

TOWN OF BROOKFIELD, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2019

TOWN OF BROOKFIELD, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT ON:	
Basic Financial Statements	3-4
BASIC FINANCIAL STATEMENTS	5
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund	8
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	9
Statement of Fiduciary Net Position – Fiduciary Funds	10
Notes to the Financial Statements	11-32
REQUIRED SUPPLEMENTARY INFORMATION	33
Pension Plan Schedules	34-35
SUPPLEMENTARY SCHEDULES	36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	37-39
Schedule of Real Estate and Personal Property Taxes	40
Schedule of Motor Vehicle Excise Taxes	41
Schedule of Tax Liens and Tax Foreclosures	42

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Brookfield, Massachusetts

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Brookfield, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial, which collectively comprise a portion of the Town of Brookfield, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town of Brookfield, Massachusetts' governmental activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Financial Statements as a Whole” paragraph, the financial statements referred to above do not present fairly the financial position of the Town of Brookfield, Massachusetts, as of June 30, 2019, or the changes in financial position, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brookfield, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 2, 2020

BASIC FINANCIAL STATEMENTS

**TOWN OF BROOKFIELD, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Water Fund	Police Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,586,412	\$ 224,391	\$ 390	\$ 1,948,751	\$ 3,759,944
Investments	578,181	-	-	214,985	793,166
Receivables, net of allowance for uncollectibles:					
Property Taxes	185,454	-	-	-	185,454
Tax Liens	652,184	-	-	-	652,184
Excise Taxes	67,937	-	-	-	67,937
User Charges	-	9,506	-	-	9,506
Departmental	-	-	-	70,239	70,239
Due from Other Governments	47,296	-	-	332,878	380,174
Tax Foreclosures	318,252	-	-	-	318,252
Total Assets	\$ 3,435,716	\$ 233,897	\$ 390	\$ 2,566,853	\$ 6,236,856
Liabilities:					
Warrants Payable	\$ 295,861	\$ 29,784	\$ -	\$ 95,777	\$ 421,422
Accrued Payroll	252,460	3,945	-	8,072	264,477
Payroll Withholdings	19,911	-	-	-	19,911
Tax Refund Payable	8,400	-	-	-	8,400
Other	4,218	-	-	-	4,218
Bond Anticipation Notes Payable	-	-	1,135,926	-	1,135,926
Total Liabilities	580,850	33,729	1,135,926	103,849	1,854,354
Deferred Inflows of Resources:					
Unavailable Revenue	1,220,425	9,506		386,658	1,616,589
Fund Balance:					
Nonspendable	-	-	-	152,304	152,304
Restricted	-	-	-	1,340,382	1,340,382
Committed	-	190,662	-	625,016	815,678
Assigned	471,633	-	-	-	471,633
Unassigned	1,162,808	-	(1,135,536)	(41,356)	(14,084)
Total Fund Balance	1,634,441	190,662	(1,135,536)	2,076,346	2,765,913
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,435,716	\$ 233,897	\$ 390	\$ 2,566,853	\$ 6,236,856

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF BROOKFIELD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Water Fund	Police Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 5,198,856	\$ -	\$ -	\$ -	\$ 5,198,856
Intergovernmental	2,155,489	-	-	874,388	3,029,877
Excise and Other Taxes	510,571	-	-	-	510,571
Licenses, Permits, Fees	315,303	-	-	-	315,303
Charges for Services	-	144,900	-	469,889	614,789
Interest on Taxes	54,669	-	-	-	54,669
Investment Income	48,241	-	-	9,863	58,104
Gifts and Donations	-	-	-	3,805	3,805
Other	-	-	-	45,208	45,208
Intergovernmental - "On-behalf" Payments	696,634	-	-	-	696,634
Total Revenues	8,979,763	144,900	-	1,403,153	10,527,816
Expenditures:					
Current:					
General Government	731,008	-	-	233,421	964,429
Public Safety	997,077	-	16,460	48,414	1,061,951
Public Works	460,642	-	-	116,185	576,827
Water	-	165,140	-	-	165,140
Education	4,691,327	-	-	633,701	5,325,028
Health and Human Services	221,958	-	-	17,312	239,270
Culture and Recreation	157,328	-	-	25,362	182,690
Employee Benefits and Insurance	1,770,006	-	-	-	1,770,006
State Assessments	58,549	-	-	-	58,549
Debt Service:					
Principal	205,828	-	-	7,096	212,924
Interest	28,308	-	-	958	29,266
Total Expenditures	9,322,031	165,140	16,460	1,082,449	10,586,080
Excess of Revenues Over (Under) Expenditures	(342,268)	(20,240)	(16,460)	320,704	(58,264)
Other Financing Sources (Uses):					
Operating Transfers In	174,774	-	-	-	174,774
Operating Transfers Out	-	-	-	(174,774)	(174,774)
Proceeds from Issuance of Bonds and Notes	-	-	198,306	-	198,306
Total Other Financing Sources (Uses)	174,774	-	198,306	(174,774)	198,306
Net Change in Fund Balances	(167,494)	(20,240)	181,846	145,930	140,042
Fund Balances, Beginning of Year	1,801,935	210,902	(1,317,382)	1,930,416	2,625,871
Fund Balances, End of Year	\$ 1,634,441	\$ 190,662	\$ (1,135,536)	\$ 2,076,346	\$ 2,765,913

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF BROOKFIELD, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Basis		
Revenues:						
Property Taxes	\$ -	\$ 5,210,352	\$ 5,243,895	\$ 5,216,056	\$ -	\$ (27,839)
Intergovernmental	-	2,129,165	2,129,165	2,155,489	-	26,324
Excise and Other Taxes	-	484,362	484,362	510,571	-	26,209
Licenses, Permits, Fees	-	368,777	368,777	315,303	-	(53,474)
Interest on Taxes	-	58,726	58,726	28,812	-	(29,914)
Investment Income	-	4,500	4,500	48,241	-	43,741
Total Revenues	-	8,255,882	8,289,425	8,274,472	-	(14,953)
Expenditures:						
Current:						
General Government	74,946	866,989	966,345	731,008	199,618	35,719
Public Safety	29,149	1,009,754	1,054,963	997,077	47,886	10,000
Public Works	20,933	430,506	523,153	460,642	38,229	24,282
Education	-	4,754,310	4,754,310	4,691,327	67,378	(4,395)
Health and Human Services	-	222,538	233,430	221,958	12,500	(1,028)
Culture and Recreation	23,854	157,501	182,940	157,328	22,522	3,090
Employee Benefits and Insurance	-	998,429	1,000,415	1,073,372	-	(72,957)
State Assessments	-	67,848	67,848	58,549	-	9,299
Debt Service:						
Principal	-	174,296	174,296	205,828	-	(31,532)
Interest	-	42,990	43,028	28,308	-	14,720
Total Expenditures	148,882	8,725,161	9,000,728	8,625,397	388,133	(12,802)
Excess of Revenues Over (Under) Expenditures	(148,882)	(469,279)	(711,303)	(350,925)	(388,133)	(27,755)
Other Financing Sources (Uses):						
Operating Transfers In	-	223,690	316,832	316,832	-	-
Operating Transfers Out	-	(271,176)	(271,176)	(261,181)	-	9,995
Total Other Financing Sources (Uses)	-	(47,486)	45,656	55,651	-	9,995
Net Change in Budgetary Fund Balance	(148,882)	(516,765)	(665,647)	\$ (295,274)	\$ (388,133)	\$ (17,760)
Other Budgetary Items:						
Free Cash and Other Reserves	-	521,132	521,132			
Prior Year Deficits	-	(4,367)	(4,367)			
Prior Year Encumbrances	148,882	-	148,882			
Total Other Budgetary Items	148,882	516,765	665,647			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF BROOKFIELD, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2019

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 8,274,472	\$ 8,625,397
<u>Adjustments:</u>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	25,857	-
Net Decrease in Revenue from recording Refund Taxes Payable	(8,400)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	696,634	-
Recognition of Expenditures - "on behalf payments"	-	696,634
Net Decrease in Revenue from Recording 60-Day Receipts	(8,800)	-
Reported on a GAAP Basis	<u>\$ 8,979,763</u>	<u>\$ 9,322,031</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF BROOKFIELD, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 36,188
Total Assets	36,188
LIABILITIES	
Warrants Payable	5,786
Due to Others	30,402
Total Liabilities	36,188
NET POSITION	
Held in Trust for Other Purposes	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Brookfield, Massachusetts (the 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 accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1673 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. In fiscal year 2019, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing boards of the Brookfield Housing Authority and the Tantasqua Regional School District. The Brookfield Rescue Squad, Inc. is a non-profit organization that provides ambulance services to the Town. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board or receiving service from the organization. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Brookfield Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate-income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Tantasqua Regional School District – A regional school district made up of five communities to serve the educational needs of students for grades 7 through 12. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements have not been presented.

Fund financial statements

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Major Fund Criteria

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

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and
- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *water fund* is a special revenue fund used to account for the accumulation of resources to provide water services to the Town's citizens.

The *police station construction fund* is a capital project fund that is used to account for financial resources (debt) used to construct a new public safety facility.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The non-major governmental fund consists of other special revenue and permanent funds that are aggregated and presented in the *non-major 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 the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

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

Additionally, the Town reports the following fund types:

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 government programs. The Town reports the following fiduciary funds:

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2018 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2019 on June 1, 2018 that were due on August 1, 2018 and November 1, 2018 and actual bills on December 24, 2018 that were due on February 1, 2019 and May 1, 2019.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2019 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2019	\$ 5,449,013
Add: Debt Exclusion	103,263
Maximum Allowable Levy	<u>\$ 5,552,276</u>

The total amount raised by taxation was \$5,286,463.

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

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

Departmental

Departmental consists of ambulance and septic loans.

The ambulance allowance for uncollectibles is estimated and based on historical trends and specific account analysis. The septic loan receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized 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. Capital Assets

The Town has not capitalized and depreciated the cost of fixed assets.

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

H. Interfund Transfers

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

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Inflows of Resources

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 an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property and excise taxes, departmental receipts and intergovernmental

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Pension Benefits

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 the Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the 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 according with the benefit terms. Investments are reported at their fair value.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 60% share of insurance premiums in the general fund in the fiscal year paid.

N. Use of Estimates

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

O. Total Column

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.

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The significant departures of the financial statements from generally accepted accounting principles are as follows:

The Town has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

The Town has not implemented GASB Statement No. 34 which requires that the fixed assets be capitalized and depreciated. These include land, land improvements, buildings, vehicles and equipment, and infrastructure asset holdings by the Town.

The Town has not implemented GASB Statement No. 74 and GASB Statement No. 75 which require that an actuarial valuation be performed of post employment benefits paid to Town retirees as well as financial statement disclosures related to that actuarial valuation.

The Town has not presented a Management's Discussion and Analysis as required by accounting principles generally accepted in the United States of America to supplement, although not required to be part of, the basic financial statements.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2019, the Town incurred a final budget deficit of \$665,647 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 521,132
Prior year deficits	(4,367)
Prior year's encumbrances	148,882
	<u>\$ 665,647</u>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2019 as measured by the balance of unreserved fund balance.

- The *police station construction* major fund has a deficit of \$1,135,536. The Town has an outstanding bond anticipation note for \$1,135,926. This deficit will be eliminated upon the issuance of permanent debt.
- The *State Aid to Highway grants* special revenue account has a deficit of \$15,892. The deficit will be eliminated upon additional grant receipts or upon appropriation.
- The *Complete Streets grant* special revenue account has a deficit of \$12,250. The deficit will be eliminated upon additional grant receipts or upon appropriation.
- The *Board of Health revolving* special revenue account has a deficit of \$300. The deficit will be eliminated upon the appropriation of funds.
- The *Conservation fund* special revenue account has a deficit of \$89. The deficit will be eliminated upon the appropriation of funds.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

- The *Police Detail revolving* special revenue account has a deficit of \$12,825. The deficit will be eliminated upon the appropriation of funds.

4. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2019 were \$3,844,594. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 115,874	\$ 85,898	\$ 29,976
U. S. government agencies	232,817	-	232,817
Corporate bonds	116,536	70,790	45,746
Money market mutual fund	6,305	6,305	-
	<u>471,532</u>	<u>\$ 162,993</u>	<u>\$ 308,539</u>
Other Investments:			
Certificate of deposits	179,614		
Equity securities-domestic stocks	142,020		
	<u>\$ 793,166</u>		

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of 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 \$793,166 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2019 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 115,874
U. S. Government Agencies:	
Aaa	232,817
Corporate Bonds:	
A1	20,947
A3	45,746
Baa1	49,843
Money Market Mutual Funds:	
Not rated	6,305
	\$ 471,532

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's total investments are in the Federal Home Loan Mortgage Corp. amounting to 29.35% of the Town's total investments.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Fair Value	Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 115,874	\$ 115,874	\$ -	\$ -
U. S. government agencies	232,817	232,817	-	-
Certificate of deposits	179,614	179,614	-	-
Equity securities - domestic	142,020	142,020	-	-
Money market mutual fund	6,305	6,305	-	-
Corporate bonds	116,536	-	116,536	-
	\$ 793,166	\$ 676,630	\$ 116,536	\$ -

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2019, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 185,554	\$ (100)	\$ 185,454
Tax liens	652,184	-	652,184
Excise taxes	114,737	(46,800)	67,937
User charges	10,006	(500)	9,506
Departmental	91,438	(21,199)	70,239
Due from other governments	380,174	-	380,174
Tax Foreclosures	318,252	-	318,252
	<u>\$ 1,752,345</u>	<u>\$ (68,599)</u>	<u>\$ 1,683,746</u>

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The composition of amounts due from other governments as of June 30, 2019 for governmental funds is as follows:

General Fund:	
Commonwealth of Massachusetts:	
Department of Veterans Services:	
Veterans benefits	\$ 47,296
Nonmajor Governmental Funds:	
Commonwealth of Massachusetts:	
Massachusetts Department of Transportation:	
Highway Department - Chapter 90 funds	332,878
	<u>\$ 380,174</u>

C. Deferred Inflows of Resources – Unavailable Revenue

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 fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:	
Property taxes	\$ 134,756
Tax liens and Tax Foreclosures	970,436
Excise taxes	67,937
Due from other governments	<u>47,296</u>
	\$ 1,220,425
Water Fund:	
User charges	9,506
Nonmajor Governmental Funds:	
Departmental	70,239
Due from other governments	<u>316,419</u>
	<u>\$ 386,658</u>
	<u><u>\$ 1,616,589</u></u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2019, are summarized below:

	<u>Transfers In:</u>
	General
	fund
<u>Transfers Out:</u>	
Nonmajor governmental funds	<u>\$ 174,774</u>

E. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2019
Outside Debt:					
Saw Mill Pond Dam Repair #1	2.00%	6/24/2015	6/24/2035	\$ 87,030	\$ 72,279
Saw Mill Pond Dam Repair #2	2.00%	6/24/2015	12/24/2034	86,169	71,564
Massachusetts Clean Water Trust:					
Septic Title V	N/A	11/26/2002	8/1/2020	129,886	15,611
Total governmental type debt					<u>\$ 159,454</u>

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 15,516	\$ 3,424	\$ 18,940
2021	15,671	2,879	18,550
2022	8,024	2,525	10,549
2023	8,186	2,364	10,550
2024	8,350	2,200	10,550
2025-2029	44,337	8,412	52,749
2030-2034	48,976	3,773	52,749
2035	10,394	156	10,550
	<u>\$ 159,454</u>	<u>\$ 25,733</u>	<u>\$ 185,187</u>

A summary of the changes in governmental activities liabilities during the year is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 151,402	\$ -	\$ 7,559	\$ 143,843	\$ 7,711
Massachusetts Clean Water Trust bonds	22,707	-	7,096	15,611	7,805
Landfill post-closure care costs	111,660	-	9,305	102,355	9,305
Net pension liability	3,981,194	419,854	-	4,401,048	-
Governmental activity Long-term liabilities	<u>\$ 4,266,963</u>	<u>\$ 419,854</u>	<u>\$ 23,960</u>	<u>\$ 4,662,857</u>	<u>\$ 24,821</u>

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$129,866 and interest costs of \$57,850 for a loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2019 for principal and interest combined for the loans are \$16,391. The net repayments, including interest, are scheduled to be \$15,611. The fiscal year 2019 interest subsidies totaled \$958.

Landfill Post-Closure Care Costs

The Town placed a final cover on its landfill site in fiscal year 2001. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions of the landfill site for thirty (30) years after closure. The current year expenditures are reported in the General Fund. The estimated total future liability for landfill post-closure care costs is \$102,355.

This estimate is based on an independent evaluation of the cost to perform post-closure care. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town has no inside debt at June 30, 2019.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2019:

Equalized Valuation-Real Estate and Personal Property (2018)		\$ 276,658,600
Debt Limit: 5 % of Equalized value		13,832,930
Total Debt Outstanding	\$ 159,454	
Less: Debt Outside Debt Limit	(159,454)	-
Inside Debt Excess Borrowing Capacity at June 30, 2019		\$ 13,832,930

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2019 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
6/7/2013	Saw Mill Pond Dam Repair	\$ 6,801

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Overlapping Debt

The Town pays assessments, which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Tantasqua Regional School District New High School	\$ 5,475,000	14.43%	<u>\$ 790,043</u>

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

F. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2019:

	General Fund	Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 152,304	\$ 152,304
Restricted:				
Federal, state and local grants	-	-	135,316	135,316
School revolving funds	-	-	562,891	562,891
Town revolving funds	-	-	215,250	215,250
Donations and gifts	-	-	117,815	117,815
Septic revolving fund	-	-	143,711	143,711
Capital projects	-	-	121,478	121,478
Other	-	-	43,921	43,921
	-	-	1,340,382	1,340,382
Committed:				
Ambulance	-	-	625,016	625,016
Water Fund	-	190,662	-	190,662
	-	190,662	625,016	815,678
Assigned:				
General government	199,618	-	-	199,618
Public safety	47,886	-	-	47,886
Public works	38,229	-	-	38,229
Education	67,378	-	-	67,378
Health and human services	12,500	-	-	12,500
Culture and recreation	22,522	-	-	22,522
Subsequent year's budget	83,500	-	-	83,500
	471,633	-	-	471,633
Unassigned:				
General Fund	1,162,808	-	-	1,162,808
Deficit special revenue funds	-	-	(41,356)	(41,356)
Deficit capital projects:				
Police Station construction fund	-	(1,135,536)	-	(1,135,536)
	1,162,808	(1,135,536)	(41,356)	(14,084)
Total Governmental fund balances	\$ 1,634,441	\$ (944,874)	\$ 2,076,346	\$ 2,765,913

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

G. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 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. Any interest shall be added to and become a part of the fund.

At June 30, 2019 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	458,031
Fire department stabilization fund		12
Fleet stabilization fund		149
Highway department stabilization fund		6
Property stabilization fund		167
	\$	<u>458,365</u>

5. OTHER INFORMATION

A. Risk Management

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

C. Subsequent Events

The Covid-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which Covid-19 may impact our financial condition or results of operations is uncertain.

D. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. 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 the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements 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 the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense contributed by the Commonwealth of \$696,634 on-behalf payments for the fiscal year ending June 30, 2019 is reported as intergovernmental revenues and employee and pension benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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 increases 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.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2018 was \$270,221, representing 27.02% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2019, a reported liability of \$4,401,048 is the Town's proportionate share of the net pension liability as measured as of December 31, 2018. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town's proportional percentage was 0.4854%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2019, the Town recognized a pension expense of \$554,732 and reported deferred outflows of resources related to pensions of \$657,763 from the net difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$171,885 from the differences between expected and actual experience and the changes in proportion and differences between employer contributions and proportionate share of contributions.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
	2020	\$ 151,924
	2021	111,037
	2022	127,696
	2023	104,016
	Thereafter:	(8,795)
		<u>\$ 485,878</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2018:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	<i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. <i>2002 & 2003 & 2010 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028 and level dollar amount for the 2010 ERI to zero on or before June 30, 2022.
Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation	3.0% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Payroll growth	4.0% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Long-term Expected Rate of Return

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 weighing 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 class included in the pension plan's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.75%
Fixed income	23%	2.28%
Private Equity	13%	8.15%
Real Estate	10%	3.43%
Timber/Natural Resources	4%	4.00%
Hedge Funds	11%	3.76%
Total	100%	

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was (2.75%). The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or 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.

TOWN OF BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current	1% Increase
	6.75%	Discount Rate	8.75%
	6.75%	7.75%	8.75%
Net pension liability	\$ 5,301,337	\$ 4,401,048	\$ 3,640,488

E. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

Health insurance coverage is provided for retired employees and their survivors in accordance under the provisions Chapter 32B of Massachusetts General Laws. As of June 30, 2019, the Town has not completed the requirements of GASB Statement No. 74 and GASB Statement No. 75 to provide for health care insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group insurance plans. The cost of these benefits is included in the total cost of benefits for both active and retired employees. The Town currently has not recorded a liability for Other Post Employment Benefits (OPEB) and, accordingly, has not recorded an expense for the current period change in the OPEB liability for the retiree(s) receiving health care benefits.

F. Implementation of New GASB Pronouncements

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

G. Future GASB Pronouncements

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

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2020.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2020.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BROOKFIELD, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedule
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2019

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2018	0.4854%	\$ 4,401,048	\$ 1,000,208	440.01%	43.05%
12/31/2017	0.4882%	\$ 3,981,194	\$ 1,075,165	370.29%	46.40%
12/31/2016	0.4452%	\$ 3,728,896	\$ 1,280,552	291.19%	42.00%
12/31/2015	0.4472%	\$ 3,174,137	\$ 1,285,454	246.93%	44.52%
12/31/2014	0.5059%	\$ 3,010,647	\$ 1,236,013	243.58%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF BROOKFIELD, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedule
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2019

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2018	\$ 270,221	\$ (270,221)	\$ -	\$ 1,000,208	27.02%
12/31/2017	\$ 247,043	\$ (247,043)	\$ -	\$ 1,075,165	22.98%
12/31/2016	\$ 216,251	\$ (216,251)	\$ -	\$ 1,280,552	16.89%
12/31/2015	\$ 201,170	\$ (201,170)	\$ -	\$ 1,285,454	15.65%
12/31/2014	\$ 199,940	\$ (199,940)	\$ -	\$ 1,236,013	16.18%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 200	\$ 48,760	\$ 44,437	\$ -	\$ 4,523
Board of Health Preparedness Grants	3,174	-	-	-	3,174
Community Development Block Grants	29,467	209,551	187,816	-	51,202
Council on Aging Grants	424	8,924	8,107	-	1,241
Cultural Council Grants	4,535	4,801	6,745	-	2,591
Emergency Management Grants	46	-	-	-	46
Extended Polling Hours	620	571	-	-	1,191
Highway Grants	(15,865)	61,288	73,565	-	(28,142)
Library Grants	1,240	6,300	6,491	-	1,049
Municipal Vulnerability Preparedness Grant	-	28,000	28,000	-	-
Other Grants and Programs	19,579	20,240	12,741	-	27,078
Public Safety Grants	9,161	19,413	11,916	-	16,658
Rice Corner Cross Road Culvert Grant	3,330	65,717	39,554	(2,930)	26,563
Schools:					
School Lunch Program	26,839	122,801	118,884	-	30,756
School Revolving	156,853	123,502	204,532	-	75,823
School Choice Revolving	397,229	324,932	265,848	-	456,313
Other:					
Ambulance Fund	552,262	244,598	-	(171,844)	625,016
Board of Health Revolving	(75)	6,275	6,500	-	(300)
Boat Patrol	408	-	-	-	408
C & D Revolving - Landfill	1,053	-	-	-	1,053
Cable Access Funds	112,557	45,208	8,369	-	149,396
Clean Energy Grant	1,400	-	-	-	1,400
Clean Lakes Fund	3,008	-	3,000	-	8
Conservation Fund	(89)	-	-	-	(89)
Total Special Revenue Page 37	\$ 1,307,356	\$ 1,340,881	\$ 1,026,505	\$ (174,774)	\$ 1,446,958

TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Continued from Page 37	\$ 1,307,356	\$ 1,340,881	\$ 1,026,505	\$ (174,774)	\$ 1,446,958
Special Revenue (continued):					
Other (continued):					
Dog Pound	1,860	-	-	-	1,860
Gifts and Donations	123,666	3,805	9,656	-	117,815
Insurance Reimbursement	3,919	-	-	-	3,919
Law Enforcement Fund	35	-	-	-	35
Planning Board Revolving	2,847	-	-	-	2,847
Police Detail Revolving	(19,063)	42,736	36,498	-	(12,825)
Recreation Revolving	210	-	-	-	210
Rehabilitation Program	50,832	2,401	-	-	53,233
Sale of Lots and Graves	4,750	-	-	-	4,750
Septic Loan Repayment	146,532	5,233	8,054	-	143,711
Transportation Network Company	-	25	-	-	25
Wetlands Fund	3,405	784	1,235	-	2,954
Firemen's Relief Fund	3,061	145	-	-	3,206
Dr. Milman Pease Fund	1,600	75	-	-	1,675
Total Special Revenue Funds	1,631,010	1,396,085	1,081,948	(174,774)	1,770,373
Capital Projects:					
Saw Mill Pond	105,960	-	-	-	105,960
School Construction	5,088	-	-	-	5,088
Town Hall Roof	10,430	-	-	-	10,430
Total Capital Projects Funds	\$ 121,478	\$ -	\$ -	\$ -	\$ 121,478

TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	\$ 137,659	\$ -	\$ -	\$ -	\$ 137,659
Flower Fund	1,000	-	-	-	1,000
Library Funds	13,645	-	-	-	13,645
Total Perpetual Permanent Funds	152,304	-	-	-	152,304
Permanent Funds:					
Cemetery Perpetual Care Funds	19,677	6,072	-	-	25,749
Flower Fund	1,333	110	-	-	1,443
Library Funds	4,614	886	501	-	4,999
Total Permanent Funds	25,624	7,068	501	-	32,191
Total Non-Major Governmental Funds	\$ 1,930,416	\$ 1,403,153	\$ 1,082,449	\$ (174,774)	\$ 2,076,346

TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2018 TO JUNE 30, 2019

	Uncollected Taxes July 1, 2018	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2019	Uncollected Taxes Per Detail June 30, 2019
Real Estate Taxes:						
Levy of 2019	\$ -	\$ 5,131,507	\$ 81,364	\$ 4,901,861	\$ 148,282	\$ 147,847
Levy of 2018	218,825	-	54,058	142,913	21,854	27,934
Levy of 2017	26,404	-	13,536	6,491	6,377	6,377
Levy of 2016	10,619	-	5,059	349	5,211	5,210
Levy of 2015	8,384	-	3,256	-	5,128	5,128
	<u>264,232</u>	<u>5,131,507</u>	<u>157,273</u>	<u>5,051,614</u>	<u>186,852</u>	<u>192,496</u>
Personal Property Taxes:						
Levy of 2019	-	154,956	107	154,831	18	18
Levy of 2018	(1,813)	-	-	-	(1,813)	(1,813)
Levy of 2017	290	-	-	-	290	290
Levy of 2016	436	-	-	-	436	436
Levy of 2015	(173)	-	-	-	(173)	(173)
Prior Years	(56)	-	-	-	(56)	(56)
	<u>(1,316)</u>	<u>154,956</u>	<u>107</u>	<u>154,831</u>	<u>(1,298)</u>	<u>(1,298)</u>
Total Real Estate and Personal Property Taxes	<u>\$ 262,916</u>	<u>\$ 5,286,463</u>	<u>\$ 157,380</u>	<u>\$ 5,206,445</u>	<u>\$ 185,554</u>	<u>\$ 191,198</u>

**TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2018 TO JUNE 30, 2019**

	Uncollected Taxes		Abatements and Adjustments		Collections Net of Refunds and Overpayments		Uncollected Taxes Per Detail	
	July 1, 2018	Commitments					June 30, 2019	June 30, 2019
Motor Vehicle Excise Taxes:								
Levy of 2019	\$ -	\$ 481,657	\$ 6,667	\$ 421,824	\$ 53,166	\$ 54,292		
Levy of 2018	41,477	49,093	7,347	68,642	14,581	14,615		
Levy of 2017	8,001	-	648	5,497	1,856	2,570		
Levy of 2016	4,040	-	430	147	3,463	3,362		
Levy of 2015	5,135	-	-	197	4,938	4,938		
Prior Years	37,619	-	-	886	36,733	36,733		
Total Motor Vehicle Excise Taxes	\$ 96,272	\$ 530,750	\$ 15,092	\$ 497,193	\$ 114,737	\$ 116,510		

**TOWN OF BROOKFIELD, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2018 TO JUNE 30, 2019**

	Uncollected Accounts July 1, 2018	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2019	Uncollected Accounts Per Detail June 30, 2019
Tax Liens	\$ 551,470	\$ 149,502	\$ 39,177	\$ 9,611	\$ 652,184	\$ 652,184
Tax Foreclosures	\$ 253,975	\$ 64,277	\$ -	\$ -	\$ 318,252	\$ -