	165,177,036	1,938,331	-
<u>Other investments:</u>				
Equity securities.....	9,346,029	9,346,029	-	-
Equity mutual funds.....	4,232,127	4,232,127	-	-
International securities.....	229,746	229,746	-	-
Money market mutual funds.....	22,369,906	22,369,906	-	-
Total other investments.....	36,177,808	36,177,808	-	-
Total investments measured at fair value.....	203,293,175	201,354,844	1,938,331	-
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	86,856,646			
Investments measured at net asset value:				
Pension Reserve Investment Trust (OPEB)....	81,848,052			
Total investments.....	\$ 371,997,873			

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, 2021:

Investment Type	December 31, 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>Other investments:</u>				
Alternative investments.....	\$ 11,109,264	\$ -	\$ -	11,109,264
Real estate.....	3,389,526	-	-	3,389,526
Total investments measured at fair value.....	14,498,790	\$ -	\$ -	14,498,790
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	455,483,612			
Total investments.....	\$ 469,982,402			

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, 2022, 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.....	\$ 4,743,942	\$ -	\$ 4,743,942
Tax liens.....	859,864	-	859,864
Community preservation fund surtax.....	64,290	-	64,290
Motor vehicle and other excise taxes.....	977,021	(342,137)	634,884
User charges.....	195,505	-	195,505
Departmental and other.....	6,868,012	(1,628,358)	5,239,654
Intergovernmental - other.....	5,830,757	-	5,830,757
Total.....	\$ 19,539,391	\$ (1,970,495)	\$ 17,568,896

At June 30, 2022, receivables for the water and sewer enterprise fund totaled \$6,469,419. 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.....	\$ 188,633	\$ -	\$ 188,633
Tax liens.....	731,089	-	731,089
Community preservation fund surtax.....	-	64,290	64,290
Motor vehicle and other excise taxes.....	634,884	-	634,884
User charges.....	195,505	-	195,505
Departmental and other.....	3,342,408	241,800	3,584,208
Intergovernmental - other.....	-	5,176,314	5,176,314
Total.....	<u>\$ 5,092,519</u>	<u>\$ 5,482,404</u>	<u>\$ 10,574,923</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 874,873	\$ -	\$ -	\$ 874,873
Construction in progress.....	243,991,912	86,303,740	(102,215,319)	228,080,333
Total capital assets not being depreciated.....	<u>244,866,785</u>	<u>86,303,740</u>	<u>(102,215,319)</u>	<u>228,955,206</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	54,369,697	2,845,742	-	57,215,439
Buildings.....	395,332,562	101,323,541	-	496,656,103
Machinery and equipment.....	53,877,988	3,059,950	-	56,937,938
Infrastructure.....	57,474,376	4,141,755	(2,394,062)	59,222,069
Total capital assets being depreciated.....	<u>561,054,623</u>	<u>111,370,988</u>	<u>(2,394,062)</u>	<u>670,031,549</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(28,538,710)	(3,644,019)	-	(32,182,729)
Buildings.....	(179,523,012)	(12,509,324)	-	(192,032,336)
Machinery and equipment.....	(33,231,308)	(2,853,002)	-	(36,084,310)
Infrastructure.....	(23,496,708)	(2,368,964)	2,394,062	(23,471,610)
Total accumulated depreciation.....	<u>(264,789,738)</u>	<u>(21,375,309)</u>	<u>2,394,062</u>	<u>(283,770,985)</u>
Total capital assets being depreciated, net.....	<u>296,264,885</u>	<u>89,995,679</u>	<u>-</u>	<u>386,260,564</u>
Total governmental activities capital assets, net.....	<u>\$ 541,131,670</u>	<u>\$ 176,299,419</u>	<u>\$ (102,215,319)</u>	<u>\$ 615,215,770</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer:				
Land improvements.....	\$ 635,277	\$ -	\$ -	\$ 635,277
Buildings.....	3,926,795	-	-	3,926,795
Machinery and equipment.....	4,937,139	610,569	-	5,547,708
Infrastructure.....	84,066,894	3,519,197	-	87,586,091
Total capital assets being depreciated.....	<u>93,566,105</u>	<u>4,129,766</u>	<u>-</u>	<u>97,695,871</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(190,741)	(49,978)	-	(240,719)
Buildings.....	(1,783,362)	(123,873)	-	(1,907,235)
Machinery and equipment.....	(3,334,471)	(347,372)	-	(3,681,843)
Infrastructure.....	(29,348,055)	(1,804,939)	-	(31,152,994)
Total accumulated depreciation.....	<u>(34,656,629)</u>	<u>(2,326,162)</u>	<u>-</u>	<u>(36,982,791)</u>
Total water and sewer activities capital assets, net..	<u>\$ 58,909,476</u>	<u>\$ 1,803,604</u>	<u>\$ -</u>	<u>\$ 60,713,080</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.....	683,500	-	-	683,500
Total capital assets being depreciated.....	<u>5,599,729</u>	<u>-</u>	<u>-</u>	<u>5,599,729</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,786,696)	(199,412)	-	(1,986,108)
Buildings.....	(1,124,943)	(84,454)	-	(1,209,397)
Machinery and equipment.....	(181,386)	(53,957)	-	(235,343)
Total accumulated depreciation.....	<u>(3,093,025)</u>	<u>(337,823)</u>	<u>-</u>	<u>(3,430,848)</u>
Total golf course activities capital assets, net.....	<u>\$ 2,506,704</u>	<u>\$ (337,823)</u>	<u>\$ -</u>	<u>\$ 2,168,881</u>

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

Governmental Activities:	
General government.....	\$ 3,527,835
Public safety.....	2,152,539
Education.....	7,564,169
Public works.....	5,568,328
Human services.....	537,573
Culture and recreation.....	<u>2,024,865</u>
Total depreciation expense - governmental activities.....	<u>\$ 21,375,309</u>
Business-Type Activities:	
Water and sewer.....	\$ 2,326,162
Golf course.....	<u>337,823</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,663,985</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables between funds at June 30, 2022, relate to temporary short-term cash flow needs.

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General fund	Capital Article fund	Nonmajor governmental funds	Water & Sewer Enterprise fund	
General fund.....	\$ -	\$ 7,442,048	\$ 255,737	\$ -	\$ 7,697,785
Nonmajor governmental funds.....	340,788	480,000	211,654	25,000	1,057,442
Capital article fund.....	121,593	-	-	-	121,593
Water & Sewer enterprise fund.....	33,001	-	-	-	33,001
Total.....	\$ 495,382	\$ 7,922,048	\$ 467,391	\$ 25,000	\$ 8,909,821

Transfers represent amounts voted to fund the 2022 operating budget, fund various capital articles, and transfers between various non-major funds.

NOTE 6 – 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, 2022, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
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)	-
BAN	Municipal Purpose.....	2.00%	3/24/2023	-	3,037,090	-	3,037,090
BAN	Municipal Purpose.....	2.00%	3/24/2023	-	1,834,910	-	1,834,910
Total Governmental Funds.....				\$ 6,700,000	\$ 4,872,000	\$ (6,700,000)	\$ 4,872,000

NOTE 7 – 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 \$22,505,000 of new general obligation bonds. The use of these bond proceeds included a current refunding of \$5,250,000 of General Fund debt and \$50,000 in Golf Enterprise debt. The Town realized a cash savings of \$337,000 and a present value savings of \$288,00 on this current refunding. The current year financials statements have recognized bond proceeds in the amount of \$17,229,000 in the governmental funds and \$5,276,000 in the water and sewer enterprise fund.

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, 2022
<u>Bonds Payable</u>				
<i>Inside Debt Limit</i>				
Schools.....	2045	\$ 189,324,625	2.00-5.00	\$ 154,753,200
General Government.....	2046	110,502,378	2.00-5.00	<u>60,565,800</u>
Sub-total.....				215,319,000
<i>Outside Debt Limit</i>				
Schools.....	2044	280,697,135	2.00-5.00	<u>243,563,280</u>
Total Bonds Payable.....				458,882,280
Add: Unamortized premium on bonds.....				<u>29,646,613</u>
Total Bonds Payable, net.....				<u>488,528,893</u>
<u>Capital Financing Direct Debt</u>				
Machinery and Equipment.....	2025	\$ 5,629,340	1.07-2.57	<u>3,151,880</u>
Total Long-term Debt.....				<u>\$ 491,680,773</u>

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
<u>Bonds Payable</u>				
<i>Inside Debt Limit</i>				
Golf Course Fund.....	2036	\$ 6,431,430	2.00-5.00	\$ 877,720
Water Fund.....	2029	10,198,832	0.00-5.00	3,476,000
Sewer Fund.....	2029	17,602,350	0.00-5.00	<u>5,402,070</u>
Total Bonds Payable.....				9,755,790
Add: Unamortized premium on bonds.....				<u>882,566</u>
Total Bonds Payable, net.....				<u>10,638,356</u>
<u>Capital Financing Direct Debt</u>				
Golf Machinery and Equipment.....	2025	\$ 469,720	1.17	<u>281,807</u>
Total Long-term Debt.....				<u>\$ 10,920,163</u>

Included within the water fund is \$396,000 of direct debt from the MWRA. Included within the sewer debt is \$1,472,070 of direct debt from the MWRA.

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

Year	Principal	Interest	Total
2023.....	\$ 19,923,060	\$ 15,365,781	\$ 35,288,841
2024.....	19,853,020	14,493,716	34,346,736
2025.....	19,917,950	13,607,888	33,525,838
2026.....	19,692,930	12,710,526	32,403,456
2027.....	19,672,920	11,808,146	31,481,066
2028.....	20,037,930	10,899,771	30,937,701
2029.....	19,592,980	10,000,548	29,593,528
2030.....	19,563,030	9,105,121	28,668,151
2031.....	19,968,110	8,213,296	28,181,406
2032.....	19,630,350	7,380,855	27,011,205
2033.....	18,340,000	6,756,729	25,096,729
2034.....	18,415,000	6,351,871	24,766,871
2035.....	18,820,000	5,885,342	24,705,342
2036.....	19,230,000	5,406,962	24,636,962
2037.....	19,520,000	4,892,679	24,412,679
2038.....	19,965,000	4,368,275	24,333,275
2039.....	20,395,000	3,872,795	24,267,795
2040.....	20,820,000	3,364,740	24,184,740
2041.....	21,315,000	2,792,237	24,107,237
2042.....	21,240,000	2,204,900	23,444,900
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>458,882,280</u>	\$ <u>162,898,562</u>	\$ <u>621,780,842</u>

Debt service requirements for principal and interest for governmental capital financing are as follows:

Year	Principal	Interest	Total
2023.....	\$ 1,080,828	\$ 67,432	\$ 1,148,260
2024.....	1,102,706	45,553	1,148,259
2025.....	968,346	22,428	990,774
Total.....	\$ <u>3,151,880</u>	\$ <u>135,413</u>	\$ <u>3,287,293</u>

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

Year	Principal	Interest	Total
2023.....	\$ 1,502,755	\$ 357,269	\$ 1,860,024
2024.....	1,447,795	304,104	1,751,899
2025.....	1,347,865	253,135	1,601,000
2026.....	1,194,595	205,164	1,399,759
2027.....	1,079,605	158,689	1,238,294
2028.....	984,595	116,862	1,101,457
2029.....	913,545	79,886	993,431
2030.....	763,495	43,162	806,657
2031.....	296,890	13,338	310,228
2032.....	114,650	4,767	119,417
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>9,755,790</u>	\$ <u>1,544,679</u>	\$ <u>11,300,469</u>

Debt service requirements for principal and interest for enterprise fund capital financing are as follows:

Year	Principal	Interest	Total
2023.....	\$ 92,845	\$ 3,297	\$ 96,142
2024.....	93,932	2,211	96,143
2025.....	95,030	1,112	96,142
Total.....	\$ <u>281,807</u>	\$ <u>6,620</u>	\$ <u>288,427</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 2022, the final \$435,000 of such assistance was received for reimbursement.

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 2022, 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 \$121,040 of grant proceeds related to 2022. Accordingly, a \$121,040 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, 2022, 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
Devotion 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
High School Renovation.....	1,729,170
Water System Improvements.....	2,000,000
Wastewater System Improvements.....	2,250,000
Total.....	\$ 20,237,056

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities on the following page:

	Beginning Balance	Long-term Debt Issued	Long-term Debt Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 461,680,810	\$ 21,712,310	\$ (24,510,840)	\$ -	\$ -	\$ 458,882,280	\$ 19,923,060
Long-term capital financing.....	3,918,529	469,477	(1,236,126)	-	-	3,151,880	1,080,828
Add: Unamortized premium on bonds.....	29,555,046	-	-	2,661,428	(2,569,861)	29,646,613	2,927,509
Total bonds payable.....	495,154,385	22,181,787	(25,746,966)	2,661,428	(2,569,861)	491,680,773	23,931,397
Landfill closure.....	727,000	-	-	42,000	(47,000)	722,000	82,000
Compensated absences.....	10,448,195	-	-	7,732,741	(7,980,421)	10,200,515	7,966,402
Workers' compensation.....	2,791,000	-	-	-	(164,000)	2,627,000	78,810
Net pension liability.....	186,677,429	-	-	22,133,335	(86,112,952)	122,697,812	-
Legal settlement.....	11,000,000	-	-	-	4,100,000	15,100,000	15,100,000
Other postemployment benefits.....	216,654,130	-	-	17,412,852	(1,103,240)	232,963,742	-
Total governmental activity long-term liabilities.....	\$ 923,452,139	\$ 22,181,787	\$ (25,746,966)	\$ 49,982,356	\$ (93,877,474)	\$ 875,991,842	\$ 47,158,609
Business-Type Activities:							
Long-term bonds payable.....	\$ 10,548,075	\$ 792,690	\$ (1,584,975)	\$ -	\$ -	\$ 9,755,790	\$ 1,502,755
Long-term capital financing.....	373,579	-	(91,772)	-	-	281,807	92,845
Add: Unamortized premium on bonds.....	1,079,054	-	-	-	(196,488)	882,566	190,520
Total bonds payable.....	12,000,708	792,690	(1,676,747)	-	(196,488)	10,920,163	1,786,120
Compensated absences.....	565,752	-	-	364,064	(430,667)	499,149	376,440
Net pension liability.....	4,108,184	-	-	423,151	(1,933,392)	2,597,943	-
Other postemployment benefits.....	4,466,640	-	-	358,991	(22,745)	4,802,886	-
Total business-type activity long-term liabilities.....	\$ 21,141,284	\$ 792,690	\$ (1,676,747)	\$ 1,146,206	\$ (2,583,292)	\$ 18,820,141	\$ 2,162,560

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities of \$2,627,000 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.

The City implemented GASB Statement No. 87, *Leases* in the year ended June 30, 2022. Therefore, the City's agreements to finance the acquisition assets previously reported as capital leases have been reclassified as capital financing long-term debt in the current year.

NOTE 8 – 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.....	\$ -	\$ -	\$ -	\$ -	\$ 2,018,823	\$ 2,018,823
Restricted for:						
Chapter 90 Highway Fund.....	-	-	-	-	116,282	116,282
Housing trust funds.....	-	-	-	-	8,907,115	8,907,115
Parking meter fund.....	-	-	-	-	24,590	24,590
Revolving funds.....	-	-	-	-	5,461,683	5,461,683
Trust funds.....	-	-	-	-	2,130	2,130
Federal grant funds.....	-	-	-	-	3,724,509	3,724,509
Gift and grant funds.....	-	-	-	-	4,258,667	4,258,667
Sale of cemetery lots/graves.....	-	-	-	-	581,839	581,839
Sale of municipal property.....	-	-	-	-	80,000	80,000
Other special revenue funds.....	-	-	-	-	5,857,784	5,857,784
Cemetery perpetual care.....	-	-	-	-	510,057	510,057
Library permanent fund.....	-	-	-	-	4,552,120	4,552,120
Other permanent funds.....	-	-	-	-	790,031	790,031
Debt financed school capital project.....	-	3,933,858	110,753,114	-	-	114,686,972
Debt financed town capital project.....	-	-	-	-	11,168,784	11,168,784
Committed to:						
Articles and continuing appropriations:						
Revenue financed capital article major fund...	-	-	-	13,180,807	-	13,180,807
Assigned to:						
General government.....	601,814	-	-	-	-	601,814
Public safety.....	621,864	-	-	-	-	621,864
Education.....	725,981	-	-	-	-	725,981
Public works.....	975,505	-	-	-	-	975,505
Human services.....	51,829	-	-	-	-	51,829
Leisure services.....	36,447	-	-	-	-	36,447
Free cash used for subsequent year budget.....	10,401,890	-	-	-	-	10,401,890
Unassigned.....	48,950,028	-	-	-	(5,307,201)	43,642,827
Total Fund Balances.....	\$ 62,365,358	\$ 3,933,858	\$ 110,753,114	\$ 13,180,807	\$ 42,747,213	\$ 232,980,350

NOTE 9 – 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 \$11,427,601 and is reported as unassigned fund balance within the General Fund. The fund earned \$136,541 of investment income and the Town transferred in \$2,829,788 million during 2022. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

NOTE 10 – 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, 2022, the amount of the liability for workers' compensation claims totaled \$2,627,000. Changes in the reported liability since July 1, 2020, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2021.....	\$ 2,980,000	\$ 1,447,853	(1,636,853)	2,791,000	\$ 111,640
2022.....	2,791,000	1,694,269	(1,858,269)	2,627,000	78,810

NOTE 11 – 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, 2021. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$20,876,616 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 \$260,158,246 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, 2021.

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, 2021, the System membership consists of the following:

Active members.....	1,395
Inactive members.....	1,773
Retirees and beneficiaries currently receiving benefits.....	<u>905</u>
Total.....	<u><u>4,073</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, 2021, was \$29,566,146, 36.44% 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 \$28,490,221 which equaled its actual contribution. The Town made an additional contribution of \$36,048.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2022 were as follows:

Total pension liability.....	\$ 603,402,355
Total pension plan's fiduciary net position.....	<u>(473,374,840)</u>
Total net pension liability.....	<u><u>\$ 130,027,515</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	78.45%

At June 30, 2022, the Town reported a liability of \$125,295,756 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, 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, 2021, the Town’s proportion was 96.36%, and at December 31, 2020, the Town’s proportion was 96.92%.

Pension Expense

For the year ended June 30, 2022, the Town recognized pension expense of \$5,924,294. At June 30, 2022, the Town reported deferred outflows of resources related to pensions of \$11,492,413 and deferred inflows of resources related to pensions of \$72,292,486.

The balances of deferred outflows and inflows at June 30, 2022, for the Town are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (15,331,380)	\$ (15,331,380)
Difference between projected and actual earnings, net.....	-	(56,008,380)	(56,008,380)
Changes in assumptions.....	11,396,388	-	11,396,388
Changes in proportion and proportionate share of contributions.....	<u>96,026</u>	<u>(952,726)</u>	<u>(856,700)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 11,492,414</u>	<u>\$ (72,292,486)</u>	<u>\$ (60,800,072)</u>

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

Year ended June 30:

2023.....	\$ (14,363,691)
2024.....	(19,993,803)
2025.....	(15,581,774)
2026.....	<u>(10,860,804)</u>
	<u>\$ (60,800,072)</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 2022 totaled \$38,697.

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method - UAAL.....	Appropriation increasing at 7.85% per year, 4.5% for 2003 ERI
Remaining amortization period.....	As of July 1, 2022, 8 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.....	6.90% (Previously 7.2%)
Discount rate.....	6.90% (Previously 7.2%)
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 \$15,000 of the annual retirement allowance
Mortality rates.....	<i>Pre-Retirement:</i> RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2021 <i>Health Retiree:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2021 <i>Disabled Retiree:</i> RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

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, 2022 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.....	11.50%	6.49%
Emerging international equities.....	4.50%	8.12%
Core fixed income		
Core bonds.....	15.00%	0.38%
Value added fixed income		
High-yield bonds.....	8.00%	2.48%
Domestic equity.....	22.00%	6.11%
Private equity.....	15.00%	9.93%
Real estate.....	10.00%	3.72%
Timber.....	4.00%	3.44%
Hedge fund, GTAA, Risk parity.....	10.00%	2.63%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2021, 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 6.90%. 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.90%) or 1-percentage-point higher (8.90%) than the current rate.

	December 31, 2021 Measurement Date		
	1% Decrease (5.90%)	Current Discount (6.90%)	1% Increase (7.90%)
The Town's proportionate share of the net pension liability.....	\$ 191,190,528	\$ 125,295,755	\$ 69,966,639

NOTE 12 – 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 2022, 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, 2022, 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 2022, the Town pre-funded 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, 2022, the balance of this fund totaled \$82.4 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, 2022:

Total OPEB liability.....	\$	320,189,168
Less: OPEB plan's fiduciary net position.....		<u>(82,422,540)</u>
Net OPEB liability.....	\$	<u>237,766,628</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		25.74%

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, 2022, to be in accordance with GASB Statement #75:

Valuation date.....	Actuarially determined contribution for fiscal year ending June 30, 2022 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%
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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -3.76%. 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, 2022, 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.....	11.50%	6.49%
Emerging international equities.....	4.50%	8.12%
Core fixed income		
Core bonds.....	15.00%	0.38%
Value added fixed income		
High-yield bonds.....	8.00%	2.48%
Domestic equity.....	22.00%	6.11%
Private equity.....	15.00%	9.93%
Real estate.....	10.00%	3.72%
Timberland.....	4.00%	3.44%
Hedge fund, GTAA, Risk parity.....	10.00%	2.63%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and June 30, 2021. 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..... \$	\$ 282,841,349	\$ 237,766,628	\$ 200,945,051

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..... \$	\$ 191,933,312	\$ 237,766,628	\$ 295,692,159

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, 2021..... \$	\$ 302,540,066	\$ 81,419,296	\$ 221,120,770
Changes for the year:			
Service cost.....	9,655,264	-	9,655,264
Interest.....	21,392,646	-	21,392,646
Contributions - employer.....	-	17,771,843	(17,771,843)
Net investment income.....	-	(3,369,791)	3,369,791
Benefit payments.....	(13,398,808)	(13,398,808)	-
Net change.....	17,649,102	1,003,244	16,645,858
Balances at June 30, 2022..... \$	\$ 320,189,168	\$ 82,422,540	\$ 237,766,628

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

For the year ended June 30, 2022, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$16,120,431. At June 30, 2022, 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.....	\$ 886,866	\$ (9,988,855)	\$ (9,101,989)
Difference between projected and actual earnings, net.....	481,351	-	481,351
Changes in assumptions.....	-	(23,088,979)	(23,088,979)
Total deferred outflows/(inflows) of resources.....	\$ 1,368,217	\$ (33,077,834)	\$ (31,709,617)

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:	
2023.....	\$ (9,076,677)
2024.....	(9,076,676)
2025.....	(6,016,726)
2026.....	(3,294,445)
2027.....	(4,245,093)
Total.....	\$ (31,709,617)

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 remained the same at 7.00%.

Changes in Plan Provisions

None.

NOTE 13 – 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, 2021)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 3,392,438	\$ 574,487	\$ 3,966,925
Investments:			
Investments in Pension Reserve Investment Trust.....	455,483,612	81,848,052	537,331,664
Alternative and real estate investments.....	14,498,790	-	14,498,790
TOTAL ASSETS.....	473,374,840	82,422,539	555,797,379
NET POSITION			
Restricted for pensions.....	473,374,840	-	473,374,840
Restricted for other postemployment benefits.....	-	82,422,539	82,422,539
TOTAL NET POSITION.....	\$ 473,374,840	\$ 82,422,539	\$ 555,797,379
	Pension Trust Fund (as of December 31, 2021)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 29,602,194	\$ 4,181,979	\$ 33,784,173
Employer contributions for other postemployment benefit payments...	-	13,589,864	13,589,864
Member contributions.....	7,787,028	-	7,787,028
Transfers from other systems.....	987,870	-	987,870
Intergovernmental.....	133,119	-	133,119
Total contributions.....	38,510,211	17,771,843	56,282,054
Net investment income:			
Investment income.....	86,748,482	(3,178,736)	83,569,746
Less: investment expense.....	(2,466,378)	-	(2,466,378)
Net investment income (loss).....	84,282,104	(3,178,736)	81,103,368
TOTAL ADDITIONS.....	122,792,315	14,593,107	137,385,422
DEDUCTIONS:			
Administration.....	481,669	-	481,669
Transfers to other systems.....	2,214,068	-	2,214,068
Retirement benefits and refunds.....	33,387,428	-	33,387,428
Other postemployment benefit payments.....	-	13,589,864	13,589,864
TOTAL DEDUCTIONS.....	36,083,165	13,589,864	49,673,029
NET INCREASE (DECREASE) IN NET POSITION.....	86,709,150	1,003,243	87,712,393
NET POSITION AT BEGINNING OF YEAR.....	386,665,690	81,419,296	468,084,986
NET POSITION AT END OF YEAR.....	\$ 473,374,840	\$ 82,422,539	\$ 555,797,379

NOTE 14 – 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 \$722,000 as the estimate of the landfill closure and post-closure care liability at June 30, 2022. 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 15 – 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, 2022 the outstanding loan balance was \$275,000.

NOTE 16 – 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 FY22 price was \$121.60 per ton and the FY23 price is currently \$125.30 per ton. The FY22 cost was \$856,668.60, the expected cost for FY23 is \$897,050.00.

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 FY22 price was \$1,420,422.00 for collection of single stream recycling and the per ton processing fee was 80% of ACR-\$98 when ACR is greater \$98/ton and a dollar for dollar charge of ACR-\$98 when ACR is less than \$98/ton. The FY23 price is \$1,463,034.00 for collection of single stream recycling and the per ton processing fee was 80% of ACR-\$106 when ACR is greater \$98/ton and a dollar for dollar charge of ACR-\$106 when ACR is less than \$106/ton. The FY23 total contract price is expected to be \$1,697,034.00.

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 FY22 cost was \$518,880, the expected cost for FY23 is \$540,000. 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 FY22 cost was \$2,076,986.78 and the expected cost for FY 23 is \$2,596,765. The contract was extended through FY23.

NOTE 17 – 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.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2023, which is the date the financial statements were available to be issued.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB 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*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- 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 #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2022

	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.....	\$ -	\$ 268,521,709	\$ 268,521,709	\$ 268,521,709
Motor vehicle and other excise taxes.....	-	6,846,266	6,846,266	5,871,266
Hotel/motel tax.....	-	950,000	950,000	950,000
Meals and marijuana excise taxes.....	-	800,000	800,000	1,775,000
Charges for services.....	-	3,599,327	3,599,327	5,606,938
Penalties and interest on taxes.....	-	413,793	413,793	413,793
Payments in lieu of taxes.....	-	1,795,200	1,795,200	1,795,200
Licenses and permits.....	-	3,623,308	3,623,308	3,618,808
Fines and forfeitures.....	-	1,862,000	1,862,000	1,862,000
Intergovernmental - state aid.....	-	22,699,000	22,699,000	22,724,000
Departmental and other.....	-	5,979,821	5,979,821	3,430,922
Investment income.....	-	352,459	352,459	352,459
TOTAL REVENUES.....	-	317,442,883	317,442,883	316,922,095
EXPENDITURES:				
Current:				
General government.....	530,575	11,277,006	11,807,581	11,937,637
Public safety.....	903,946	43,561,907	44,465,853	46,949,566
Education.....	755,373	119,963,371	120,718,744	121,945,346
Public works.....	827,610	16,668,233	17,495,843	18,650,173
Human services.....	46,182	3,271,067	3,317,249	3,332,468
Leisure services.....	72,638	5,320,772	5,393,410	5,705,940
Pension benefits.....	-	28,490,221	28,490,221	28,490,221
Employee benefits.....	2,325	48,104,808	48,107,133	44,670,234
State and county charges.....	-	6,934,714	6,934,714	6,938,649
Debt service:				
Principal.....	-	19,377,067	19,377,067	19,377,067
Interest.....	-	15,139,726	15,139,726	15,139,726
TOTAL EXPENDITURES.....	3,138,649	318,108,892	321,247,541	323,137,027
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,138,649)	(666,009)	(3,804,658)	(6,214,932)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	2,783,285	2,783,285	3,207,480
Transfers out.....	-	(10,527,573)	(10,527,573)	(10,527,573)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(7,744,288)	(7,744,288)	(7,320,093)
NET CHANGE IN FUND BALANCE.....	(3,138,649)	(8,410,297)	(11,548,946)	(13,535,025)
BUDGETARY FUND BALANCE, Beginning of year.....	-	41,408,255	41,408,255	41,408,255
BUDGETARY FUND BALANCE, End of year.....	\$ (3,138,649)	\$ 32,997,958	\$ 29,859,309	\$ 27,873,230

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	276,332,571	\$ -	\$ 7,810,862
	6,275,101	-	403,835
	2,054,538	-	1,104,538
	2,377,952	-	602,952
	6,396,846	-	789,908
	4,167,995	-	3,754,202
	1,971,640	-	176,440
	9,694,832	-	6,076,024
	2,203,323	-	341,323
	22,967,392	-	243,392
	5,700,144	-	2,269,222
	<u>(3,926,602)</u>	<u>-</u>	<u>(4,279,061)</u>
	<u>336,215,732</u>	<u>-</u>	<u>19,293,637</u>
	10,461,640	601,814	874,183
	45,601,870	621,864	725,832
	120,917,510	725,981	301,855
	17,169,688	975,505	504,980
	3,138,032	51,829	142,607
	5,592,443	36,447	77,050
	28,528,918	-	(38,697)
	43,379,137	-	1,291,097
	6,844,019	-	94,630
	19,260,840	-	116,227
	<u>15,000,536</u>	<u>-</u>	<u>139,190</u>
	<u>315,894,633</u>	<u>3,013,440</u>	<u>4,228,954</u>
	<u>20,321,099</u>	<u>(3,013,440)</u>	<u>23,522,591</u>
	3,178,667	-	(28,813)
	<u>(10,527,573)</u>	<u>-</u>	<u>-</u>
	<u>(7,348,906)</u>	<u>-</u>	<u>(28,813)</u>
	12,972,193	(3,013,440)	23,493,778
	<u>41,408,255</u>	<u>-</u>	<u>-</u>
\$	<u>54,380,448</u>	<u>(3,013,440)</u>	<u>\$ 23,493,778</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	December 31, 2021
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	\$ 12,969,427
Interest.....	32,675,994	33,783,255	35,531,295	36,743,979	37,818,314	39,054,341	40,314,086	41,705,491
Changes in benefit terms.....	-	-	-	-	-	-	-	4,902,547
Differences between expected and actual experience...	-	1,204,511	-	(6,466,344)	-	(7,358,257)	-	(18,761,068)
Changes in assumptions.....	-	18,752,117	-	18,331,477	-	6,648,961	-	13,552,703
Benefit payments.....	(27,308,052)	(28,063,973)	(29,382,812)	(30,920,200)	(32,183,538)	(33,284,884)	(33,436,409)	(34,480,507)
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	19,888,593
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	583,513,761
Total pension liability - ending (a).....	\$ 448,969,263	\$ 484,224,411	\$ 500,992,538	\$ 529,689,269	\$ 546,980,901	\$ 564,124,005	\$ 583,513,761	\$ 603,402,354
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	\$ 29,602,194
Member contributions.....	6,233,795	6,197,022	6,514,452	7,403,133	7,295,624	7,653,263	7,903,401	7,787,028
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	84,282,105
Administrative expenses.....	(416,818)	(413,350)	(475,767)	(477,128)	(635,414)	(457,782)	(493,425)	(481,670)
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)	(34,480,507)
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	86,709,150
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	386,665,690
Fiduciary net position - end of year (b).....	\$ 257,836,718	\$ 256,523,416	\$ 273,889,051	\$ 309,115,939	\$ 299,651,791	\$ 343,710,343	\$ 386,665,690	\$ 473,374,840
Net pension liability - ending (a)-(b).....	\$ 191,132,545	\$ 227,700,995	\$ 227,103,487	\$ 220,573,330	\$ 247,329,110	\$ 220,413,662	\$ 196,848,071	\$ 130,027,514
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%	78.45%
Covered payroll.....	\$ 64,829,168	\$ 67,587,462	\$ 70,417,269	\$ 73,332,427	\$ 76,361,036	\$ 78,839,469	\$ 82,124,230	\$ 81,226,582
Net pension liability as a percentage of covered payroll.....	294.82%	336.90%	322.51%	300.79%	323.89%	279.57%	239.70%	160.08%

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, 2021.....	\$ 29,566,146	\$ (29,602,194)	\$ (36,048)	\$ 81,226,582	36.44%
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, 2021.....	22.83%
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, 2021.....	96.36%	\$ 125,295,756	\$ 78,156,217	160.31%	78.45%
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, 2022.....	\$ 28,490,221	\$ (28,526,269)	\$ (36,048)	\$ 78,156,217	36.50%
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.

Fiscal Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2022.....	\$ 260,158,246	\$ 20,876,616	62.03%
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	June 30, 2022
Total OPEB Liability						
Service Cost.....	\$ 7,834,451	\$ 7,550,831	\$ 7,815,110	\$ 9,147,433	\$ 9,360,052	\$ 9,655,264
Interest.....	20,535,436	21,719,882	22,922,081	21,843,116	22,720,513	21,392,646
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)	(13,398,808)
Net change in total OPEB liability.....	16,887,366	16,570,981	(8,123,393)	11,901,923	(10,007,073)	17,649,102
Total OPEB liability - beginning.....	<u>275,310,262</u>	<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>
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>	<u>\$ 320,189,168</u>
Plan fiduciary net position						
Employer contributions.....	\$ 3,774,837	\$ 4,480,080	\$ 4,570,465	\$ 5,071,743	\$ 4,181,979	\$ 4,181,979
Employer contributions for OPEB payments.....	11,482,522	12,699,732	13,899,848	12,832,083	12,517,723	13,589,864
Net investment income.....	3,931,640	3,857,373	2,575,123	835,586	18,020,952	(3,369,791)
Benefit payments.....	(11,482,521)	(12,699,732)	(13,899,848)	(12,832,083)	(12,371,984)	(13,398,808)
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	1,003,244
Plan fiduciary net position - beginning of year.....	<u>30,016,389</u>	<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>
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>	<u>\$ 82,422,540</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>	<u>\$ 237,766,628</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	12.90%	14.91%	17.69%	18.91%	26.91%	25.74%
Covered-employee payroll.....	\$ 163,493,255	\$ 169,013,707	\$ 177,230,422	\$ 183,355,613	\$ 186,003,951	\$ 189,468,122
Net OPEB liability as a percentage of covered-employee payroll.....	155.66%	155.45%	139.63%	138.23%	118.88%	125.49%

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, 2022.....	\$ 23,375,573	\$ (17,771,843)	\$ 5,603,730	\$ 189,468,122	9.38%
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

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2022.....	-3.76%
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 2022 approved budget, including amounts carried forward from the prior years authorized approximately \$331.8 million in appropriations. During 2022, Town Meeting approved appropriation increases totaling approximately \$1.9 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 2022, the Town used approximately \$10.4 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, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$ 12,972,193
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,693,247
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	1,216,866
Net change in recording 60 day receipts.....	2,395,987
Recognition of revenue for on-behalf payments.....	20,876,616
Recognition of expenditures for on-behalf payments.....	<u>(20,876,616)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 19,278,293</u>

C. Appropriation Deficits

During 2022, expenditures exceeded the budgeted appropriation for pension benefits. This deficit will be funded through tax levy and available funds in 2023.

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, 2022 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%
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.