

# OFFICIAL STATEMENT DATED MARCH 15, 2017

Rating: See "Rating" herein.  
Moody's Investors Service, Inc.: Aaa

## New Issue

In the opinion of Locke Lord, LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

## TOWN OF BROOKLINE, MASSACHUSETTS \$36,925,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2017 BONDS

**DATED**  
Date of Delivery

**DUE**  
March 15  
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable March 15 of the years in which the Bonds mature. Interest on the Bonds will be payable March 15 and September 15, commencing September 15, 2017. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Brookline, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.

### MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due March 15	Principal Amount	Interest Rate	Price or Yield	Cusip 113745	Due March 15	Principal Amount	Interest Rate	Price or Yield	Cusip 113745
2018	\$ 1,765,000	5.00 %	0.90 %	2R3	2029	\$ 1,345,000	5.00 %	2.71 %	3C5
2019	1,760,000	5.00	1.08	2S1	2030	1,345,000	5.00	2.79	3D3
2020	1,760,000	2.00	1.29	2T9	2031	1,345,000	3.00	3.15	3E1
2021	1,760,000	5.00	1.46	2U6	2032	1,345,000	3.125	3.25	3F8
2022	1,760,000	5.00	1.68	2V4	2033	1,340,000	3.25	3.30	3G6
2023	1,625,000	5.00	1.90	2W2	2034	1,340,000	3.25	3.35	3H4
2024	1,625,000	5.00	2.13	2X0	2035	1,340,000	3.25	3.40	3J0
2025	1,625,000	5.00	2.28	2Y8	2036	1,340,000	3.25	3.45	3K7
2026	1,625,000	5.00	2.40	2Z5	2037	1,320,000	3.375	3.50	3L5
2027	1,615,000	5.00	2.50	3A9	2038	1,320,000	3.375	3.52	3M3
2028	1,345,000	5.00	2.63	3B7					

**\$2,640,000 Interest Rate 3.50% Term Bond Maturing March 15, 2040 Yield 3.54% Cusip #113745 3P6**

**\$2,640,000 Interest Rate 3.50% Term Bond Maturing March 15, 2042 Yield 3.56% Cusip #113745 3R2**

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. FirstSouthwest, a division of Hilltop Securities Inc., Boston, Massachusetts (see "Financial Advisory Services of FirstSouthwest, a division of Hilltop Securities Inc." herein) has acted as Financial Advisor to the Town, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about March 28, 2017, against payment to the Town in federal funds.

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The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Town of Brookline, since the date hereof.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Wednesday, March 15, 2017, 11:00 a.m. (Eastern Time).

Location of Sale: FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Brookline, Massachusetts.

Issue: \$36,925,000 General Obligation Municipal Purpose Loan of 2017 Bonds, see "THE BONDS Book-Entry Transfer System" herein.

Official Statement Dated: March 15, 2017.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially March 15, 2018 through March 15, 2038, and two Term Bonds maturing March 15, 2040 and March 15, 2042 as detailed herein.

Purpose and Authority: Bond proceeds will be used to finance various capital projects in accordance with the Massachusetts General Laws as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as described herein.

Security: The Bonds are general obligations of the Town, and the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.

Credit Rating: Moody's Investors Service, Inc. has assigned a rating of Aaa to the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **No bid of less than par plus a premium of \$135,000 will be accepted.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent : U.S. Bank National Association, Boston, Massachusetts.

Legal Opinion: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about March 28, 2017, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. Melissa Goff, Deputy Town Administrator, Town of Brookline, Massachusetts telephone (617) 730-2317 or Peter Frazier, Managing Director, FirstSouthwest, a Division of Hilltop Securities Inc. Boston, Massachusetts Telephone (617) 619-4409.

**NOTICE OF SALE  
TOWN OF BROOKLINE, MASSACHUSETTS  
\$36,925,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2017 BONDS**

The Town of Brookline, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 a.m., eastern time, Wednesday, March 15, 2017, for the purchase of the following described General Obligation Municipal Purpose Loan of 2017 Bonds of the Town (the "Bonds"):

\$36,925,000 General Obligation Municipal Purpose Loan of 2018 Bonds payable March 15 of the years and in the amounts as follows:

<u>Due March 15</u>	<u>Principal Amount</u>	<u>Due March 15</u>	<u>Principal Amount</u>	
2018	\$ 1,765,000	2031	\$ 1,345,000	**
2019	1,760,000	2032	1,345,000	**
2020	1,760,000	2033	1,340,000	**
2021	1,760,000	2034	1,340,000	**
2022	1,760,000	2035	1,340,000	**
2023	1,625,000	2036	1,340,000	**
2024	1,625,000	2037	1,320,000	**
2025	1,625,000	2038	1,320,000	**
2026	1,625,000	2039	1,320,000	**
2027	1,615,000	2040	1,320,000	**
2028	1,345,000	2041	1,320,000	**
2029	1,345,000	2042	1,320,000	**
2030	1,345,000			**

\*\*May be combined into one, two or three Term Bonds.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on March 15 of the years in which the Bonds mature. Interest will be payable on March 15 and September 15, commencing September 15, 2017.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The Bonds maturing in the years 2018 through 2027 will not be subject to redemption prior to maturity. The Bonds maturing on and after March 15, 2028 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

For Bonds maturing on March 15, 2028, and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on March 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof, without premium.

The original Bonds to be immobilized at DTC will be prepared under the supervision of FirstSouthwest, a Division of Hilltop Securities Inc. and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) **any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent, and (c) any coupon in excess of 5.0%. No bid of less than par plus a premium of at least \$135,000 will be accepted.**

### **Bidding Parameters**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Melissa Goff, Deputy Town Administrator, Town of Brookline, Massachusetts c/o FirstSouthwest, a Division of Hilltop Securities Inc. 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to FirstSouthwest, a Division of Hilltop Securities Inc. telephone (617) 619-4400, at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by FirstSouthwest, a Division of Hilltop Securities Inc. FirstSouthwest, a Division of Hilltop Securities Inc. will act as agent for the bidder, but neither the Town nor FirstSouthwest, a Division of Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Brookline has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for a rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated March 8, 2017, (b) a

certificate in form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Acting Town Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated March 8, 2017.

The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

Additional information concerning the Town of Brookline and the Bonds is contained in the Preliminary Official Statement dated March 8, 2017, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, a Division of Hilltop Securities Inc. 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from the FirstSouthwest, a Division of Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of March 15, 2017 (the “Sale Date”), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the “issue price” of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about March 28, 2017 for settlement in federal funds.

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TOWN OF BROOKLINE, MASSACHUSETTS  
/s/ Melissa Goff, Deputy Town Administrator

March 8, 2017

**OFFICIAL STATEMENT  
TOWN OF BROOKLINE, MASSACHUSETTS  
\$36,925,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2017 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Brookline, Massachusetts (the "Town") in connection with the sale of \$36,925,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2017 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on March 15 and September 15 of each year until maturity, commencing September 15, 2017, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated March 8, 2017. The Bonds shall mature on March 15 of the years and in the principal amounts as set forth on the cover page of this Preliminary Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

**Redemption Provisions**

The Bonds are subject to redemption as described below.

**Optional Redemption**

The Bonds maturing in the years 2018 through 2027 will not be subject to redemption prior to maturity. The Bonds maturing on and after March 15, 2028 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

## Mandatory Redemption

The Bonds maturing March 15, 2040 and March 15, 2042 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts as set forth below (the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

### \$2,640,000 Term Bond Maturing March 15, 2040

<u>March 15</u>	<u>Principal Amount</u>
2039	\$ 1,320,000
2040 *	1,320,000

\*Final Maturity.

### \$2,640,000 Term Bond Maturing March 15, 2042

<u>March 15</u>	<u>Principal Amount</u>
2041	\$ 1,320,000
2042 *	1,320,000

\*Final Maturity.

## Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

## Record Date

The record date for each payment of interest is the last day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

## Book-Entry Transfer System

DTC (defined above), will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing

Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, dates of Town approval and statutory authorizations for the current offering of Bonds:

This Issue	Purpose	Amount Originally Authorized	Date of Authorization	BANs Outstanding	Law Cite	Article
\$ 1,000,000	Wastewater System Improvements	\$ 3,000,000	5/26/2015	\$ -	Ch. 44, s. 7(1)	8, item 68
380,000	School Building Envelope/ Fenestration Repairs	2,100,000	5/24/2016	-	Ch. 44, s. 7(1)	8, item 67
33,000,000	Devotion School (1)	118,400,000	5/5/2015	-	Ch. 70B	8, item 73
700,000	Corey Hill Playground/ Recreational Facility Renov	700,000	5/24/2016	-	Ch. 44, s. 7(1)	8, item 66
245,000	Carlton St. Footbridge	1,400,000	11/17/2009	-	Ch. 44, s. 7(1)	5
800,000	Fire Truck/Tower #1 Replacement	800,000	5/24/2016	-	Ch. 44, s. 7(1)	8, item 64
300,000	Fire Maintenance Facility Remodeling	4,500,000	5/24/2016	-	Ch. 44, s. 7(1)	8, item 65
265,000	Golf Course Driving Range	2,840,000	2001 ATM	265,000	Ch. 44, s. 7(1)	7, item 87 & 88
235,000	Golf Course Driving Range	1,000,000	5/26/2015	235,000	Ch. 44, s. 7(1)	8, item 69
<u>\$ 36,925,000</u>	Total			<u>\$ 500,000</u>	(2)	

(1) The Town voted to excluded debt service on bonds and notes from the limitations of Proposition 2 ½.

(2) Payable March 29, 2017. To be retired with a like amount of Bond proceeds.

## Principal Maturities by Purpose

Year	Sewer	School (1)	General	Golf	Total
2018	\$ 100,000	\$ 1,400,000	\$ 235,000	\$ 30,000	\$ 1,765,000
2019	100,000	1,395,000	235,000	30,000	1,760,000
2020	100,000	1,395,000	235,000	30,000	1,760,000
2021	100,000	1,395,000	235,000	30,000	1,760,000
2022	100,000	1,395,000	235,000	30,000	1,760,000
2023	100,000	1,320,000	175,000	30,000	1,625,000
2024	100,000	1,320,000	175,000	30,000	1,625,000
2025	100,000	1,320,000	175,000	30,000	1,625,000
2026	100,000	1,320,000	175,000	30,000	1,625,000
2027	100,000	1,320,000	170,000	25,000	1,615,000
2028	-	1,320,000	-	25,000	1,345,000
2029	-	1,320,000	-	25,000	1,345,000
2030	-	1,320,000	-	25,000	1,345,000
2031	-	1,320,000	-	25,000	1,345,000
2032	-	1,320,000	-	25,000	1,345,000
2033	-	1,320,000	-	20,000	1,340,000
2034	-	1,320,000	-	20,000	1,340,000
2035	-	1,320,000	-	20,000	1,340,000
2036	-	1,320,000	-	20,000	1,340,000
2037	-	1,320,000	-	-	1,320,000
2038	-	1,320,000	-	-	1,320,000
2039	-	1,320,000	-	-	1,320,000
2040	-	1,320,000	-	-	1,320,000
2041	-	1,320,000	-	-	1,320,000
2042	-	1,320,000	-	-	1,320,000
Total	<u>\$ 1,000,000</u>	<u>\$ 33,380,000</u>	<u>\$ 2,045,000</u>	<u>\$ 500,000</u>	<u>\$ 36,925,000</u>

(1) The Town has voted to exclude \$33 million principal of and associated interest on the Bonds from the limitations of Proposition 2 ½.

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the

Bonds. The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code

requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or on any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the

fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” under (See “Types of Obligations - *Serial Bonds and Notes*” under “INDEBTEDNESS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts (“Bond Counsel”). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

### **Rating**

Moody’s Investors Service, Inc. has assigned a rating of Aaa to the Bonds. The rating only reflects the rating agency’s views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc.**

FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town of Brookline, Massachusetts.

First Southwest Company, LLC (“First Southwest”) merged with its common control affiliate, Hilltop Securities Inc. (“HilltopSecurities”). The merger was completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumed all rights and obligations of FirstSouthwest. The firm’s municipal advisory business will continue to operate as FirstSouthwest, a division of Hilltop Securities Inc.

### **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**In the past five years the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**

# THE TOWN OF BROOKLINE, MASSACHUSETTS

## Description

The Town of Brookline was founded in 1630 as a part of Boston and was 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 6.8 square miles in area and, according to the 2010 federal census, has a population of 58,732 persons.

## Local Government

The Town operates under a Board of Selectmen/Representative Town Meeting form of government. Local legislative decisions are made by a representative town meeting consisting of 251 members and implemented by a five-member Board of Selectmen. Day-to-day matters are handled by a Town Administrator who is appointed by the Board of Selectmen. The Town Administrator is the chief operating officer and department heads are generally under his or her supervision.

School affairs are administered by a school committee of nine persons, elected for staggered three-year terms on an at-large basis.

Local taxes are assessed by a board of assessors, appointed for staggered three-year terms.

## Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Selectmen	Neil Wishinsky, Chairperson	Elected – 3 years	2019
	Nancy Daly	Elected - 3 years	2017
	Benjamin Franco	Elected - 3 years	2017
	Nancy Heller	Elected - 3 years	2018
	Bernard Greene	Elected – 3 years	2018
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2019
Deputy Town Administrator	Melissa Goff	Appointed - 1 year	2017
Acting Collector/Treasurer	Deborah Mann	Appointed (1)	(1)
Town Clerk	Patrick J. Ward	Elected - 3 years	2018
Comptroller	Michael F. DiPietro	Appointed - 1 year	2017
Town Counsel	Joslin Murphy	Appointed - 3 years	2017

(1) Appointed until a finance director is named.

## Services

*Public Safety* - The Town provides police and fire protection. The Town also provides animal control services and building inspection.

*Public Works* - Through its public works department the Town maintains highways, provides snow removal, maintains parks and cemeteries, and provides water and sewer services.

*Library* - The Town Library is funded and operated by the Town, and houses approximately 367,000 volumes.

*Senior Citizens* - The Town provides a Council on Aging that administers services such as a low-cost lunch program, bus service and activities for elderly citizens.

*Recreation* - The Town provides numerous recreational facilities and activities, including a municipal golf course, a swimming pool, a summer day camp, tennis courts, parks and playgrounds.

*Education* - The Town school system includes eight elementary schools (grades K-8) and one senior high school, with a combined enrollment of more than 7,000. Vocational programs are provided by the Unified Arts Department of the Brookline High School.

## Student Enrollments

AS OF OCTOBER 1,

	Average Annual Enrollment				
	2012	2013	2014	2015	2016
Pre-Kindergarten to 6	3,964	4,129	4,340	4,699	4,592
Grades 7-8	863	938	1,014	1,049	1,107
Grades 9-12	1,777	1,774	1,893	1,950	1,996
Total	6,604	6,841	7,247	7,698	7,695

Source: Massachusetts Department of Education - As of December, each year.

## Population

	Brookline		Norfolk County		Massachusetts	
	Total	% Change From Prior Census	Total	% Change From Prior Census	Total	% Change From Prior Census
2010	58,732	2.8%	670,850	3.2%	6,547,629	3.1%
2000	57,107	4.4	650,308	5.6	6,349,097	5.5
1990	54,718	(0.6)	616,087	1.0	6,016,425	2.1
1980	55,062	---	606,587	---	5,737,037	---

Source: U.S. Department of Commerce, Bureau of the Census for 2010, 2000, 1990 and 1980.

## Age

	Brookline	Norfolk County	Massachusetts
Percentage of the Population:			
Under 5 Years	5.2%	5.6%	5.6%
5 Years to 19 Years	16.2	19.5	19.4
20 Years to 64 Years	65.4	60.4	61.3
Over 65 Years	13.2	14.4	13.7
Median Age	35.7	40.4	38.9

Source: U.S. Department of Commerce, Bureau of the Census (2011 5 year estimates).

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training, in December 2016, the Town had a total labor force of 32,828, of whom 32,344 were employed and 484 or 1.5% were unemployed, as compared with 2.8% unemployed for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2011 through 2015.

Calendar Year	Town of Brookline			Unemployment Rate	
	Labor Force	Number Employed	Unemployment Rate	Norfolk County	Massachusetts
2015	32,235	31,333	2.8%	4.3%	5.8%
2014	32,208	31,180	3.2	5.8	6.2
2013	34,297	33,013	3.7	6.6	7.4
2012	34,651	33,462	3.4	5.6	6.7
2011	34,210	32,903	3.8	6.6	8.3

Source: Massachusetts Department of Employment and Training. Data based on place of residence, not employment.

## Employment by Industry

Industry	Calendar Year Average				
	2011	2012	2013	2014	2015
Construction	394	377	386	409	406
Manufacturing	182	176	182	184	191
Trade, Transportation and Utilities	1,566	1,575	1,902	1,897	1,853
Information	490	495	533	547	547
Financial Activities	785	780	819	896	863
Professional and Business Services	1,544	1,636	1,653	1,717	1,748
Education and Health Services	6,841	6,886	7,679	7,966	7,820
Leisure and Hospitality	2,481	2,598	2,979	403	3,212
Other Services	862	945	860	905	879
<b>Total Employment</b>	<b>15,145</b>	<b>15,468</b>	<b>16,993</b>	<b>14,924</b>	<b>17,519</b>
Number of Establishments	1,728	1,708	1,763	1,850	1,928
Average Weekly Wages	\$ 1,227	\$ 1,276	\$ 1,269	\$ 1,292	\$ 1,343
<b>Total Wages</b>	<b>\$ 1,015,778,464</b>	<b>\$ 1,077,044,520</b>	<b>\$ 1,171,603,599</b>	<b>\$ 1,242,589,042</b>	<b>\$ 1,278,003,968</b>

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

## Major Employers

Name	Nature of Business	Number of Employees
Partners Healthcare	Healthcare	1,336
Bournewood	Hospital	350
Beaver Country Day School	Private School	200
America's Test Kitchen	Cooking School	200
Arbour HRI Hospital	Hospital	180
Dexter/Southfield (Clay) School	Private school	176
Pine Manor College	College	175
Park School	College	165
Brookline Health Care Center	Nursing Home	165
Trader Joe's	Supermarket	165
Hebrew Senior Life	Independent Living	160
Newbury College	College	145

Source: Massachusetts Department of Revenue.

## Personal Income

	Brookline		Norfolk County		Massachusetts	
	Amount	% Change From Prior Census	Amount	% Change From Prior Census	Amount	% Change From Prior Census
Per Capita:						
2010	\$63,028	42.2%	\$42,371	30.4%	\$22,966	30.9%
2000	44,327	53.0	32,484	54.0	25,952	51.0
1989	29,044	152.5	21,091	138.9	17,224	131.0
1987 (Est.)	22,610	13.2	17,405	14.7	14,389	15.0
1985 (Est.)	19,976	20.9	15,169	19.8	12,510	19.0
Median Family Income (2010)	\$139,787		\$101,870		\$81,165	

Source: U.S. Department of Commerce, Bureau of the Census.

## Building Permits (1)

<u>Calendar Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>	<u>Total Taxable Value</u>
2016	24	4	28	\$ 101,395,976
2015	17	4	21	46,131,170
2014	13	1	14	41,079,589
2013	12	1	13	17,874,041
2012	12	0	12	6,953,000

Source: Town of Brookline Building Commissioner  
(1) New buildings only.

## Housing

	<u>Brookline</u>	<u>Norfolk County</u>	<u>Massachusetts</u>
Median Value of Occupied Non-Condominium Housing Units	\$681,200	\$398,100	\$343,500
% Year-Round Housing Units Built 1939 or earlier	55.4%	29.5%	35.4%
% Year-Round Housing Units Built since 2000	2.7%	6.7%	6.7%

Source: U.S. Department of Commerce, Bureau of the Census (2011 5 year estimates).

## Economic/Industrial Development

The Economic Development Advisory Board (EDAB) is comprised of 12 citizens of the Town appointed by the Board of Selectmen who are established professionals in business development, commercial development, and related fields. The EDAB defines its mission as fostering appropriate economic growth and promoting the vitality of our commercial areas. A five year Economic Development Plan was created in 2012 that lays out three focus areas: enhance tax growth from commercial properties; aid the growth of existing businesses and attract new businesses; and improve the functional and aesthetic qualities of public space in commercial areas.

In 2016, the 130-room Hilton Homewood Suites hotel opened its doors. Two other projects began construction: 250,000 square foot medical office building for Boston Children's Hospital at 2 Brookline Place and 68 hotel rooms (AC Marriott) in Cleveland Circle. In fall of 2016, Town Meeting approved zoning changes to allow for a 175-room hotel, Hilton Garden Inn, at 700 Brookline Avenue/ 25 Washington Street. As a result, we are estimating new tax revenues from property tax growth and excise rooms taxes of \$2.9 Million in Fiscal Years 2017-2019.

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations," below. As to the inclusion of debt service and final judgments, see "Security and Remedies," above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the Massachusetts Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the Commonwealth's Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

### Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the following fiscal years:

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013
<b>GROSS AMOUNT TO BE RAISED(1)</b>					
Appropriations	\$ 280,624,598	\$ 270,134,629	\$ 253,268,834	\$ 246,863,910	\$ 240,927,627
Other Local Expenditures	114,197	116,451	151,443	136,026	134,160
State and County Charges	6,393,642	6,319,715	6,201,535	6,199,912	6,087,819
Overlay Reserve (2)	1,846,245	1,965,009	2,080,721	1,726,503	1,958,780
<b>Total Gross Amount to be Raised:</b>	<b>288,978,682</b>	<b>278,535,804</b>	<b>261,702,533</b>	<b>254,926,351</b>	<b>249,108,386</b>
<b>LESS ESTIMATED RECEIPTS AND OTHER REVENUE:</b>					
Estimated Receipts from State	19,657,251	18,837,306	17,634,875	16,659,162	15,131,276
Estimated Receipts - Local	54,720,688	53,127,793	51,327,659	50,257,860	48,619,768
Available Funds Appropriated					
Free Cash	5,311,538	5,016,500	5,084,152	7,655,155	5,336,413
Other Available Funds	5,225,000	6,505,000	5,416,555	4,570,272	9,883,319
<b>Total Estimated Receipts and Other Revenue</b>	<b>84,914,477</b>	<b>83,486,599</b>	<b>79,463,241</b>	<b>79,142,449</b>	<b>78,970,776</b>
<b>NET AMOUNT TO BE RAISED (TAX LEVY):</b>	<b>\$ 204,064,205</b>	<b>\$ 195,049,207</b>	<b>\$ 182,239,292</b>	<b>\$ 175,783,902</b>	<b>\$ 170,137,610</b>
Property Valuation (000)	\$ 21,433,812	\$ 19,484,400	\$ 17,775,818	\$ 16,151,084	\$ 15,519,229
Tax Rate per \$1,000:					
Residential	\$ 9.88	\$ 10.42	\$ 10.68	\$ 11.39	\$ 11.65
Other (3)	\$ 16.20	\$ 16.99	\$ 17.39	\$ 18.50	\$ 18.97

Source: Massachusetts Department of Revenue.

Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

(1) Includes water, sewer and golf course department budgets.

(2) Allowance for abatements.

(3) Commercial/Industrial/Personal Property.

## Assessed Valuation

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "INDEBTEDNESS – Debt Limits" below.

Valuation of real and personal property in Brookline is established by the Town's Board of Assessors. The Town underwent revaluation most recently in 2015. The following table sets forth the trend in the Town's assessed and equalized valuations (see "State Equalized Valuation," below):

Fiscal Year	Real Estate Valuation	Property Valuation	Assessed Valuation (1)	Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized Valuation
2017	\$ 21,433,812,200	\$ 230,816,841	\$ 21,664,629,041	\$ 20,944,753,300	103.4 %
2016	19,484,345,700	207,182,876	19,691,528,576	17,051,417,000	115.5
2015	17,775,818,300	198,236,538	17,974,054,838	17,051,417,000	105.4
2014	16,151,083,800	191,578,140	16,342,661,940	16,264,277,000	100.5
2013	15,334,639,640	184,589,740	15,519,229,380	16,264,277,000	95.4

(1) Source: Town's Board of Assessors.

(2) Source: Massachusetts Department of Revenue.

## Classification of Property

Following is a breakdown by classification of the Town's assessed valuations for the last three fiscal years:

Property Type	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 19,477,019,400	89.9 %	\$ 17,723,210,800	90.0 %	\$ 16,146,706,900	89.8 %
Commercial	1,942,174,300	9.0	1,748,141,400	8.9	1,612,812,500	9.0
Industrial	14,618,500	0.1	12,993,500	0.1	16,298,900	0.1
Personal	230,816,841	1.1	207,182,876	1.1	198,236,538	1.1
Total Real Estate	<u>\$ 21,664,629,041</u>	<u>100.0 %</u>	<u>\$ 19,691,528,576</u>	<u>100.0 %</u>	<u>\$ 17,974,054,838</u>	<u>100.0 %</u>

(1) Source: Town's Board of Assessors.

## Major Taxpayers

Following is a list of the Town's major taxpayers based on assessed valuations for fiscal 2017, all of whom are current in their tax payments:

<u>Name</u>	<u>Nature of Business</u>	<u>FY 17 Assessed Valuation</u>	<u>FY17 Property Tax</u>	<u>Percent of Net Levy</u>
Ten Brookline Place LLC	Office Building	\$ 122,343,600	\$ 1,981,966	0.97 %
Trustees of Boston University	Higher Education	134,202,300	1,811,012	0.89
The Davis Companies	Office Buildings	110,181,400	1,784,939	0.87
Boston Edison/ NStar Electric	Electric Utility	92,709,500	1,501,894	0.74
The Hamilton Company	Apartments	145,071,200	1,433,303	0.70
Keypoint Partners LLC	Office Building	78,261,200	1,293,380	0.63
Chestnut Hill Realty	Apartments	130,908,900	1,267,831	0.62
Hersha Hospitality LP	Marriott Hotel	63,665,000	1,031,373	0.51
The Country Club	Private Golf Club	54,609,300	976,248	0.48
Boston Gas Co./National Grid	Gas Distribution	57,963,430	939,008	0.46
HRCA Brookline Housing	Apartments	70,207,800	872,651	0.43
Brookline Hospitality LLC	Holiday Inn Hotel	60,262,200	710,831	0.35
1101 Beacon Street Assoc. LP	Office/Apartments	48,776,900	672,636	0.33
1443 Beacon LLC	Apartments	66,499,300	614,668	0.30
1501 Beacon Street LLC	Apartments	56,858,600	561,758	0.28
		<u>\$ 1,292,520,630</u>	<u>\$ 17,453,498</u>	<u>8.55 %</u>

Source: Board of Assessors.

## State Equalized Valuation

In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the full and fair cash value of the taxable property in each municipality. This is known as "equalized value." The following table sets forth the trend in equalized valuations of the Town of Brookline:

<u>As of January 1</u>	<u>State Equalized Valuation</u>
2016	\$ 20,944,753,300
2014	17,051,417,000
2012	16,264,277,000
2010	16,024,896,500
2008	15,563,591,600
2006	14,826,752,900
2004	12,574,894,600

## Tax Collections

The Town has accepted a statute providing for quarterly tax payments; under the statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum retroactive to one month before the due date.

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. It is the Town's practice to commence taking of real property for non-payment of taxes within two years from the due date of the taxes.

The Town is authorized to increase each tax levy by an amount approved by the Massachusetts Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with approval of the Commissioner of Revenue. But uncollected real property taxes are not ordinarily written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

Following is a summary of the Town's tax collections for the last five fiscal years:

<u>Fiscal Year</u>	<u>Tax Rate Per \$1,000 (1)</u>	<u>Total Tax Levy</u>	<u>Net Tax Levy (2)</u>	<u>% of Net Collected at FY End (3)(4)</u>
2016	10.42-R 16.99-O	\$195,049,207	\$193,084,198	98.9%
2015	10.68-R 17.39-O	182,239,292	180,158,571	98.9
2014	11.39-R 18.50-O	175,831,775	174,105,271	98.7
2013	11.65-R 18.97-O	170,194,288	167,842,940	98.7
2012	11.40-R 18.58-O	163,627,088	161,716,595	99.3

Source: Board of Assessors as to rates and levies; Town Collector as to collections.

(1) R - Residential; O - Other (commercial, industrial, personal property).

(2) Net of overlay reserve for abatements.

(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

(4) i.e., at the end of the fiscal year for which levied.

### Overlay and Abatements

The following table sets forth the amount of overlay reserve for the last five fiscal years and abatements or exemptions granted through June 30, 2016 of each levy year.

<u>Fiscal Year</u>	<u>Overlay Allowance</u>		<u>Abatements Granted At June 30, 2016(1)</u>	<u>Overlay Transfers</u>	<u>Overlay Excess (Deficit)</u>
	<u>Dollar Amount</u>	<u>Percent of Total Levy</u>			
2016	\$ 1,965,009	1.01 %	\$ 420,532	\$ -	\$ 1,544,477
2015	2,080,721	1.14	588,389	-	1,492,332
2014	1,726,503	0.98	456,886	-	1,269,617
2013	1,958,780	1.15	521,701	334,588	1,102,491
2012	1,910,493	1.17	637,581	225,796	1,047,116

Source: Town Collector.

(1) Includes real estate and personal property tax abatements for five prior fiscal years. At the Fall Annual Town Meeting in November 2012, the Town voted to transfer \$1,750,000 overlay surplus to fund the feasibility / schematic design phase of the Devotion School project.

## Taxes Outstanding

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right to redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

The following table presents aggregate taxes outstanding, tax titles and tax possessions for the last five fiscal years:

<u>As of June 30</u>	<u>Aggregate Taxes Outstanding (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2016	\$ 3,142,903	\$ 1,509,936	\$ -
2015	2,994,897	1,539,728	-
2014	2,339,184	1,451,799	-
2013	2,019,967	1,181,226	-
2012	1,346,616	1,553,743	-

Source: Town Collector.

(1) For the last five fiscal years. Excludes abated taxes. Includes taxes in litigation if any.

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables, either individually or in bulk. The Town does not expect to utilize this option at the present time.

## Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than

2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The Commonwealth's Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

## Unused Levy Capacity (1)

The following table sets forth the Town's tax levy limits and unused levy capacity for the following fiscal years:

	Fiscal Year				
	2017	2016	2015	2014	2013
Primary Levy Limit (2)	\$ 481,372,753	\$ 492,288,214	\$ 449,351,371	\$ 408,566,549	\$ 341,957,266
Prior Fiscal Year Levy Limit	195,438,922	181,154,338	174,686,607	168,537,755	162,553,809
2.5% Levy Growth	4,885,973	4,528,858	4,367,165	4,213,444	4,063,845
Current Fiscal Year New Growth (3)	2,711,620	2,090,726	2,100,566	1,935,408	1,920,101
Current Fiscal Year Override	-	7,665,000	-	-	-
Growth Levy Limit	203,036,515	195,438,922	181,154,338	174,686,607	168,537,755
Current Fiscal Year Debt Exclusions	1,048,400	1,076,000	1,094,400	1,112,800	1,630,808
Current Fiscal Year Capital Expenditure Override	-	-	-	-	-
Tax Levy Limit	204,084,915	196,514,922	182,248,738	175,799,407	170,168,563
Tax Levy	204,064,205	195,049,206	182,239,292	175,783,902	170,137,610
Unused Levy Capacity (4)	20,710	1,465,716	9,446	15,505	30,953
Unused Primary Levy Capacity (5)	\$ 278,336,238	\$ 296,849,292	\$ 268,197,033	\$ 233,879,942	\$ 173,419,511

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

## Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

## Proposition 2½

Since the passage of Proposition 2½ in 1980, the Town approved a permanent operating override in the amount of \$2,960,000 in fiscal 1995 and voted to exempt debt service on \$56,800,000 principal amount of bonds from its limitations; consisting of \$13,000,000 in 1990 for the construction of a new elementary school and \$43,800,000 in 1995 for a comprehensive high school remodeling project.

On May 6, 2008, the Town voted an additional permanent operating override in the amount of \$6.2 million by a 5,236 to 4,305 vote margin.

On May 5, 2015, the Town voted an operating override of \$7,665,000 by a vote of 6,308 to 3,956. In addition, the Town voted a debt exclusion in connection with the proposed \$118.4 million Devotion School renovation and expansion project. The Town's share of the school project, after Massachusetts School Building authority construction aid payments, is expected to be approximately \$91 million and it is anticipated that approximately \$50 million of this amount will be raised outside of the limits of Proposition 2½.

## Tax Increment Financing For Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). The Town has not approved any development districts.

## **Initiative Petitions**

Various proposals have been presented in recent years for amendments to the Massachusetts Constitution to impose limits on state and local taxes. In order to be adopted, such constitutional amendments must be approved by two successive legislatures and then by the voters at a state election.

## **Community Preservation Act**

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not adopted the Community Preservation Act.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See "STATE DISTRIBUTIONS" below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

### Operating Budget Trends

	FY 13 Budget	FY 14 Budget	FY15 Budget	FY16 Budget	FY17 Budget
General Government	\$ 7,664,735	\$ 7,810,830	\$ 8,042,411	\$ 8,279,495	\$ 9,011,287
Public Safety	34,788,087	35,252,414	35,343,136	37,102,762	38,946,440
Public Works (1)	13,525,976	14,051,437	14,066,549	14,215,843	14,387,630
Human Services	2,390,917	2,400,361	2,485,694	2,570,659	2,676,308
Leisure Services	4,709,129	4,771,185	4,760,848	4,910,721	5,003,199
Debt Service	10,046,874	9,583,111	9,621,757	9,478,591	10,742,938
Retirement	15,767,048	17,385,688	17,882,573	18,707,021	19,718,677
Group Insurance	25,805,300	28,203,063	28,517,968	31,053,839	32,816,893
Other Personnel Benefits	4,009,225	4,641,014	4,814,575	4,304,000	4,312,625
Education	79,079,824	82,780,770	86,842,575	95,916,093	101,118,783
Non-Departmental	2,907,707	3,640,706	3,084,044	3,020,168	3,248,330
Special Appropriations (2)	12,933,500	8,581,000	9,415,000	10,113,000	8,879,375
Salary Reserves	1,775,000	1,900,000	2,321,220	2,323,973	1,498,530
<b>Total</b>	<b>\$ 215,403,322</b>	<b>\$ 221,001,579</b>	<b>\$ 227,198,350</b>	<b>\$ 241,996,165</b>	<b>\$ 252,361,015</b>

Source: Town Comptroller.

- (1) Water and Sewer are accounted for in enterprise funds.
- (2) These are "pay-as-you-go" capital projects

## Capital Improvements Program

To address the Town's capital improvement needs in a fiscally prudent manner, the Town has a multi-year Capital Improvements Program ("CIP") which serves as a guide for the Town in establishing priorities for the timing of future capital projects. Among the policies considered in the preparation of the CIP are: the use of state and/or federal grant funding wherever possible; self-supporting debt through enterprise revenues; bond maturities reflecting the useful life of the capital project being funded (usually 10 years or less); and the ratio of net direct debt service to net operating revenue.

The current Capital Improvements Program for the six-year period FY 2015-2020 proposes capital expenditures having a gross cost of \$318,207,913.

### Costs of the Capital Improvements Program Yearly by Source of Funds

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	TOTAL
Property Tax	\$ 4,266,661	\$ 4,379,931	\$ 4,778,067	\$ 4,774,488	\$ 3,773,496	\$ 4,079,522	\$ 26,052,165
Free Cash	4,148,339	3,262,069	3,370,933	3,487,512	3,604,504	3,715,478	21,588,835
Overlay Surplus	1,000,000	-	-	-	-	-	1,000,000
General Fund Bond	82,500,000	3,370,000	32,595,000	-	54,950,000	4,700,000	178,115,000
State / Federal Grants	33,950,157	7,026,128	15,650,157	950,157	27,200,157	950,157	85,726,913
Utility Budget	-	-	-	-	-	-	-
Utility Bond	-	1,000,000	3,000,000	-	-	-	4,000,000
CDBG (2)	375,000	450,000	-	-	-	-	825,000
Other	100,000	800,000	-	-	-	-	900,000
<b>TOTAL</b>	<b>\$ 126,340,157</b>	<b>\$ 20,288,128</b>	<b>\$ 59,394,157</b>	<b>\$ 9,212,157</b>	<b>\$ 89,528,157</b>	<b>\$ 13,445,157</b>	<b>\$ 318,207,913</b>

Source: Town Finance Director.

## Revenues

**Property Taxes:** Property taxes are the major source of revenue of the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "PROPERTY TAXATION - Tax Limitations," above.

**State Distributions:** In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the Commonwealth's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following are state aid payments received by the Town for the last five fiscal years and estimated for the current fiscal year:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2017 (est.)	\$24,061,257
2016	24,884,605
2015	25,778,763
2014	22,213,791
2013 (1)	27,282,665
2012 (1)	25,334,852

Source: Town Comptroller.

(1) Includes school construction grants from the Massachusetts School Building Authority (\$6,771,408 in FY2013, \$5,547,769 in FY2012 and \$912,112 in FY2011).

### **School Building Assistance Program**

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the MSBA to finance and administer the school building assistance program. The MSBA has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the MSBA on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The MSBA promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The MSBA expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the MSBA and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## Federal Aid

In addition to state aid, the Town receives annually certain amounts of federal aid. Presented below is a five-year history of the Town's federal aid receipts and an estimate for the current fiscal year:

<u>Fiscal Year</u>	<u>Federal Aid Receipts</u>
2017 (est)	\$3,699,731
2016	4,902,678
2015	4,947,448
2014	5,412,261
2013	5,613,734
2012	4,393,415

Source: Town Comptroller.

Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also after a hearing suspend the owner's operating license or registration by the Commonwealth's Registrar of Motor Vehicles.

The following table presents a five-year history of motor vehicle excise tax receipts of the Town:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2016	\$6,360,901
2015	6,129,194
2014	5,808,435
2013	5,334,089
2012	4,996,690

Source: Town Finance Director.

(1) Net after refunds. Includes receipts from prior years' levies.

Room Occupancy Tax: Cities and towns are authorized to adopt a local option room occupancy excise tax as an additional source of revenue. Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the Commonwealth's Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town is currently levying this tax at the maximum rate of six percent (6%).

The following table sets forth the Town's room occupancy tax receipts for the last five fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2016	\$1,587,568
2015	1,585,628
2014	1,484,588
2013	1,443,781
2012	1,364,218

Source: Town Finance Director.

### **Local Options Meals Tax**

On August 31, 2009, the Town adopted the local meals excise tax to be effective October 1, 2009. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the Commonwealth's Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax is expected to be approximately \$900,000 in future years.

The following table sets forth the Town's meals tax receipts since the tax was adopted:

<u>Fiscal Year</u>	<u>Receipts</u>
2017 (est.)	\$1,045,500
2016	1,125,291
2015	1,080,825
2014	1,092,031
2013	928,255
2012	1,003,402

### **Water and Sewer Rates and Services**

Water and sewer services are provided to 100% of the Town. Currently all costs associated with water and sewer services are supported by rates paid by users of the water and sewer systems. In fiscal 2015, water and sewer revenues totaled \$26,615,325, while expenditures totaled \$26,432,255. In fiscal 2016, water and sewer revenues totaled \$27,734,888, while expenditures totaled \$27,345,490.

### **Annual Audits**

The Town's accounts are audited annually, most recently for fiscal year ended June 30, 2016 by the firm of Powers & Sullivan P.C. The audit for fiscal year ended June 30, 2016 is attached hereto as Appendix A.

The attached report speaks only as of its dates, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

### **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity (General Fund) for fiscal years 2012 through 2016. Said statements have been extracted from the Town's audited financials.

**TOWN OF BROOKLINE, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2016 (1)**

<b>ASSETS</b>	General	Devotion School Renovation	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 40,526,415	\$ 7,650,368	\$ 10,626,805	\$ -	\$ 25,013,276	\$ 83,816,864
Investments	-	-	-	-	8,991,455	8,991,455
Receivables, net of uncollectibles:						
Real estate and personal property taxes	3,119,885	-	-	-	-	3,119,885
Tax liens	2,058,503	-	-	-	-	2,058,503
Motor vehicle excise taxes	85,149	-	-	-	-	85,149
User fees	102,686	-	-	-	-	102,686
Departmental and other	3,699,734	-	-	-	35,217	3,734,951
Intergovernmental	2,612,000	790,788	-	3,458,109	1,586,097	8,446,994
Loans	-	-	-	-	28,117	28,117
Due from other funds	575,000	-	-	-	-	575,000
Other assets	125,281	-	50,000	-	5,803	181,084
<b>TOTAL ASSETS</b>	<b>\$ 52,904,653</b>	<b>\$ 8,441,156</b>	<b>\$ 10,676,805</b>	<b>\$ 3,458,109</b>	<b>\$ 35,659,965</b>	<b>\$ 111,140,688</b>
<b>LIABILITIES</b>						
Warrants payable	\$ 674,696	\$ 183,530	\$ 304,164	-	\$ 660,510	\$ 1,822,900
Accrued liabilities	6,643	7,673	5,160	-	29,522	48,998
Accrued payroll	5,345,958	-	-	-	32,110	5,378,068
Tax refunds payable	5,331,000	-	-	-	-	5,331,000
Liabilities due depositors	1,932	-	-	-	-	1,932
Abandoned property	190,338	-	-	-	-	190,338
Other liabilities	959,759	-	-	-	-	959,759
Unearned revenue	294,797	-	-	-	877,977	1,172,774
<b>TOTAL LIABILITIES</b>	<b>12,805,123</b>	<b>191,203</b>	<b>309,324</b>	<b>-</b>	<b>1,600,119</b>	<b>14,905,769</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	11,254,504	-	-	3,458,109	1,147,339	15,859,952
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	1,701,420	1,701,420
Restricted	-	-	-	-	22,786,583	22,786,583
Committed	-	8,249,953	10,367,481	-	8,424,504	27,041,938
Assigned	7,499,144	-	-	-	-	7,499,144
Unassigned	21,345,882	-	-	-	-	21,345,882
<b>TOTAL FUND BALANCES</b>	<b>28,845,026</b>	<b>8,249,953</b>	<b>10,367,481</b>	<b>-</b>	<b>32,912,507</b>	<b>80,374,967</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 52,904,653</b>	<b>\$ 8,441,156</b>	<b>\$ 10,676,805</b>	<b>\$ 3,458,109</b>	<b>\$ 35,659,965</b>	<b>\$ 111,140,688</b>

(1) Extracted from audited financial statements.

**TOWN OF BROOKLINE, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2015 (1)**

<b>ASSETS</b>	General	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 33,136,635	\$ 14,759,357	\$ -	\$ 21,344,027	\$ 69,240,019
Investments	-	-	-	8,911,284	8,911,284
Receivables, net of uncollectibles:					
Real estate and personal property taxes	3,314,535	-	-	-	3,314,535
Tax liens	1,547,388	-	-	-	1,547,388
Motor vehicle excise taxes	76,438	-	-	-	76,438
User fees	93,340	-	-	-	93,340
Departmental and other	2,896,020	-	-	30,663	2,926,683
Intergovernmental	3,048,000	284,998	2,488,504	876,876	6,698,378
Loans	-	-	-	45,317	45,317
Due from other funds	625,000	-	-	-	625,000
Tax foreclosures	47,608	-	-	-	47,608
Other assets	132,365	-	-	-	132,365
<b>TOTAL ASSETS</b>	<b>\$ 44,917,329</b>	<b>\$ 15,044,355</b>	<b>\$ 2,488,504</b>	<b>\$ 31,208,167</b>	<b>\$ 93,658,355</b>
<b>LIABILITIES</b>					
Warrants payable	\$ 1,026,513	\$ 1,488,345	-	\$ 1,700,092	\$ 4,214,950
Accrued liabilities	8,143	-	-	4,390	12,533
Accrued payroll	3,349,994	-	-	-	3,349,994
Tax refunds payable	4,490,000	-	-	-	4,490,000
Liabilities due depositors	4,890	-	-	-	4,890
Abandoned property	192,846	-	-	-	192,846
Other liabilities	815,548	-	-	-	815,548
Unearned revenue	284,501	-	-	554,465	838,966
<b>TOTAL LIABILITIES</b>	<b>10,172,435</b>	<b>1,488,345</b>	<b>-</b>	<b>2,258,947</b>	<b>13,919,727</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	10,194,893	-	2,488,504	907,539	13,590,936
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	1,653,200	1,653,200
Restricted	-	-	-	21,709,751	21,709,751
Committed	-	13,556,010	-	4,678,730	18,234,740
Assigned	1,974,766	-	-	-	1,974,766
Unassigned	22,575,235	-	-	-	22,575,235
<b>TOTAL FUND BALANCES</b>	<b>24,550,001</b>	<b>13,556,010</b>	<b>-</b>	<b>28,041,681</b>	<b>66,147,692</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 44,917,329</b>	<b>\$ 15,044,355</b>	<b>\$ 2,488,504</b>	<b>\$ 31,208,167</b>	<b>\$ 93,658,355</b>

(1) Extracted from audited financial statements.

**TOWN OF BROOKLINE, MASSACHUSETTS  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2014 (1)**

<b>ASSETS</b>	General	Runkle School Renovation	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 34,432,219	\$ 208,088	\$ 17,230,845	\$ -	\$ 26,920,866	\$ 78,792,018
Investments	-	-	-	-	6,872,904	6,872,904
Receivables, net of uncollectibles:						
Real estate and personal property taxes	2,678,966	-	-	-	-	2,678,966
Tax liens	1,458,801	-	-	-	-	1,458,801
Motor vehicle excise taxes	127,929	-	-	-	-	127,929
User fees	116,634	-	-	-	-	116,634
Departmental and other	2,795,383	-	-	-	17,058	2,812,441
Intergovernmental	3,464,000	-	-	2,288,038	900,845	6,652,883
Loans	-	-	-	-	64,880	64,880
Due from other funds	851,215	-	-	-	-	851,215
Other assets	85,297	-	-	-	5,000	90,297
<b>TOTAL ASSETS</b>	<b>\$ 46,010,444</b>	<b>\$ 208,088</b>	<b>\$ 17,230,845</b>	<b>\$ 2,288,038</b>	<b>\$ 34,781,553</b>	<b>\$ 100,518,968</b>
<b>LIABILITIES</b>						
Warrants payable	\$ 1,045,638	\$ 10,004	\$ 414,084	-	\$ 540,960	\$ 2,010,686
Accrued liabilities	349	-	-	-	14,550	14,899
Accrued payroll	4,452,882	-	-	-	-	4,452,882
Tax refunds payable	3,376,838	-	-	-	-	3,376,838
Liabilities due depositors	13,211	-	-	-	-	13,211
Abandoned property	170,234	-	-	-	5,997	176,231
Other liabilities	626,265	-	-	-	19,265	645,530
Due to other funds	-	-	-	176,215	-	176,215
Unearned revenue	112,412	-	-	-	722,271	834,683
<b>TOTAL LIABILITIES</b>	<b>9,797,829</b>	<b>10,004</b>	<b>414,084</b>	<b>176,215</b>	<b>1,303,043</b>	<b>11,701,175</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	10,092,853	-	-	2,111,823	917,903	13,122,579
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	1,467,022	1,467,022
Restricted	-	-	-	-	21,465,861	21,465,861
Committed	-	198,084	16,816,761	-	9,627,724	26,642,569
Assigned	2,250,580	-	-	-	-	2,250,580
Unassigned	23,869,182	-	-	-	-	23,869,182
<b>TOTAL FUND BALANCES</b>	<b>26,119,762</b>	<b>198,084</b>	<b>16,816,761</b>	<b>-</b>	<b>32,560,607</b>	<b>75,695,214</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 46,010,444</b>	<b>\$ 208,088</b>	<b>\$ 17,230,845</b>	<b>\$ 2,288,038</b>	<b>\$ 34,781,553</b>	<b>\$ 100,518,968</b>

(1) Extracted from audited financial statements.

**TOWN OF BROOKLINE, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND (1)**

	Year Ended June 30,				
	2016	2015	2014	2013	2012
<b>Revenues:</b>					
Real estate and personal property taxes, net tax refunds	\$ 193,154,423	\$ 180,018,475	\$ 173,859,661	\$ 169,351,712	\$ 162,270,287
Motor vehicle and other excise taxes	6,360,901	6,129,194	5,808,435	5,334,089	4,996,690
Charges for services	5,395,221	5,235,227	5,022,590	4,766,177	4,790,393
Payments in lieu of taxes	1,042,912	1,317,054	1,198,180	1,174,370	1,022,790
Licenses and permits	5,694,293	4,015,763	3,667,995	3,546,094	3,421,805
Fines and forfeitures	4,146,004	4,086,866	4,317,013	4,275,535	4,333,279
Intergovernmental	29,717,808	27,051,007	33,016,483	31,488,153	28,803,554
Departmental and other	1,652,830	1,450,580	1,418,337	1,316,500	1,367,423
Hotel/motel tax	1,587,568	1,585,628	1,484,588	2,372,036	2,367,620
Local Meals Tax	1,125,291	1,080,825	1,092,031	-	-
Penalties and interest on taxes	499,590	544,310	532,015	621,541	565,628
Investment income	262,373	253,946	263,935	293,090	395,767
<b>Total Revenues</b>	<b>\$ 250,639,214</b>	<b>\$ 232,768,875</b>	<b>\$ 231,681,263</b>	<b>\$ 224,539,297</b>	<b>\$ 214,335,236</b>
<b>Expenditures:</b>					
Current:					
General government	\$ 11,014,165	\$ 9,768,951	\$ 9,865,624	\$ 9,038,887	\$ 8,052,265
Public safety	36,670,261	36,016,725	35,053,804	34,627,812	34,375,437
Education	95,715,553	86,538,565	82,357,455	78,716,766	75,263,392
Public works	14,870,354	16,422,238	14,965,281	14,286,740	13,292,836
Human services	2,605,611	2,575,826	2,435,880	2,433,878	2,303,134
Leisure services	4,969,813	4,839,432	4,789,402	4,752,525	4,622,224
Pension benefits	29,388,794	27,392,372	33,805,736	31,922,774	30,190,262
Fringe benefits	34,511,940	32,742,183	32,317,234	29,704,926	27,116,815
State and county charges	6,283,848	6,221,857	6,196,321	6,105,553	5,654,190
Debt service:					
Principal	7,163,794	7,172,294	7,185,688	7,404,634	7,931,237
Interest	2,001,989	2,170,225	2,064,901	2,353,079	2,119,798
<b>Total Expenditures</b>	<b>\$ 245,196,122</b>	<b>\$ 231,860,668</b>	<b>\$ 231,037,326</b>	<b>\$ 221,347,574</b>	<b>\$ 210,921,590</b>
Excess (deficiency) of revenues over expenditures	5,443,092	908,207	643,937	3,191,723	3,413,646
Other Financing Sources (Uses):					
Proceeds to refunded bond escrow agent	(6,915,822)	-	-	(6,542,392)	(4,815,863)
Proceeds from refunding bonds	6,075,000	-	-	6,043,600	4,375,500
Premium from issuance of bonds	1,362,097	211,939	627,711	454,502	630,808
Premium from issuance of refunding bonds	777,872	-	-	498,792	440,363
Sale of capital assets	-	-	-	-	3,668
Operating transfers in	6,798,864	6,895,483	6,755,407	9,699,735	6,196,316
Operating transfers out	(9,246,078)	(9,585,390)	(9,136,106)	(12,128,823)	(7,756,810)
<b>Total other financing sources (Uses)</b>	<b>(1,148,067)</b>	<b>(2,477,968)</b>	<b>(1,752,988)</b>	<b>(1,974,586)</b>	<b>(926,018)</b>
Net change in fund balances	4,295,025	(1,569,761)	(1,109,051)	1,217,137	2,487,628
Fund Equity, beginning of year	24,550,001	26,119,762	27,228,813	26,011,676	23,524,048
Fund equity, end of year	<b>\$ 28,845,026</b>	<b>\$ 24,550,001</b>	<b>\$ 26,119,762</b>	<b>\$ 27,228,813</b>	<b>\$ 26,011,676</b>

(1) Extracted from annual audited financial statements.

## Unassigned General Fund Balance

The following table presents the Town's unassigned general fund balances for the last five fiscal years:

<u>FY Ending June 30</u>	<u>Unassigned General Fund Balance</u>
2016	\$ 21,345,882
2015	22,575,235
2014	23,869,182 (1)
2013	25,833,833 (1)
2012	24,801,049 (1)

Source: Audited Financial Statements.

(1) Unassigned General Fund Balance. Extracted from audited financial statements. Due to the changes in GASB fund balance reporting practices, Unassigned General Fund Balance includes Stabilization Fund Balances.

## Stabilization Fund

The Town maintains a stabilization fund that is accounted for in the General Fund. The Stabilization Fund plus accrued interest income may be appropriated at an annual or special town meeting for any municipal purpose. The following table presents the Town's stabilization fund balances for the last five fiscal years.

<u>FY Ending June 30,</u>	<u>Stabilization Fund Balance</u>
2016	\$ 6,204,334
2015	6,152,083
2014	6,126,740
2013	5,846,185
2012	5,808,860

## Liability / Catastrophe Fund

The Town maintains a liability/catastrophe fund that is accounted for in the General Fund. This reserve was established by Town Meeting in 1997 via Home Rule legislation that was eventually signed into law on April 3, 1998. The purpose of the Fund is to allow the Town to set aside reserves, pay settlements and judgments, and protect the community from the negative financial impact of catastrophic loss or legal claims. Per the Town's Reserve Fund policies, the required level for this fund is an amount equivalent to 1% of the prior year's net revenue and it is funded via Free Cash. In order to expend from it, the Board of Selectmen must first approve it by a majority vote, and then a majority of the Advisory Committee, which is a group consisting of 20-30 registered voters of the Town whose primary function is to review and make recommendations on all matters to be considered by Town Meeting, as well as the only authority that may approve transfers from the Reserve Fund, must also approve it. The following table presents the Town's liability/catastrophe fund balances for the last five fiscal years.

<u>FY Ending June 30,</u>	<u>Liability/ Catastrophe Fund Balance</u>
2016	\$ 2,202,685
2015	2,114,464
2014	1,875,823
2013	1,843,419
2012	1,665,760

## **Investment of Town Funds**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits 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.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT'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.

MMDT funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and §55 do not apply to city and town retirement systems.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the Town Meeting. Refunding bonds and notes are authorized by the Selectmen. Borrowings for some purposes require Commonwealth administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Revenue anticipation notes and temporary notes in anticipation of authorized federal and state aid generally may be issued by the Treasurer with the approval of the Selectmen.

### Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the Massachusetts Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. This article is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this article.

### **Trend in Revenue Anticipation Note Borrowing**

The Town has not borrowed against current revenues for the last five fiscal years, and does not anticipate the need to do so in fiscal 2017.

**Direct Debt Summary (1)**  
**As of June 30, 2016**

<b>General Obligation Bonds:</b>		
Inside the Debt Limit		
Sewers & Drains	\$ 6,495,000	
Schools	16,415,000	
MWRA	1,074,656	
Other	22,387,500	
Total Inside the Debt Limit		\$ 46,372,156
Outside the Debt Limit		
Water	\$ 1,412,500	
Sewers & Drains	195,000	
Schools (2)	22,780,000	
Other	8,505,000	
Total Outside the Debt Limit		32,892,500
Total		\$ 79,264,656
This Issue of Bonds		36,925,000
<b>Short-Term Debt:</b>		
Bond Anticipation Notes (3)	500,000	
To be Retired with Bond Proceeds	(500,000)	
Total Short-Term Debt		-
<b>Total Direct Debt after This Issue</b>		<b>\$ 116,189,656</b>

- (1) Based on the Town's equalized valuation of \$20,944,753,300 effective January 1, 2016, its Normal General Debt Limit is \$1,047,237,665 and its Double General Debt Limit is \$2,094,475,330. (See "General Information on Debt Authorization and Legal Limit," above.)
- (2) Represents the balance remaining on \$43,800,000 school bonds issued April 1, 2000 (exempt from Proposition 2 ½) and refunded March 1, 2010 using a lump sum from the MSBA equal to the present value of the remaining grant payments associated with the project; and \$12,545,000 school bonds issued May 15, 2003. As of June 30, 2016, the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest, which amounts to approximately 61% of eligible project costs, is estimated at \$2,974,257.
- (3) Payable March 29, 2017.

**Debt Ratios**

	As of June 30				
	2016	2015	2014	2013	2012
Amount (1)	\$79,264,656	\$70,276,616	\$73,843,308	\$74,855,890	\$78,545,100
Per Capita (2)	\$1,257.61	\$1,115.01	\$1,248.87	\$1,266.28	\$1,337.35
Percent of Assessed Valuation (3)	0.40%	0.39%	0.51%	0.55%	0.53%
Percent of Equalized Valuation (4)	0.46%	0.41%	0.43%	0.46%	0.49%
Per Capita as a Percent of					
Personal Income Per Capita (2)	2.28%	2.28%	2.82%	2.86%	3.00%

- (1) Excludes temporary loans, lease-purchase obligations, overlapping debt, unfunded pension liability, and other liabilities or contractual obligations not more than 90 days past due.
- (2) Source: U.S. Department of Commerce, Bureau of the Census
- (3) Source: Board of Assessors. Assessed valuation as of the prior January 1.
- (4) Source: Massachusetts Department of Revenue – Equalized valuation in effect for that fiscal year. (Equalized valuations are established as of January 1 of even numbered years for the next two fiscal years.)

## Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the Town will have approximately \$87,290,265 authorized unissued debt as follows:

Putterham Golf Course Improvements	\$	765,000
Muddy River Restoration		745,000
Sewers		265
School Repairs/Improvements (1)		77,120,000
Carlton Street Foot Bridge		1,000,000
Traffic, Pedestrian & Bicycle Crossing Imp.		1,200,000
Pierce Playground Renovation		60,000
Wastewater System Improvements		1,000,000
Roof Replacement		1,200,000
Fire Maintenance Facility & Remodeling		4,200,000
Total	\$	<u>87,290,265</u>

(1) On May 26, 2015, town meeting authorized \$118,400,000 for the expected total cost of the remodeling and expansion of the Edward Devotion School. The Town passed a vote excluding the debt service on notes and bonds for the project from the limitations of Proposition 2 ½. The Town has received approval from the Massachusetts School Building Authority (MSBA) for grants on eligible project costs, not to exceed \$26,985,262.

## Annual Debt Service as of June 30, 2016

Fiscal Year	Outstanding Debt (1)		This Issue (2)		Less State Aid	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest	Principal	Interest			
2017	\$ 9,967,960	\$ 2,637,406	\$ 1,765,000	\$ 1,470,346	\$ (556,757)	\$ 15,283,955	10.1 %
2018	9,115,940	2,381,219	1,760,000	1,437,181	(556,757)	14,137,583	19.5
2019	8,405,378	2,074,450	1,760,000	1,349,181	(556,757)	13,032,252	28.2
2020	7,935,378	1,788,375	1,760,000	1,313,981	(434,662)	12,363,072	36.6
2021	5,860,000	1,503,625	1,760,000	1,225,981	(434,662)	9,914,944	43.1
2022	5,625,000	1,277,500	1,625,000	1,137,981	(434,662)	9,230,819	49.4
2023	4,960,000	1,070,300	1,625,000	1,056,731	-	8,712,031	55.0
2024	4,415,000	895,563	1,625,000	975,481	-	7,911,044	60.2
2025	3,915,000	753,638	1,625,000	894,231	-	7,187,869	65.0
2026	3,155,000	623,288	1,615,000	812,981	-	6,206,269	69.1
2027	2,515,000	511,713	1,345,000	732,231	-	5,103,944	72.4
2028	2,525,000	422,156	1,345,000	664,981	-	4,957,138	75.7
2029	1,915,000	353,494	1,345,000	597,731	-	4,211,225	78.5
2030	1,690,000	297,981	1,345,000	530,481	-	3,863,463	81.2
2031	1,705,000	234,038	1,345,000	490,131	-	3,774,169	83.8
2032	975,000	168,913	1,340,000	448,100	-	2,932,013	85.8
2033	460,000	139,663	1,340,000	404,550	-	2,344,213	87.3
2034	470,000	125,863	1,340,000	361,000	-	2,296,863	88.9
2035	485,000	111,763	1,340,000	317,450	-	2,254,213	90.5
2036	490,000	97,213	1,320,000	273,900	-	2,181,113	92.0
2037	505,000	82,513	1,320,000	229,350	-	2,136,863	93.6
2038	520,000	67,363	1,320,000	184,800	-	2,092,163	95.2
2039	535,000	51,763	1,320,000	138,600	-	2,045,363	96.8
2040	550,000	35,713	1,320,000	92,400	-	1,998,113	98.4
2041	570,000	18,525	1,320,000	46,200	-	1,954,725	100.0
Total	\$ 79,264,656	\$ 17,724,031	\$ 36,925,000	\$ 17,185,984	\$ (2,974,257)	\$ 148,125,414	

(1) Principal totaling \$13,670,000 and interest totaling \$5,022,454 has been excluded from Proposition 2 ½ subject to the provisions of Chapter 44, Section 20.

(2) \$33 million principal and associated interest has been voted exempt from the limitations of Proposition 2 ½.

## Overlapping Debt

The following are the principal entities whose indebtedness is chargeable to the Town or payable from taxation of property within the Town:

<u>Overlapping Entity</u>	<u>Outstanding Debt as of 6/30/16</u>	<u>Brookline Estimated Share (1)</u>	<u>Fiscal 2017 Dollar Assessment (2)</u>
Norfolk County (2)	\$ 11,830,000	13.00 %	\$ 862,578
Massachusetts Water Resources Authority (3)			
Water	2,084,311,000	3.01	2,856,553
Sewer	3,690,804,000	2.88	7,956,528
Massachusetts Bay Transportation Authority (4)	5,656,191,000	1.34	5,115,113

- (1) Dollar assessment is based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: County Treasurer's Office. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in all the remaining counties.
- (3) Source: MWRA. Outstanding debt is as of June 30, 2016. The MWRA provides wholesale drinking water service in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the MWRA may borrow up to \$5.8 billion for its corporate purposes. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (4) Source: MBTA. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAXATION" above.)

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town is a participant in the following contracts.

Counterparty to the Contract	Brief description of the Contract	Contract Expiration	FY 16 Expenditures	Estimated FY 17 Expenditures
Casella Waste Management	Dispose of solid waste	6/30/2020	\$ 497,000	\$ 508,000
Waste Mgmt	Single Stream Recycling	6/30/2020	1,252,038	1,271,480
Ricoh	Copiers, Town	3 years, varies	67,750	67,750
Ricoh	Copiers, School	3 years, varies	204,150	209,500
Riso	Copiers, School	year to year	1,335	1,456
JPMorgan Chase	DPW Equipment	2/27/2016	202,781	n/a
TD Bank	DPW Equipment	2/15/2017	127,131	127,131
Kansas State Bank	Modulars @ Baker	9/1/2019	77,552	77,552
TD Bank	Golf Course Maint Equip	7/1/2019	69,849	69,849
Bank of America	Cisco IT Equipment	9/30/2020	200,000	200,000
Santander	DPW Equipment	11/17/17	165,853	165,853
TD Bank	DPW Equipment	6/30/2018	189,354	189,354
TD Bank	DPW Equipment	10/15/2018	207,870	207,870
Apple Financial	Apple Computers	7/16/2017	188,469	188,469
Eastern Bus	Student Transport (Regular)	8/31/2018	274,400	280,800
	Student Transport (Metco)	8/31/2018	352,638	390,000
Van Pool	Student Transport (SPED)	8/31/2018	130,450	98,730
YCN	Student Transport (SPED)	8/31/2018	1,422,759	1,531,540

## RETIREMENT SYSTEM

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than

95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town contributes to the Brookline Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan. Substantially all employees are members of the Retirement System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

Current membership in the Town's Retirement System consists of the following:

	<u>Number of Employees</u>
Active members:	
Fully vested	552
Non-vested	707
Inactive members	1,394
Retired members	<u>877</u>
Total	<u>3,530</u>

The following table sets forth the annual contributions of the Town to the Retirement System for the last five fiscal years and an estimate for the current fiscal year:

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory (1)</u>
2017 (Budgeted)	\$19,623,677	\$95,000
2016	18,592,021	115,000
2015	17,772,573	120,000
2014	17,255,688	130,000
2013	15,617,048	150,000
2012	14,442,334	170,000

Source: Retirement Board.

(1) The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the Town's retirement system.

## Schedule of Funding Progress (000)

As indicated below, as of January 1, 2016, the date of the latest actuarial valuation, based on an assumed rate of return of 7.40% the Town's Retirement System's funded ratio was 52.9%:

Actuarial Valuation Date	Actuarial Value of Assets (000)(1)	Actuarial Accrued Liability (000)	Unfunded Actuarial Accrued Liability (000)(2)	Funded Ratio	Covered Payroll (000)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll
1/1/16	\$268,098	\$484,224	\$216,126	52.9%	\$67,587	320.8%
1/1/14	241,745	434,346	196,600	56.5	62,777	313.2
1/1/12	222,780	398,901	176,120	55.9	58,829	299.0
1/1/10	220,579	357,981	137,404	61.6	58,623	234.4
1/1/08	223,598	332,222	108,623	67.3	59,789	181.6
1/1/06	190,818	299,356	108,538	63.7	58,277	186.2
1/1/04	177,153	265,441	88,288	66.7	52,378	168.6
1/1/02	171,285	250,478	79,193	68.4	45,110	175.6
1/1/00	160,984	217,964	56,980	73.9	43,029	132.4

(1) The actuarial value of the System's assets was determined using the fair value of the assets.

(2) The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll.

## Brookline Contributory Retirement System Funding Schedule

Fiscal Year Ending	Employer Normal Cost	Amortization of 2003 ERI Liability	Amortization of Remaining Liability	Total Plan Cost	Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	Total Plan Cost: % Increase
2017	\$ 4,470,555	\$ 4,740	\$ 15,787,249	\$ 20,262,544	\$ 223,979,954	- %
2018	4,644,100	4,953	17,204,101	21,853,154	226,180,211	7.85%
2019	4,824,342	5,176	18,739,108	23,568,626	228,051,457	7.85%
2020	5,011,540	5,409	20,401,815	25,418,764	229,998,327	7.85%
2021	5,205,961	5,652	22,202,523	27,414,136	229,296,568	7.85%
2022	5,407,882	5,907	24,152,357	29,566,146	222,887,732	7.85%
2023	5,617,590	6,173	26,263,326	31,887,089	213,894,412	7.85%
2024	5,835,385	6,450	28,548,390	34,390,225	202,008,230	7.85%
2025	6,061,577	6,741	31,021,540	37,089,858	186,831,431	7.85%
2026	6,296,488	7,044	33,697,880	40,001,412	167,922,064	7.85%
2027	6,540,452	7,361	36,593,709	43,141,522	144,789,541	7.85%
2028	6,793,818	7,692	39,726,622	46,528,132	116,889,771	7.85%
2029	7,056,945	8,038	43,115,607	50,180,590	83,619,841	7.85%
2030	7,330,208	8,400	45,101,747	52,440,355	44,312,185	4.50%
2031	7,613,996	-	-	7,613,996	-	-85.48%

Notes: -Fiscal 2017 contribution set at budget amount.

-Contributions are assumed to be paid bimonthly between July 1 and December 31.

-Employer Normal Cost reflects 3.5% growth in payroll, as well as a 0.15% adjustment to normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

-Projected normal cost does not reflect the future impact of pension reform for new hires.

-Amortization of 2003 ERI liability increases at 4.50% per year.

-Projected unfunded actuarial liability reflects deferred investment losses.

Source: Town of Brookline Contributory Retirement System Actuarial Valuation Report, PERAC.

For additional information on the Town's Retirement System, please refer to Appendix A, Audited Financial Statements as of June 30, 2016.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

Fiscal Year	Benefit Costs
2017 (budgeted)	\$ 11,482,521
2016	10,863,467
2015	9,944,666
2014	10,475,920
2013	9,676,948
2012	7,700,000

The Governmental Accounting Standards Board (“GASB”) Statement Nos. 43 and 45, require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town has hired Segal Group, Inc. to perform an actuarial valuation of its non-pension, post employment benefit liability. As of June 30, 2016, assuming investment at a 7.40% interest rate, the Town's unfunded liability is approximately \$229,997,999. The unfunded liability based upon an interest rate of 6.15% is approximately \$280,723,044. Special legislation was adopted several years ago that created the Retiree Health Trust Fund (the “RHTF”). Recently, the RHTF was amended to comply with GASB 43, allowing the Town to report its unfunded liability for accounting purposes assuming market rates of return for the assets in the RHTF. As of December 31, 2012, December 31, 2013 and June 30, 2014, the fund balance was \$16.2 million, \$21.3 million and \$22.4, respectively.

## COLLECTIVE BARGAINING

Employees of Massachusetts municipalities have certain organizational and representational rights which include the right to organize, to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment, and to engage in lawful concerted activities for bargaining or other mutual aid or protection. Under Massachusetts law, strikes by municipal employees are prohibited.

The Town has approximately 2,500 employees. Approximately 81% belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Police	Brookline Police Association	133	6/30/16 (1)
Firefighters	International Association of Firefighters	152	6/30/18
The Town Workers	AFSCME, Local 1385	229	6/30/18
Library	AFSCME, Local 1385	32	6/30/18
Engineers	Brookline Engineers Association	10	6/30/17
Teachers	Brookline Educators Association Unit A (MTA)	899	6/30/15 (1)
Vice Principals & Coordinators	Brookline Educators Association Unit B	39	6/30/15 (1)
Paraprofessionals	Brookline Educators Association Unit C	358	6/30/15 (1)
Custodians/Maintenance	Massachusetts Public Schools Custodians Association (AFSCME)	44	6/30/18
Secretaries	Brookline Educational Secretaries' Association	52	6/30/18
Cafeteria Workers	Massachusetts School Food Service Association	37	6/30/18
Bus Monitors	Brookline School Transportation Employees' Association	1	8/31/14 (1)
School Traffic Supervisors	AFSCME, Local 1385	29	6/30/15 (1)
Public Safety Dispatchers	Teamsters Local 25	16	6/30/15 (1)
	Total	<u>2,031</u>	

(1) Expired contracts are currently in negotiations.

## LITIGATION

There are various suits pending in courts within the State in which the Town is a defendant. In the opinion of the Town, no litigation is pending, or to the Town's knowledge, threatened, which is likely to result; either individually or in the aggregate, in final judgments against the Town materially affecting its financial position.

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TOWN OF BROOKLINE, MASSACHUSETTS  
/s/ Melissa Goff, Deputy Town Administrator

March 15, 2017

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**TOWN OF BROOKLINE, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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# TOWN of BROOKLINE

## *Massachusetts*

### BOARD OF SELECTMEN

NEIL WISHINSKY, Chairman  
NANCY A. DALY  
NANCY HELLER  
BERNARD GREENE  
BENJAMIN FRANCO

MELVIN A. KLECKNER  
Town Administrator

333 WASHINGTON STREET  
BROOKLINE, MASSACHUSETTS 02445  
TEL. (617) 730-2200

FAX: (617) 730-2054  
[www.BrooklineMA.gov](http://www.BrooklineMA.gov)

### *Letter of Transmittal*

To the Honorable Members of the Board of Selectmen 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, 2016, 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 of 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, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the Town of Brookline's financial statements for the fiscal year ended June 30, 2016, 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 report of the independent auditors.

## **Profile of the Government**

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

## **Municipal Services**

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

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

## **Governing Bodies and Officers**

The Town operates under a Board of Selectmen/Representative Town Meeting form of government. The Board of Selectmen 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 Board of Selectmen. 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 Board of Selectmen, 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 Selectmen and a fifth member chosen by the other four Board members. The Retirement Board is one of 105 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 Board of Selectmen.

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 Board of Selectmen, the Advisory Committee and the School Committee each appoint one member and the Town Moderator appoints three members. Current voting members include Nancy Daly (selectmen appointee and chair), Lee Selwyn (Advisory Committee), Beth Jackson Stram (School Committee), James Littleton, CPA, Gregory Grobstein, CPA and Peter Finnerty, CPA (Moderator's Appointees). In addition to the six voting members, the Director of Finance (vacant), the Comptroller (Michael DiPietro), the Superintendent of Schools or his/her designee (Mary Ellen Dunn), 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 Board of Selectmen 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 Board of Selectmen 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; 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 Board of Selectmen 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 Board of Selectmen 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 Board of Selectmen 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 of dedicating to the CIP 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 Board of Selectmen, 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 Selectmen's financial management standards and policies. The budget funding sources include the General Fund, comprised of revenues including property tax, auto, meals, and hotel taxes, user fee receipts, State Aid, investment income and miscellaneous program income; enterprise funds for the water and sewer operation and the golf course; and the Recreation Revolving Fund. The enterprise funds are intended to be self-supporting through user-based charges.

**Principal Executive Officers**

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Term Exp.</u>
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2019
Superintendent of Schools	Andrew Bott	Appointed - 3 year	2019
Deputy Town Administrator	Melissa Goff	Appointed - 1 year	2017
Assistant Town Administrator	Austin Faison	Appointed - 1 year	2017
Finance Director and Treasurer	Vacant	Appointed - 1 year	na
Town Comptroller	Michael F. DiPietro	Appointed - 1 year	2017
Town Clerk	Patrick J. Ward	Elected - 3 years	2018
Town Counsel	Joslin Ham-Murphy	Appointed - 3 years	2017

**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 89.8% of the full and fair value of the property in Brookline and they are responsible for 82.8% of the taxes. The Town has been adopting the tax classification authorization that permits it to set dual tax rates. The current tax rates are:

Residential	\$ 10.42 per thousand of property value
Commercial	\$ 16.99 per thousand of property value

A combination of significant new development and a healthy real estate market has contributed to a steadily growing tax base. The tax base (current market valuation of \$19.6 billion) has increased more than 42% over the past decade, reflecting strong development and real estate appreciation. The Town's tax base is the fifth largest in Massachusetts. Building permit fee activity continues at a strong pace, having averaged \$2.6 million annually over the last five years. Per capita housing market value of approximately \$250,000 is also among the highest in the state, as is the per capita personal income level, which is \$65,085 according to the 2011 MA DOR Income per capita.

## **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% percent 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 \$2.0 million per year, allowing for an additional 1% growth in the largest revenue source of the Town.

Two revenue streams that impact the budget significantly are State Aid and Local Receipts. In FY 2003 and FY 2004, State Aid was cut by close to \$3 million. In FY 2010, it was cut \$3.1 million and then by another \$700,000 in FY 2011 and \$413,000 in FY 2012. Between FY 2003 – FY 2012, State Aid realized a cut of 29%, even before accounting for inflation. In FY 2013, the Town received a significant \$2 million increase in State Chapter 70 (education aid) funding, which helped the schools cover the above-mentioned cost pressures resulting from enrollment growth and Special Education. This was the most significant increase in State Aid since FY 2001, when it increased \$1.3 million. Another large increase (\$1.4 million) in Ch. 70 aid was realized in FY 2015. In addition, the State increased statewide "Circuit Breaker" funding in both FY 2013 and FY 2014, an account that reimburses school districts for certain special education costs. This yielded additional revenue directly for the school budget. The current fiscal climate at the State and Federal levels is uncertain. Therefore, the Town will continue to plan conservatively for State Aid. Any decreases in State Aid will hinder the Town's ability to provide the current level of services it offers.

Local Receipts, which consist of sources such as motor vehicle excise, refuse fees, building permits, interest income, parking tickets, and meals and hotel/motel excise taxes, make up approximately 10% of the Town's annual revenue. Over the past decade, the Town has increased certain local receipts in order to replace revenue lost from State Aid cuts, thereby increasing reliance on local revenues to cover the increasing cost of providing services. Examples include increases in the refuse fee, fines for parking violations, and parking meter fees. The Town continues to review all current and potential sources of revenue. Along with many other communities in Massachusetts, Brookline adopted two new local options designed to raise local revenues. The first was the adoption of a 0.75% meals excise tax. The second was an amendment to the Local Room Occupancy tax, increasing the local option excise tax from 4% to 6%. Both these local options became effective on October 1, 2009, and the Town began receiving the additional revenue in December, 2009.

Free Cash continues to be used according to the Town's Free Cash Policy, which states that this volatile source of revenue shall be used for reserves, fund balance protection, capital projects, and augmenting employee-benefit funds (e.g., pensions, OPEB's). In FY 2015, the \$7.6 million of certified Free Cash was used for capital projects (\$4.2 million), fund balance protection (\$2.6 million left unappropriated), reserves (\$629,000), and affordable housing (\$163,000).

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

Double-digit growth in health insurance premiums were the norm for much of the period from 2004 - 2010, consuming approximately one-third of all new property tax revenue during that time. This line-item increased from \$12 million in FY 2003 to \$24 million in FY 2010. Effective July 1, 2010 (FY 2011), the Town and its unions agreed to enter into 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%. Adding to the success story, since moving to the GIC, annual premium increases have been well below the levels realized prior to the move: 4.4% in FY 2012, 2.2% in FY 2013, 3.5% increase in FY 2014, a 1.5% increase in FY 2015 and 6.9% in FY16.

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 will have 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), the Town has developed an OPEB funding plan that results in the Town reaching its Annual Required Contribution (ARC) in approximately 10 years, at which time a 30-year funding schedule can be adopted. (See the "Other Postemployment Benefits" section further below for more detailed information.)

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

The most recent actuarial valuation, for the year ending December 31, 2015, included the following changes to the financial assumptions:

- the anticipated rate of return on investments was reduced from 7.60% to 7.40%
- the annual appropriation increase was increased from increasing 5.60% to 7.85%
- the estimate date of full funding of the unfunded liability was un-changed remaining at FY 2030

During the first decade of the 21<sup>st</sup> century, utility expenses skyrocketed: the prices of electricity and vehicle fuel more than tripled, natural gas more than doubled, and heating oil increased more than fivefold. As a result, the Town's utility expenditures doubled from \$2.6 million in FY 2000 to \$5.2 million in FY 2009. Over the past few years, the price of electricity and natural gas have moderated somewhat and Town took advantage of that by competitively procuring new contracts at more favorable rates. In an effort to reduce the consumption of energy, the Town has invested in energy efficiency programs and technologies, through its CIP, funding from the American Recovery and Reinvestment Act (ARRA) and programs with local utilities. Savings from these investments are being realized, most notably in Town Hall, where consumption has been cut in half. Lastly, the Town continues to replace aging vehicles with hybrids or other fuel-efficient vehicles and will complete the conversion of its streetlights with energy efficient LED's in FY 2016.

Special education (SPED) and enrollment growth continue to place stress on the School budget. SPED has been growing by approximately \$700,000 per year and now consumes approximately 25% of the School budget. Enrollment in the elementary schools has resulted in cost pressures not only in the School's operating budget, but also on the CIP, as numerous school facility projects are being planned for (see the CIP section below).

Our K-12 student population has grown by 28.6% since FY 2006 from 5,766 students to 7,412. The district's K-8 enrollment increased by 40.3% during the last 10 years, growing by 1,570 students. While the increase in size of Brookline's kindergarten enrollment has driven the growth, these larger elementary grades will soon begin to enter the high school. Brookline High School has grown 4.1% in the last ten years, with a five-year growth of 12.7%. In the past five years, student enrollment at the high school has increased from 1,726 students to 1,946. Currently, grades Kindergarten through 4th average 651 students this year, while grades 8-12 are still averaging only 490 students. We project that there will be more than 2,400 students attending Brookline High School in grades 9-12 by the school year 2020-2021.

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:

- 6 classrooms built at Heath;
- 4 classrooms built at Lawrence;
- 2 modular classrooms added at Baker;
- 11 BEEP classes moved out of K-8 buildings into leased commercial space;
- 4 classrooms in leased commercial space for Pierce;
- renovation and expansion of Devotion to add 12 classrooms; and
- Expanded use of the buffer zones to maintain class size at desired levels.

In response to these pressures, the Board of Selectmen appointed an Override Study Committee (OSC) in August, 2013 to further study these matters and determine whether the Town should seek a tax referendum to fund these extraordinary expenses. The Override Study Committee (OSC) have completed their work and presented their findings to the Selectmen in September, 2015. The OSC recommended both a Tax Override for operating purposes and a Debt Exclusion for capital purposes. In March, 2015, the Board of Selectmen voted to place two Questions on the May 5, 2015 Annual Town Election ballot seeking an override of the Proposition 2½ tax levy limit. The first question sought to permanently increase the Town's tax levy limit by \$7.6M in order to fund the costs associated with increasing school enrollment. The second question was for a Debt Exclusion to fund a portion of the costs necessary to replace/expand the Devotion School. Both questions were passed successfully by the Town's electorate. The OSC also identified \$560,000 worth of municipal "efficiencies" and \$2.3 million worth of non-property tax revenue that could be pursued and used as budget capacity to support the School Department's needs in the next few years.

Future enrollment projections anticipate another 700 students in the next five years as birth trends and enrollment growth continue to be maintained at the same level as the last ten years. Currently the Town has undertaken a

major renovation/addition project planned for the Town's largest elementary school (Devotion School). Planning is underway for a 9th elementary school and the expansion of the High School. As the larger classes currently in the elementary schools replace the current smaller classes at the High School, this will require an expansion of space at that facility as well. The additional students with or without expanded infrastructure will continue to put stress on limited resources over the next few years. The enrollment issue also impacts the operating budget: with new classrooms comes the need for new teachers, supplies, and support services.

### **The Capital Improvement Program (CIP)**

Through the CIP process, the Town of Brookline has identified \$276.4 million in capital improvements needed over the next six years. Large components of this total include the following:

- Anticipated school projects. It is important to note that the Devotion School renovation/addition project assumes that the Massachusetts School Building Authority (MSBA) covers 22% of the costs and the recently voted debt exclusion will cover \$49.6M of the costs. Other significant projects include funding for a portion of a high school expansion and renovation project (\$35.1 million). Any amount above the \$35.1 million will have to be funded via a Debt Exclusion Override. An anticipated major K-8 project would also require a Debt Exclusion. As previously noted, the Override Study Committee (OSC) has recommended a Debt Exclusion to support school addition project(s).
- Strategic studies included in the recommended CIP, two of which are a direct outcome of the recommendations of the Override Study Committee (OSC). These studies will help the Town identify current and projected needs for municipal facilities and services and allow for a comprehensive approach to identifying possible school use or other preferred use for major parcels and how best to encourage those uses.
- Rehabilitation of streets and sidewalks (\$20.9 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 (\$19.2 million).
- Fire station renovations, construction of a fleet maintenance facility, and fire apparatus (\$6million).
- The Village Square project in the Brookline Village / Route 9 area (\$5.9 million). The Town anticipates receiving a significant grant through the State Transportation Improvement Program (STIP) and funding the balance of the project by utilizing CDBG funds and outside sources related to the 2 Brookline Place redevelopment.
- Upgrade and maintenance of our waste water system (\$3 million), which will be borne by the water and sewer rates rather than the tax levy.

As previously detailed, enrollment in the Pre-K-8<sup>th</sup> grade elementary schools has increased significantly, placing pressure on both operating and capital budgets. In order to create additional classroom space, the Town, through its CIP, has appropriated funds for the following projects, all of which have increased the number of classrooms in the elementary schools:

- Runkle School Renovation / Addition (\$29.1 million, of which approximately 35% was paid for by the State)
- Heath School Addition (\$8.5 million, of which approximately 35% was paid for by the State)
- Classroom Capacity (an additional \$8.6 million over the course of the six years, with \$1.04 million coming in FY 2017. These funds will go toward the lease of spaces for early education programs, the rental of property to help address Pierce School space needs, leased modulars at Baker School, and costs associated with any further space conversions into classrooms within existing school buildings)

Even with this significant investment, projections show that there is no abatement in the large enrollment levels. Exacerbating the issue is the fact that these larger grades will soon be making their way into the High School, which does not currently have the space to house what could be 2,400 students. Therefore, long-range planning must continue and the CIP may very well have to be adjusted and / or a Debt Exclusion override(s) will be necessary in order to accommodate the financial outlay required to deal with this most pressing issue.

### **Other Postemployment Benefits**

The Town of Brookline is legally and contractually obligated to pay for the retiree healthcare cost of past, present and future Town / School retirees who have worked a minimum of 10 years for the Town. The calendar year 2012 Biennial Actuary Analysis estimated the present value of this obligation to be \$189.9 million. At June 30, 2016, the Town had a balance of \$30 million of assets in a fiduciary-managed trust fund that is designed to be the source of funding to satisfy the obligation. GAAP requires that the unfunded liability be recognized in the basic financial statements. Although there is currently no legal requirement to make annual payments, GASB 43 requires that an actuarial analysis be completed on a bi-annual basis. In the event that a community does not appropriate sufficient funds to reach a full funding schedule as identified in the analysis, that unappropriated amount must be included as a liability. As of June 30, 2015, this liability, or the difference between the funding provided and what the Town's annual required contributions (ARC) have been, was \$52.9 million. The Town has adopted a policy to phase up to the annual required contribution (ARC) for a 30-year full funding schedule by the year 2023. 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 Board of Selectmen, 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, which would generate \$116.5 million over a 30-year period. The current strategy increases the annual funding commitment each year until, in approximately FY 2023 of the plan, the Town reaches the annual funding requirement (ARC). In the remaining years, annual contributions will exceed the ARC, so that the Town could reach full funding by approximately FY 2044.

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. It is anticipated that this policy could generate an additional \$11.6 million of funding for the OPEB liability. 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.

As a result of these decisions, the unfunded OPEB liability has been reduced from \$323.2 million to \$189.9 million. The next actuary analysis for the fiscal year ending June 30, 2016 will be completed by December 2016. As of FY 2012, the fiduciary-managed trust fund for retiree health care benefits is classified as a fiduciary fund, and is no longer included in the government-wide financial statements. It now appears in a separate column in the fiduciary fund statements.

### **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. The cash and investment commitments at June 30, 2016 for the funds maintained by the Town's Treasurer are as follows:

General Fund - Unencumbered	\$	32,322,081
General Fund - Encumbered		2,189,205
Reserved for :		
Special Revenue (Grant) Funds		13,193,989
Bond Financed Capital Projects		20,991,966
Revenue Financed Capital Projects		10,967,571
Enterprise Funds		2,941,306
Trust and Agency Funds		<u>25,150,082</u>
	\$	<u>107,756,200</u>

Of the \$107.8 million in total cash and investments, more than \$75.5 million is committed to General Fund contracts, Bond and Revenue Funded Capital Projects, Enterprise operations, Trust and Agency Funds and Grant funded projects, leaving approximately \$32.3 million unencumbered and not reserved for within. The amounts reported above do not include all cash and short-term investments that are accounted for within the financial statements and therefore the figures reported above are not intended to reconcile with the financial statements. As noted these amounts represent amounts maintained by the Town Treasurer.

**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

### Performance Measurements

Performance Management is a continued focus of the Town. The Town continues to examine the measurements of departmental outputs and outcomes and seeks to better utilize these and other data sources to effectively communicate service delivery. The goal and objective development exercise is now familiar with Department Heads; so that goals cover overarching issues that the department is working on, while objectives focus on the specific initiatives of said fiscal year. The Town is currently developing a web based dashboard to better visualize a portion of these metrics, which will aid the Town in its efforts to be transparent to citizens and stakeholders. The sustained emphasis on these metrics has allowed the Town to identify efficiencies and best practices, which will be emulated across departments. Department and Division Heads will participate in a training program developed by the Government Finance Officers Association (GFOA) to further develop the Town's approach and tailor training that will be most relevant and useful in their roles.

### Cyber-Vigilance

The Town continues to invest and evaluate Cyber intrusion and data breach readiness and mitigation practices and was recently awarded two grants from the Commonwealth related to Cyber Security Awareness and a Cyber Security Incident Response Planning. Both initiatives are ongoing are complementary to existing Cyber Security compliance activities including PCI audits and website penetration and exploit evaluations.

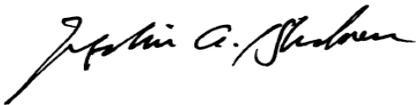
### Open Checkbook 2.0

The Town is in the process of rolling out a new tool for residents that will layout the Town's financials using interactive infographics and historical trends. The Town is looking to expand on the transparency of our finances in a way that provides more context for residents using Open Checkbook 2.0. Information from the US Census, Department of Revenue (DOR) and Department of Elementary and Secondary Education (DESE) combined information from the Town's financial system MUNIS will help residents understand how the Town operates and how those expenditures compare to similar communities.

## 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 Board of Selectmen for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Brookline's finances.

Respectfully submitted,



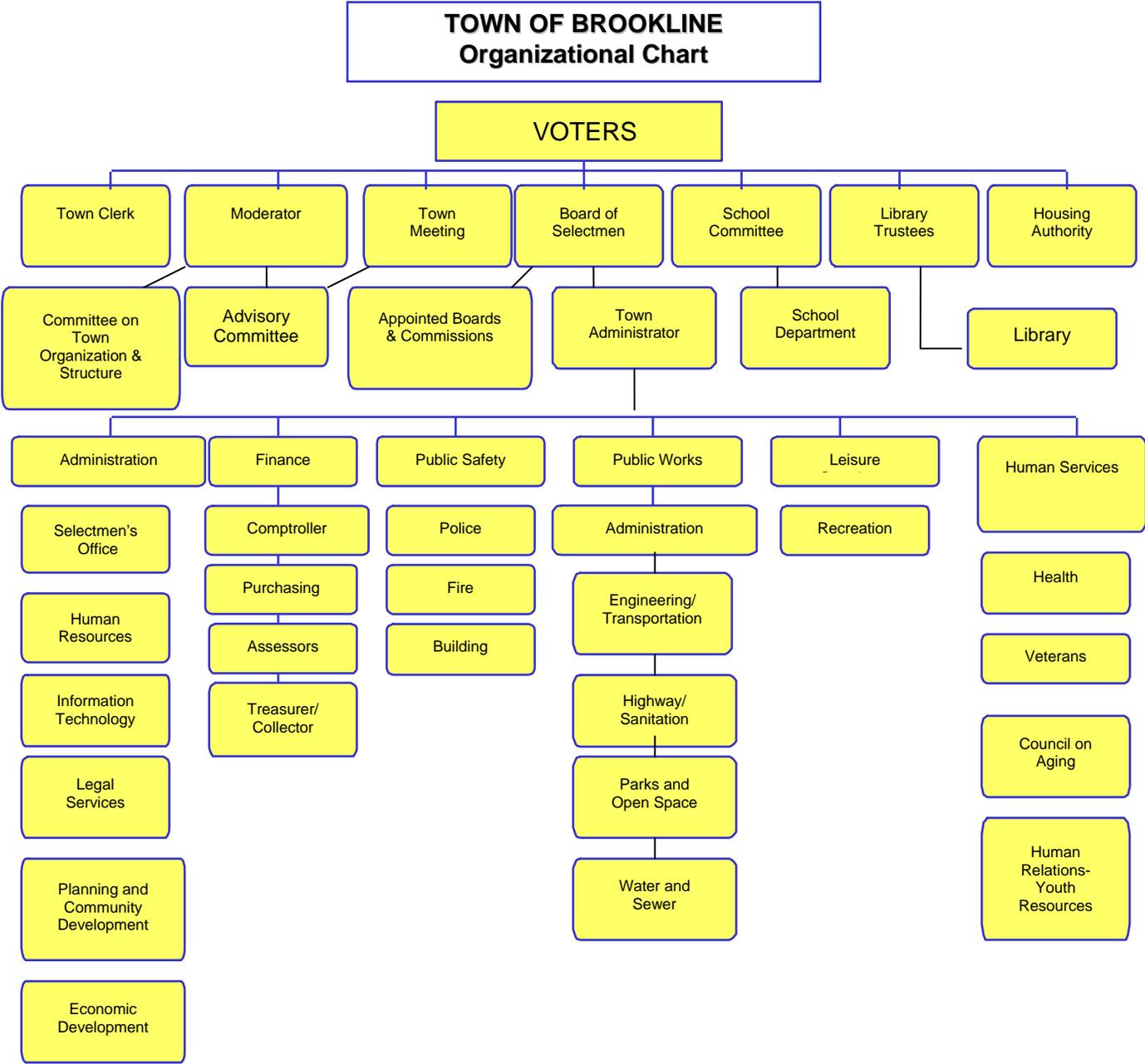
Melvin A. Kleckner  
Town Administrator



Michael F. DiPietro  
Town Comptroller

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# Organizational Charts



**BOARDS/COMMISSIONS APPOINTED  
BY THE BOARD OF SELECTMEN**

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 Access Television	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 Advisory Committee	Trustees of Walnut Hills Cemetery	Park and Recreation Commission	Holocaust Memorial Committee
Planning Board				Human Relations Youth Resources
Preservation Commission				



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Brookline, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Brookline, Massachusetts' basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookline, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Information**

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Town of Brookline, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brookline's internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

December 7, 2016

***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, 2016. 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 unqualified opinion on its financial statements since the year ended June 30, 1995.

### ***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 and economic development, leisure services, and interest. The business-type activities include water, sewer, and golf activities.

The government-wide 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 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, 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.

**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 progress in funding its obligation to provide postemployment benefits to its employees.

The Town has implemented GASB Statement 67, *Financial Reporting for Pension Plans*, GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result additional footnote disclosures and required supplementary information was added to the report, as well as the recognition of deferred outflows and the net pension liability related to the Town's pension obligations. See Note 11 for more information.

## 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 assets exceeded liabilities by \$12.2 million at the close of 2016.

For the governmental activities, net position of \$186.9 million reflect 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. \$29.1 million represents resources that are subject to external restrictions on expenditures. The balance of unrestricted net position has a year-end deficit of \$203.9 million which includes a \$55.7 million liability for postemployment benefits, and a \$215.8 million liability related to the net pension liability. Without these liabilities, the Town would have a positive unrestricted net position of \$67.7 million. Please see note 11 for more information on the net pension liability and note 12 for more information on the 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 assets exceeded liabilities by \$12.2 million at the close of 2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
<b>Assets:</b>			
Current:			
Cash and cash equivalents.....	\$ 89,870,844	\$ 75,047,219	\$ 84,203,720
Investments.....	8,991,455	8,911,284	6,872,904
Receivables, net of allowance for uncollectibles.....	15,415,285	12,090,079	10,865,534
Other current assets.....	231,084	229,973	140,297
Noncurrent assets (excluding capital).....	2,686,000	3,187,000	3,672,000
Capital assets.....	241,110,545	234,909,215	222,054,320
<b>Total assets.....</b>	<b>358,305,213</b>	<b>334,374,770</b>	<b>327,808,775</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources related to pensions...	<u>29,960,367</u>	<u>2,359,816</u>	<u>-</u>
<b>Liabilities:</b>			
Current (excluding debt):			
Warrants payable.....	1,830,899	4,214,950	2,018,686
Tax refunds payable.....	5,331,000	4,490,000	3,376,838
Compensated absences.....	6,438,619	6,470,591	6,077,454
Other current liabilities.....	8,862,758	6,449,905	7,226,468
Noncurrent (excluding debt):			
Landfill closure.....	4,529,000	4,615,000	4,718,000
Compensated absences.....	2,164,479	2,310,927	2,271,502
Postemployment benefits.....	55,737,395	51,254,226	46,473,774
Net pension liability.....	215,832,203	180,510,554	178,378,995
Other noncurrent liabilities.....	2,702,040	2,574,000	3,086,269
Current debt.....	8,158,680	7,376,962	7,172,294
Noncurrent debt.....	64,528,118	53,864,701	56,221,294
<b>Total liabilities.....</b>	<b>376,115,191</b>	<b>324,131,816</b>	<b>317,021,574</b>
<b>Net Position:</b>			
Net investment in capital assets.....	186,929,190	181,394,282	170,437,625
Restricted.....	29,119,068	26,804,311	26,027,489
Unrestricted.....	(203,897,869)	(195,595,823)	(185,677,913)
<b>Total net position.....</b>	<b>\$ 12,150,389</b>	<b>\$ 12,602,770</b>	<b>\$ 10,787,201</b>

The Town's governmental net position decreased by \$452 thousand in 2016. Key elements of the change are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
<b>Program revenues:</b>			
Charges for services.....	\$ 33,251,912	\$ 29,670,598	\$ 28,449,916
Operating grants and contributions.....	35,716,445	35,041,937	39,235,456
Capital grants and contributions.....	2,251,769	1,145,941	553,334
<b>General Revenues:</b>			
Real estate and personal property taxes.....	193,853,263	180,532,675	174,362,411
Motor vehicle and other excise taxes.....	6,369,611	6,077,704	5,803,476
Nonrestricted grants and contributions.....	6,205,949	5,742,004	5,628,515
Unrestricted investment income.....	457,978	356,741	1,232,248
Other revenues.....	5,299,319	5,588,368	5,364,268
<b>Total revenues.....</b>	<b>283,406,246</b>	<b>264,155,968</b>	<b>260,629,624</b>
<b>Expenses:</b>			
General government.....	24,196,141	20,717,826	20,840,075
Public safety.....	61,171,320	56,202,290	54,518,656
Education.....	155,073,193	141,909,177	141,781,878
Public works.....	25,576,266	26,025,492	23,878,641
Community and economic development.....	1,405,465	1,110,103	2,094,961
Human services.....	5,361,159	6,229,864	5,323,343
Leisure services.....	11,375,140	10,478,515	10,179,687
Interest.....	1,769,183	1,706,870	1,959,110
<b>Total expenses.....</b>	<b>285,927,867</b>	<b>264,380,137</b>	<b>260,576,351</b>
<b>Excess (deficiency) before transfers.....</b>	<b>(2,521,621)</b>	<b>(224,169)</b>	<b>53,273</b>
<b>Transfers In.....</b>	<b>2,069,240</b>	<b>2,039,738</b>	<b>2,178,882</b>
<b>Change in net position.....</b>	<b>(452,381)</b>	<b>1,815,569</b>	<b>2,232,155</b>
<b>Beginning net position.....</b>	<b>12,602,770</b>	<b>10,787,201</b>	<b>8,555,046</b>
<b>Ending net position.....</b>	<b>\$ 12,150,389</b>	<b>\$ 12,602,770</b>	<b>\$ 10,787,201</b>

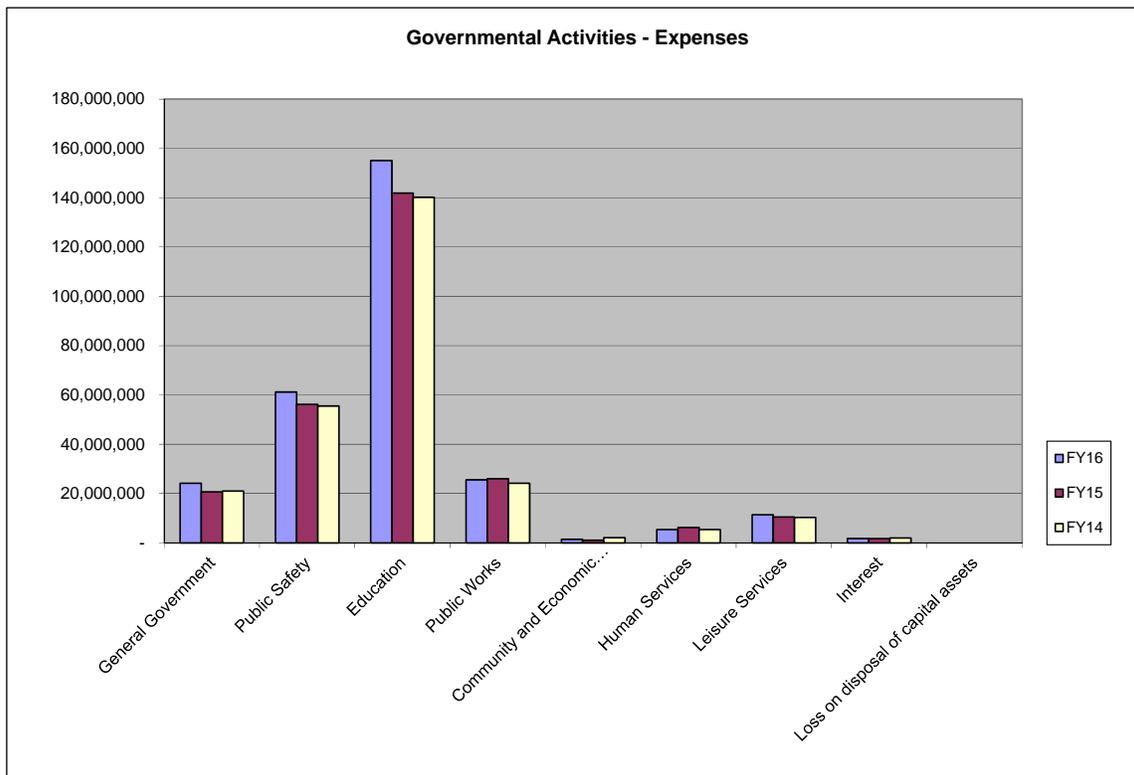
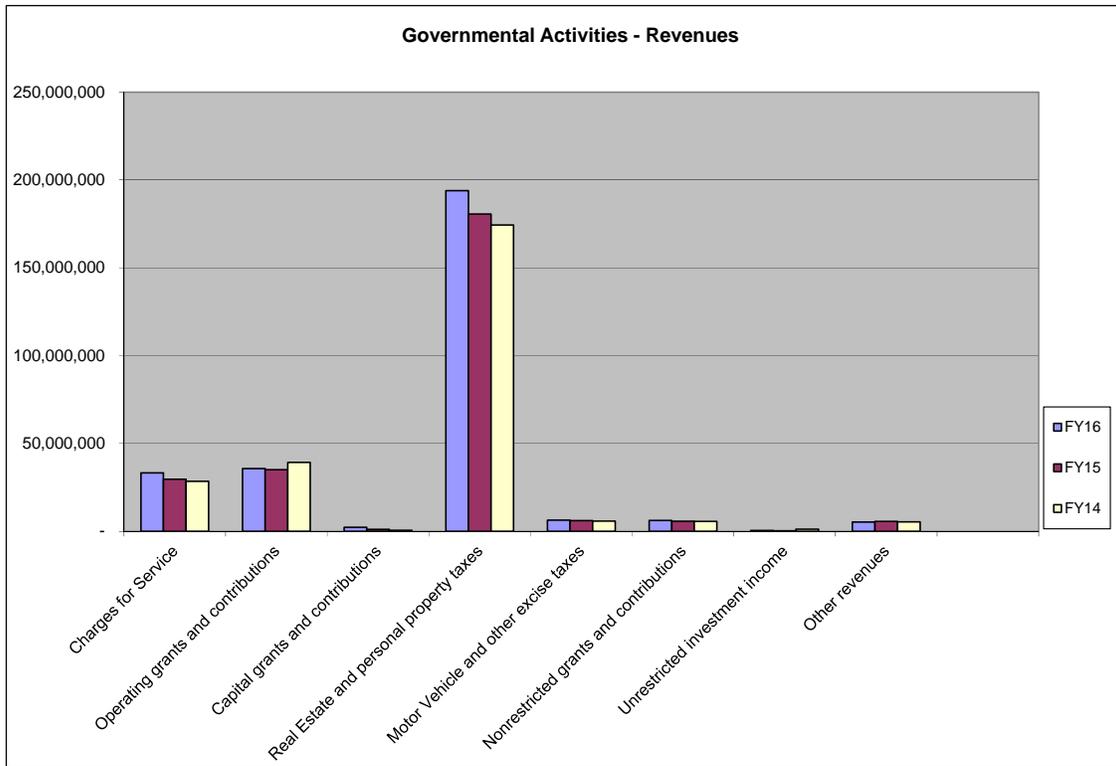
The decrease in net position is due to several factors.

Reducing net position was a \$4.5 million increase in the Postemployment benefits accrual; the fact that depreciation expense exceeded principal payments on long-term debt by \$5.7 million, an increase in in the accrual for outstanding appellate tax board cases of \$841 thousand, and an increase in the net pension liability of \$35.3 million related to the implementation of GASB Statement #68, Accounting and Financial Reporting for Pensions.

These reductions were offset by capital grants of \$1.3 million related to the MSBA reimbursement of various school construction projects, \$8 thousand related to Improvements to Davis Park and the Boylston Street Playground, and \$970 thousand related to Chapter 90 grant allocations, an increase in the deferred outflow related to pensions of \$27.6 million, a budgetary surplus of \$5.6 million, the timing of the receipt of grant revenues versus the expenditure of such funds, as well as the Town's ability to fund approximately \$11.9 million of capital additions from current revenues.

The governmental expenses totaled \$285.9 million of which \$71.2 million (24.9%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants. General revenues totaled \$212.2 million, primarily coming from property taxes, motor vehicle and other excise, and non-restricted state aid.

The following tables show the functional sources and uses of 2016 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 \$80.4 million which is comprised of \$28.8 million in the general fund, \$8.3 million in the Devotion School renovation fund, \$10.4 million in the capital articles fund, and \$32.9 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 \$21.3 million, while total fund balance was \$28.8 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 expenditures. Unassigned fund balance represents 8.7% of total general fund expenditures, while total fund balance represents 11.8% of that same amount. A good range for unassigned fund balance is 5-10% of total general fund expenditures of which the Town consistently falls within.

Fund balance of the General Fund increased by \$4.3 million during 2016. This is primarily due to a budgetary surplus of \$5.6 million offset by an increase in the liability for tax refunds payable of \$841 thousand.

The Devotion School Renovation Fund is used to account for financial resources for the renovation of the Devotion School building. At the end of the current year, this fund has a fund balance of \$8.3 million. This is primarily the result of the issuance of \$10 million of long-term debt that is in the process of being spent.

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 \$10.4 million.

The Chapter 90 Highway fund is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks. There were no chapter 90 revenues or expenditures during 2016. As a result the fund has a zero fund balance at year end.

### **General Fund Budgetary Highlights**

There was a \$182 thousand increase between the original and final budget. This change represents appropriation the net increases/decreases to various budgetary line items. The Town has elected to carry forward encumbrances and appropriations totaling \$2.2 million.

**Business-type Activities.**

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

	<u>2016</u> <u>Water &amp; Sewer</u> <u>Activities</u>	<u>2015</u> <u>Water &amp; Sewer</u> <u>Activities</u>	<u>2014</u> <u>Water &amp; Sewer</u> <u>Activities</u>
<b>Assets:</b>			
Current:			
Cash and short-term investments.....	\$ 7,251,651	\$ 6,836,986	\$ 6,343,900
Receivables, net of allowance for uncollectibles.....	7,127,639	6,466,309	5,790,703
Other current assets.....	13,988	14,427	14,309
Capital assets.....	58,583,581	58,340,309	58,842,751
<b>Total assets.....</b>	<b>72,976,859</b>	<b>71,658,031</b>	<b>70,991,663</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources related to pensions....	<u>627,130</u>	<u>48,436</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	1,116,036	379,881	955,984
Noncurrent liabilities (excluding debt).....	6,197,095	5,352,879	5,391,279
Current debt.....	1,986,697	2,158,259	1,865,288
Noncurrent debt.....	6,113,222	7,099,918	7,485,433
<b>Total liabilities.....</b>	<b>15,413,050</b>	<b>14,990,937</b>	<b>15,697,984</b>
<b>Net Position:</b>			
Net investment in capital assets.....	54,197,734	53,485,246	52,941,786
Unrestricted.....	3,993,205	3,230,284	2,351,893
<b>Total net position.....</b>	<b>58,190,939</b>	<b>56,715,530</b>	<b>55,293,679</b>
<b>Program revenues:</b>			
Charges for services.....	28,311,805	27,253,737	26,800,899
Capital grants and contributions.....	-	1,035,335	-
<b>General Revenues:</b>			
Unrestricted investment income.....	9,195	3,685	8,652
<b>Total revenues.....</b>	<b>28,321,000</b>	<b>28,292,757</b>	<b>26,809,551</b>
<b>Expenses:</b>			
Water and sewer.....	24,904,142	24,944,217	23,213,651
<b>Excess (deficiency) before transfers.....</b>	<b>3,416,858</b>	<b>3,348,540</b>	<b>3,595,900</b>
<b>Transfers In/(Out).....</b>	<b>(1,941,449)</b>	<b>(1,926,689)</b>	<b>(2,078,466)</b>
<b>Change in net position.....</b>	<b>1,475,409</b>	<b>1,421,851</b>	<b>1,517,434</b>
<b>Beginning net position.....</b>	<b>56,715,530</b>	<b>55,293,679</b>	<b>53,776,245</b>
<b>Ending net position.....</b>	<b>\$ 58,190,939</b>	<b>\$ 56,715,530</b>	<b>\$ 55,293,679</b>

The water and sewer enterprise net position increased by \$1.5 million during the current year. This was primarily attributable to an increase in the water and sewer rates, the fact that principle payments on long-term debt exceeded depreciation expense by \$501 thousand and the funds ability to increase revenues while maintaining level operating costs.

	<b>2016</b>	<b>2015</b>	<b>(As Revised)</b>
	<b>Golf Course</b>	<b>Golf Course</b>	<b>2014</b>
	<b>Activities</b>	<b>Activities</b>	<b>Golf Course</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
<b>Assets:</b>			
Current:			
Cash and short-term investments.....	\$ 426,729	\$ 777,037	\$ 682,395
Other current assets.....	69,849	-	-
Capital assets.....	<u>3,309,885</u>	<u>2,617,627</u>	<u>2,749,284</u>
<b>Total assets.....</b>	<b><u>3,806,463</u></b>	<b><u>3,394,664</u></b>	<b><u>3,431,679</u></b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources related to pensions....	<u>45,886</u>	<u>3,633</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	286,501	136,287	186,588
Noncurrent liabilities (excluding debt).....	913,360	908,888	949,815
Current debt.....	150,000	154,000	150,000
Noncurrent debt.....	<u>845,000</u>	<u>995,000</u>	<u>949,000</u>
<b>Total liabilities.....</b>	<b><u>2,194,861</u></b>	<b><u>2,194,175</u></b>	<b><u>2,235,403</u></b>
<b>Net Position:</b>			
Net investment in capital assets.....	2,457,376	1,844,120	1,896,724
Unrestricted.....	<u>(1,299,888)</u>	<u>(639,998)</u>	<u>(700,448)</u>
<b>Total net position.....</b>	<b><u>1,157,488</u></b>	<b><u>1,204,122</u></b>	<b><u>1,196,276</u></b>
<b>Program revenues:</b>			
Charges for services.....	1,275,928	1,283,301	1,235,323
<b>General Revenues:</b>			
Unrestricted investment income.....	756	15,529	37,891
<b>Total revenues.....</b>	<b><u>1,276,684</u></b>	<b><u>1,298,830</u></b>	<b><u>1,273,214</u></b>
<b>Expenses:</b>			
Golf.....	1,195,527	1,177,935	1,076,846
<b>Excess (deficiency) before transfers.....</b>	<b>81,157</b>	<b>120,895</b>	<b>196,368</b>
<b>Transfers In/(Out).....</b>	<b><u>(127,791)</u></b>	<b><u>(113,049)</u></b>	<b><u>(100,416)</u></b>
<b>Change in net position.....</b>	<b>(46,634)</b>	<b>7,846</b>	<b>95,952</b>
<b>Beginning net position.....</b>	<b><u>1,204,122</u></b>	<b><u>1,196,276</u></b>	<b><u>1,100,324</u></b>
<b>Ending net position.....</b>	<b><u>\$ 1,157,488</u></b>	<b><u>\$ 1,204,122</u></b>	<b><u>\$ 1,196,276</u></b>

The golf enterprise net position decreased by \$46.6 thousand during the current year. The decrease is primarily the result of an increase in depreciation expense related to ongoing projects at the golf course, coupled with a decrease in both operating revenues and investment income.

### **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 Board of Selectmen 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 (FY06 -

FY16), the Town has authorized expenditures of \$323 million, for an average of nearly \$29 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 FY 2017 – FY 2022 CIP continued the Town's aggressive approach toward maintaining and improving the Town's physical assets. Developed within the parameters of the Board of Selectmen'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, 2015 was \$7.8 million. After funding strategic reserves to the levels called for in the Town's Reserve policies, and after leaving \$2.5 million un-appropriated to address an unreserved fund balance issue, \$4.4 million of additional pay-as-you-go capacity was made available to the CIP for FY 2017. For the out-years of the CIP, approximately \$4.4 million is estimated for Free Cash, which yields between \$3.5 - \$3.9 million per year for the CIP.

State/Federal grants total \$43.5 million over the six-year period. Of this amount, \$26 million represents the potential State share of the Devotion School Renovation project. The CIP assumed 22% funding by the Massachusetts School Building Authority (MSBA) for the Devotion School project; the Town will continue to work with the MSBA as the project moves forward.

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.

Each year, many challenges present themselves when putting together a balanced CIP that addresses the priorities of the community while staying within CIP financing policies. This year has been a challenge like no other. The financial pressure exerted by the school overcrowding issue and other new, legitimate demands, coupled with maintaining other projects that are priorities of the Town, presents a number of challenges. Our K-12 student population has grown by 28.6% since FY 2006 from 5,766 students to 7,412. The district's K-8 enrollment increased by 40.3% during the last 10 years, growing by 1,570 students. To put this growth in context, it is equivalent to adding the combined student population of the Pierce and Baker Schools into our existing eight buildings since 2006. In just the past five years, K-8 enrollment has actually accelerated, and we have added 814 students since 2010.

While the increase in size of Brookline's kindergarten enrollment has driven the growth, these larger elementary grades will soon begin to enter the high school. Brookline High School has grown 4.1% in the last ten years, with a five-year growth of 12.7%. In the past five years, student enrollment at the high school has increased from 1,726 students to 1,946. Currently, grades Kindergarten through 4th average 651 students this year, while grades 8-12 are still averaging only 490 students. We project that there will be more than 2,400 students attending Brookline High School in grades 9-12 by the school year 2020-2021. This CIP continues to address the overcrowding issue in a comprehensive manner:

- Classroom Capacity – in both FY08 and FY10, Town Meeting appropriated \$400,000 to address space needs, followed by \$530,000 in FY11 and \$1.75 million in FY's 13-15. The CIP includes an additional \$8.6 million over the course of the six years, with \$2.25 million coming in FY16. The Classroom Capacity item in FY 2017 covers the additional space leased from synagogues, 62 Harvard, 24 Webster Place and the Baker modules (\$992K) with very limited funding to modify smaller spaces in existing buildings (\$46K). The FY2018 – 2022 budgets assume continuation of those lease arrangements.
- School Studies – In October, 2014, a study was commissioned by the Selectmen and School Committee to focus on identifying and evaluating sites throughout Brookline that may be able to accommodate a new or expanded school in order to address the rapidly escalating school population. A final site was identified in the fall of 2016. This funding for School Studies would include a feasibility study for the High School and the 9th School site, as identified by both Boards this fall. It is projected that approximately \$500,000 will support the High School feasibility study and \$300,000 will be needed for the 9th School feasibility study.
- High School – with the larger grades making their way through the elementary schools, they will soon be at the High School. This Preliminary CIP provides funding for a portion of a high school expansion and renovation project. The School Committee, the Board of Selectmen, and the Advisory Committee all voted unanimously to proceed with the process for the 9th Elementary School and Brookline High School renovation and expansion without submitting a Statement of Interest to the Massachusetts School Building Authority to allow for more flexibility in the design processes and to meet the timelines for the projects. Any amount above the \$35.1 million identified as the capacity available in the CIP to fund this project will have to be funded via a Debt Exclusion Override.

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.

The following schedule reflects the CIP expenditure activity for fiscal 2016, together with outstanding encumbrances and available budget balances, for both Debt and Revenue Funded Capital Projects:

	All Capital Improvement Projects			Revenue Financed Projects			Debt Financed Projects		
	Expended in		Available	Expended in		Available	Expended in		Available
	Fiscal 2016	Encumbrances	Budget	Fiscal 2016	Encumbrances	Budget	Fiscal 2016	Encumbrances	Budget
General Government Capital Equ./Planning	602,051	96,349	292,496	602,051	96,349	292,496	-	-	-
Building Projects	11,318,328	19,772,761	101,850,952	4,536,152	636,272	1,438,475	6,782,176	19,136,489	100,412,477
Public Safety Projects	1,092,650	268,011	65,047	442,137	268,011	65,047	650,513	-	-
DPW Projects	8,184,391	2,783,902	16,001,318	7,146,230	1,727,327	5,457,838	1,038,161	1,056,575	10,543,480
Recreation Projects	123,748	211,288	1,339,964	20,195	45,991	608,814	103,553	165,297	731,150
Library Projects	-	23,387	-	-	23,387	-	-	-	-
DPW Enterprise Related Projects	997,126	1,915,528	1,499,247	-	-	-	997,126	1,915,528	1,499,247
Golf Enterprise Projects	629,449	10,000	1,044	-	-	-	629,449	10,000	1,044
<b>GRAND TOTAL</b>	<b>22,947,744</b>	<b>25,081,226</b>	<b>121,050,067</b>	<b>12,746,765</b>	<b>2,797,336</b>	<b>7,862,670</b>	<b>10,200,979</b>	<b>22,283,890</b>	<b>113,187,397</b>

### 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, 2016, amount to \$303 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 \$7.1 million, including a \$6.2 million increase for governmental activities and a \$936 thousand increase for business-type activities.

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 \$1.4 million was capitalized for the Old Lincoln School.
- ❖ Approximately \$3.4 million was capitalized for the planning and construction of the Devotion School.
- ❖ Approximately \$5.4 million was spent on roads, sidewalks, wastewater, and other related infrastructure.
- ❖ Approximately \$2.2 million was spent on machinery and equipment.
- ❖ Approximately \$8.5 million related to various building improvements and renovations.
- ❖ Approximately \$933 thousand was spent on golf course improvements.

Please see Note 4 for further capital asset information.

<b>Town of Brookline's Capital Assets</b>						
<b>(Net of Depreciation)</b>						
	<b>Governmental</b>		<b>Business –Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Land</b>	874,873	874,873	-	-	874,873	874,873
<b>Construction in Progress</b>	9,025,734	4,208,412	-	-	9,025,734	4,208,412
<b>Land Improvements</b>	18,730,847	17,592,547	2,089,524	1,307,817	20,820,371	18,900,364
<b>Buildings</b>	175,525,354	177,184,801	2,773,187	2,925,690	178,298,541	180,110,491
<b>Machinery and Equipment</b>	10,940,542	10,956,998	764,803	780,066	11,705,345	11,737,064
<b>Infrastructure</b>	26,013,195	24,091,584	56,265,952	55,944,363	82,279,147	80,035,947
<b>Total</b>	<b>241,110,545</b>	<b>234,909,215</b>	<b>61,893,466</b>	<b>60,957,936</b>	<b>303,004,011</b>	<b>295,867,151</b>

**Long-term Debt.** At the end of the current year, the Town of Brookline had total bonded debt outstanding of \$81.8 million of which \$72.7 is governmental debt and \$9.1 is business-type debt. This entire amount is classified as outstanding long-term debt. During 2016, the Town retired \$7.2 million of governmental long-term debt and \$2.3 million of business-type long-term debt. The Town issued \$17.7 million of governmental and \$1.0 million of business-type debt net of capitalized bond premiums.

The Town also issued a Bond Anticipation note for \$500,000 related to golf course improvements.

In order to take advantage of favorable interest rates, the Town issued \$6,075,000 of General Obligation Refunding Bonds on March 29, 2016. \$6,350,000 of general obligation bonds were refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments over the next 12 years by \$733,586 and resulted in an economic gain of \$623,843.

Please see notes 6 and 7 for further debt information.

In 2005, the Commonwealth enacted legislation that 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. The Town has been approved for a project at the Devotion School under this

program. Through the end of FY2016, the Town has recorded capital grant revenue totaling approximately \$1.9 million, from the MSBA which is equal to 35.84% of approved construction costs incurred to date. The Town received reimbursements related to the Devotion School for approximately \$768 thousand in 2016 and recorded a receivable of \$791 thousand.

### **Cash and Investments**

At June 30, 2016, the Town had recorded a Cash and Investments balance of \$137,583,386. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash of \$322,575; Investment accounts maintained by the Trustees of the Brookline Public Library of \$4,857,443; and Cash and Investment accounts maintained by the Brookline Retirement System of \$10,967 and \$256,167,885, respectively. This resulted in total Cash and Investments of \$398,942,256 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, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 89,870,844	\$ 7,678,380	\$ 97,549,224
Investments.....	8,991,455	-	8,991,455
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	3,119,885	-	3,119,885
Tax liens.....	2,058,503	-	2,058,503
Motor vehicle excise taxes.....	85,149	-	85,149
User fees.....	102,686	-	102,686
Water and sewer fees.....	-	7,127,639	7,127,639
Departmental and other.....	3,734,951	-	3,734,951
Intergovernmental.....	6,285,994	-	6,285,994
Loans.....	28,117	-	28,117
Internal balances.....	50,000	(50,000)	-
Other assets.....	181,084	83,837	264,921
<b>NONCURRENT:</b>			
Intergovernmental.....	2,161,000	-	2,161,000
Internal balances.....	525,000	(525,000)	-
Capital assets, nondepreciable.....	9,900,607	-	9,900,607
Capital assets, net of accumulated depreciation.....	<u>231,209,938</u>	<u>61,893,466</u>	<u>293,103,404</u>
<b>TOTAL ASSETS.....</b>	<u>358,305,213</u>	<u>76,208,322</u>	<u>434,513,535</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	<u>29,960,367</u>	<u>673,016</u>	<u>30,633,383</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,830,899	916,270	2,747,169
Accrued liabilities.....	48,998	13,290	62,288
Accrued payroll.....	5,378,068	-	5,378,068
Tax refunds payable.....	5,331,000	-	5,331,000
Accrued interest.....	685,928	70,617	756,545
Abandoned property.....	190,338	-	190,338
Other liabilities.....	959,759	14,162	973,921
Unearned revenue.....	1,172,775	-	1,172,775
Liabilities due depositors.....	1,932	-	1,932
Landfill closure.....	190,000	-	190,000
Compensated absences.....	6,438,619	338,198	6,776,817
Workers' compensation.....	234,960	-	234,960
Notes payable.....	-	500,000	500,000
Bonds payable.....	8,158,680	2,136,697	10,295,377
<b>NONCURRENT:</b>			
Landfill closure.....	4,529,000	-	4,529,000
Compensated absences.....	2,164,479	97,740	2,262,219
Workers' compensation.....	2,702,040	-	2,702,040
Postemployment benefits.....	55,737,395	1,639,357	57,376,752
Net pension liability.....	215,832,203	4,848,358	220,680,561
Bonds payable.....	<u>64,528,118</u>	<u>6,958,222</u>	<u>71,486,340</u>
<b>TOTAL LIABILITIES.....</b>	<u>376,115,191</u>	<u>17,532,911</u>	<u>393,648,102</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	186,929,190	56,655,110	243,584,300
Restricted for:			
Loans.....	28,117	-	28,117
Permanent funds:			
Expendable.....	5,955,334	-	5,955,334
Nonexpendable.....	1,701,420	-	1,701,420
Other purposes.....	21,434,197	-	21,434,197
Unrestricted.....	<u>(203,897,869)</u>	<u>2,693,317</u>	<u>(201,204,552)</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ 12,150,389</u>	<u>\$ 59,348,427</u>	<u>\$ 71,498,816</u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 24,196,141	\$ 7,508,081	\$ 1,176,990	\$ -	\$ (15,511,070)
Public safety.....	61,171,320	10,229,701	478,336	-	(50,463,283)
Education.....	155,073,193	8,350,212	31,143,179	1,274,164	(114,305,638)
Public works.....	25,576,266	3,816,780	619,767	969,605	(20,170,114)
Community and economic development.....	1,405,465	-	1,356,412	-	(49,053)
Human services.....	5,361,159	11,045	519,378	-	(4,830,736)
Leisure services.....	11,375,140	3,336,093	301,525	8,000	(7,729,522)
Interest.....	1,769,183	-	120,858	-	(1,648,325)
<b>Total Governmental Activities.....</b>	<b>285,927,867</b>	<b>33,251,912</b>	<b>35,716,445</b>	<b>2,251,769</b>	<b>(214,707,741)</b>
<i>Business-Type Activities:</i>					
Golf.....	1,195,527	1,275,928	-	-	80,401
Water and sewer.....	24,904,142	28,311,805	-	-	3,407,663
<b>Total Business-Type Activities.....</b>	<b>26,099,669</b>	<b>29,587,733</b>	<b>-</b>	<b>-</b>	<b>3,488,064</b>
<b>Total Primary Government.....</b>	<b>\$ 312,027,536</b>	<b>\$ 62,839,645</b>	<b>\$ 35,716,445</b>	<b>\$ 2,251,769</b>	<b>\$ (211,219,677)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental	Business-type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(214,707,741)</b>	\$ <b>3,488,064</b>	\$ <b>(211,219,677)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	193,853,263	-	193,853,263
Motor vehicle and other excise taxes.....	6,369,611	-	6,369,611
Hotel/motel tax.....	1,587,568	-	1,587,568
Local meals tax.....	1,125,291	-	1,125,291
Penalties and interest on taxes.....	490,062	-	490,062
Payments in lieu of taxes.....	1,042,912	-	1,042,912
Grants and contributions not restricted to specific programs.....	6,205,949	-	6,205,949
Unrestricted investment income.....	457,978	9,951	467,929
Miscellaneous.....	1,053,486	-	1,053,486
<i>Transfers, net</i> .....	2,069,240	(2,069,240)	-
Total general revenues and transfers.....	<u>214,255,360</u>	<u>(2,059,289)</u>	<u>212,196,071</u>
Change in net position.....	(452,381)	1,428,775	976,394
<i>Net Position:</i>			
Beginning of year.....	<u>12,602,770</u>	<u>57,919,652</u>	<u>70,522,422</u>
End of year.....	\$ <u><u>12,150,389</u></u>	\$ <u><u>59,348,427</u></u>	\$ <u><u>71,498,816</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

<b>ASSETS</b>	General	Devotion School Renovation	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 40,526,415	\$ 7,650,368	\$ 10,626,805	\$ -	\$ 25,013,276	\$ 83,816,864
Investments.....	-	-	-	-	8,991,455	8,991,455
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	3,119,885	-	-	-	-	3,119,885
Tax liens.....	2,058,503	-	-	-	-	2,058,503
Motor vehicle excise taxes.....	85,149	-	-	-	-	85,149
User fees.....	102,686	-	-	-	-	102,686
Departmental and other.....	3,699,734	-	-	-	35,217	3,734,951
Intergovernmental.....	2,612,000	790,788	-	3,458,109	1,586,097	8,446,994
Loans.....	-	-	-	-	28,117	28,117
Due from other funds.....	575,000	-	-	-	-	575,000
Other assets.....	125,281	-	50,000	-	5,803	181,084
<b>TOTAL ASSETS.....</b>	<b>\$ 52,904,653</b>	<b>\$ 8,441,156</b>	<b>\$ 10,676,805</b>	<b>\$ 3,458,109</b>	<b>\$ 35,659,965</b>	<b>\$ 111,140,688</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 674,696	\$ 183,530	\$ 304,164	\$ -	\$ 660,510	\$ 1,822,900
Accrued liabilities.....	6,643	7,673	5,160	-	29,522	48,998
Accrued payroll.....	5,345,958	-	-	-	32,110	5,378,068
Tax refunds payable.....	5,331,000	-	-	-	-	5,331,000
Liabilities due depositors.....	1,932	-	-	-	-	1,932
Abandoned property.....	190,338	-	-	-	-	190,338
Other liabilities.....	959,759	-	-	-	-	959,759
Unearned revenue.....	294,797	-	-	-	877,977	1,172,774
<b>TOTAL LIABILITIES.....</b>	<b>12,805,123</b>	<b>191,203</b>	<b>309,324</b>	<b>-</b>	<b>1,600,119</b>	<b>14,905,769</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue.....	11,254,504	-	-	3,458,109	1,147,339	15,859,952
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	-	-	1,701,420	1,701,420
Restricted.....	-	-	-	-	22,786,583	22,786,583
Committed.....	-	8,249,953	10,367,481	-	8,424,504	27,041,938
Assigned.....	7,499,144	-	-	-	-	7,499,144
Unassigned.....	21,345,882	-	-	-	-	21,345,882
<b>TOTAL FUND BALANCES.....</b>	<b>28,845,026</b>	<b>8,249,953</b>	<b>10,367,481</b>	<b>-</b>	<b>32,912,507</b>	<b>80,374,967</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 52,904,653</b>	<b>\$ 8,441,156</b>	<b>\$ 10,676,805</b>	<b>\$ 3,458,109</b>	<b>\$ 35,659,965</b>	<b>\$ 111,140,688</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....		\$ 80,374,967
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		241,110,545
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		15,859,951
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		29,960,367
Internal service funds are used by management to account for liability, health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		3,108,981
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(685,928)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(70,252,500)	
Landfill closure.....	(4,719,000)	
Unamortized premium on bonds payable.....	(2,434,298)	
Postemployment benefits.....	(55,737,395)	
Net pension liability.....	(215,832,203)	
Compensated absences.....	(8,603,098)	
Net effect of reporting long-term liabilities.....		<u>(357,578,494)</u>
Net position of governmental activities.....		<u>\$ 12,150,389</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Devotion School Renovation	Capital Article Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 193,154,423	\$ -	\$ -	\$ -	\$ 193,154,423
Motor vehicle and other excise taxes.....	6,360,901	-	-	-	6,360,901
Hotel/motel tax.....	1,587,568	-	-	-	1,587,568
Local meals tax.....	1,125,291	-	-	-	1,125,291
Charges for services.....	5,395,221	-	-	-	5,395,221
Penalties and interest on taxes.....	499,590	-	-	-	499,590
Payments in lieu of taxes.....	1,042,912	-	-	-	1,042,912
Licenses and permits.....	5,694,293	-	-	-	5,694,293
Fines and forfeitures.....	4,146,004	-	-	-	4,146,004
Intergovernmental.....	29,717,808	1,274,265	-	10,439,894	41,431,967
Departmental and other.....	1,652,830	-	-	16,159,917	17,812,747
Contributions.....	-	-	-	2,143,835	2,143,835
Investment income.....	262,373	-	-	174,673	437,046
<b>TOTAL REVENUES.....</b>	<b>250,639,214</b>	<b>1,274,265</b>	<b>-</b>	<b>28,918,319</b>	<b>280,831,798</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	11,014,165	-	1,621,317	1,574,000	14,209,482
Public safety.....	36,670,261	-	1,250,996	1,614,775	39,536,032
Education.....	95,715,553	3,425,990	2,518,409	17,139,107	118,799,059
Public works.....	14,870,354	-	4,343,597	1,702,810	20,916,761
Community and economic development.....	-	-	-	1,405,465	1,405,465
Human services.....	2,605,611	-	1,966,520	824,579	5,396,710
Leisure services.....	4,969,813	-	168,512	2,955,711	8,094,036
Pension benefits.....	29,388,794	-	-	-	29,388,794
Fringe benefits.....	34,511,940	-	-	-	34,511,940
State and county charges.....	6,283,848	-	-	-	6,283,848
Debt service:					
Principal.....	7,163,794	-	-	-	7,163,794
Interest.....	2,001,989	-	-	-	2,001,989
<b>TOTAL EXPENDITURES.....</b>	<b>245,196,122</b>	<b>3,425,990</b>	<b>11,869,351</b>	<b>27,216,447</b>	<b>287,707,910</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>5,443,092</b>	<b>(2,151,725)</b>	<b>(11,869,351)</b>	<b>1,701,872</b>	<b>(6,876,112)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds.....	-	10,000,000	-	7,735,000	17,735,000
Proceeds from refunding bonds.....	6,075,000	-	-	-	6,075,000
Premium from issuance of bonds, net of expenditures.....	1,362,097	-	-	-	1,362,097
Premium from issuance of refunding bonds.....	777,872	-	-	-	777,872
Payments to refunded bond escrow agent.....	(6,915,822)	-	-	-	(6,915,822)
Transfers in.....	6,798,864	-	9,083,000	163,078	16,044,942
Transfers out.....	(9,246,078)	-	(500)	(4,729,124)	(13,975,702)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,148,067)</b>	<b>10,000,000</b>	<b>9,082,500</b>	<b>3,168,954</b>	<b>21,103,387</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>4,295,025</b>	<b>7,848,275</b>	<b>(2,786,851)</b>	<b>4,870,826</b>	<b>14,227,275</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>24,550,001</b>	<b>401,678</b>	<b>13,154,332</b>	<b>28,041,681</b>	<b>66,147,692</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 28,845,026</b>	<b>\$ 8,249,953</b>	<b>\$ 10,367,481</b>	<b>\$ 32,912,507</b>	<b>\$ 80,374,967</b>

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, 2016

Net change in fund balances - total governmental funds.....		\$ 14,227,275
<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.....	19,048,090	
Depreciation expense.....	<u>(12,846,760)</u>	
Net effect of reporting capital assets.....		6,201,330
<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 (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.....</p>		
		2,553,516
<p>The issuance of long-term debt (e.g., bonds and leases) 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, however, 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 deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds.....	(17,735,000)	
Proceeds from refunding bonds.....	(6,075,000)	
Amortization of bond premiums.....	213,168	
Premium from issuance of refunding bonds.....	(777,872)	
Payments to refunding bond escrow agent.....	6,915,822	
Deferred charges on refunding.....	212,050	
Debt service principal payments.....	<u>7,163,794</u>	
Net effect of reporting long-term debt.....		(10,083,038)
<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.....	178,420	
Net change in accrued interest on long-term debt.....	(192,412)	
Net change in postemployment benefit accrual.....	(4,483,169)	
Net change in landfill accrual.....	66,000	
Net change in deferred outflow/(inflow) of resources related to pensions.....	27,600,551	
Net change in un-amortized bond premiums.....	(1,362,097)	
Net change in net pension liability.....	<u>(35,321,649)</u>	
Net effect of recording long-term liabilities.....		(13,514,356)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>162,892</u>
Change in net position of governmental activities.....		<u>\$ (452,381)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 7,251,651	\$ 426,729	\$ 7,678,380	\$ 6,053,980
Receivables, net of allowance for uncollectibles:				
Water and sewer fees.....	7,127,639	-	7,127,639	-
Other assets.....	13,988	69,849	83,837	-
Total current assets.....	<u>14,393,278</u>	<u>496,578</u>	<u>14,889,856</u>	<u>6,053,980</u>
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	58,583,581	3,309,885	61,893,466	-
TOTAL ASSETS.....	<u>72,976,859</u>	<u>3,806,463</u>	<u>76,783,322</u>	<u>6,053,980</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions.....	627,130	45,886	673,016	-
<b>LIABILITIES</b>				
CURRENT:				
Warrants payable.....	757,042	159,228	916,270	7,999
Accrued liabilities.....	13,290	-	13,290	-
Accrued interest.....	62,548	8,069	70,617	-
Due to other funds.....	-	50,000	50,000	-
Other liabilities.....	-	14,162	14,162	-
Compensated absences.....	283,156	55,042	338,198	-
Workers' compensation.....	-	-	-	234,960
Notes payable.....	-	500,000	500,000	-
Bonds payable.....	1,986,697	150,000	2,136,697	-
Total current liabilities.....	<u>3,102,733</u>	<u>936,501</u>	<u>4,039,234</u>	<u>242,959</u>
NONCURRENT:				
Due to other funds.....	-	525,000	525,000	-
Compensated absences.....	86,490	11,250	97,740	-
Workers' compensation.....	-	-	-	2,702,040
Postemployment benefits.....	1,592,805	46,552	1,639,357	-
Net pension liability.....	4,517,800	330,558	4,848,358	-
Bonds payable.....	6,113,222	845,000	6,958,222	-
Total noncurrent liabilities.....	<u>12,310,317</u>	<u>1,758,360</u>	<u>14,068,677</u>	<u>2,702,040</u>
TOTAL LIABILITIES.....	<u>15,413,050</u>	<u>2,694,861</u>	<u>18,107,911</u>	<u>2,944,999</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	54,197,734	2,457,376	56,655,110	-
Unrestricted.....	3,993,205	(1,299,888)	2,693,317	3,108,981
TOTAL NET POSITION.....	<u>\$ 58,190,939</u>	<u>\$ 1,157,488</u>	<u>\$ 59,348,427</u>	<u>\$ 3,108,981</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water &amp; Sewer</u>	<u>Golf Course</u>	<u>Total</u>	
<b><u>OPERATING REVENUES:</u></b>				
Charges for services .....	\$ 28,311,805	\$ 1,275,928	\$ 29,587,733	\$ -
Employer contributions .....	-	-	-	2,179,214
<b>TOTAL OPERATING REVENUES .....</b>	<b><u>28,311,805</u></b>	<b><u>1,275,928</u></b>	<b><u>29,587,733</u></b>	<b><u>2,179,214</u></b>
<b><u>OPERATING EXPENSES:</u></b>				
Cost of services and administration .....	23,072,922	918,043	23,990,965	-
Depreciation.....	1,653,253	240,744	1,893,997	-
Employee benefits .....	-	-	-	2,037,254
<b>TOTAL OPERATING EXPENSES .....</b>	<b><u>24,726,175</u></b>	<b><u>1,158,787</u></b>	<b><u>25,884,962</u></b>	<b><u>2,037,254</u></b>
<b>OPERATING INCOME (LOSS).....</b>	<b><u>3,585,630</u></b>	<b><u>117,141</u></b>	<b><u>3,702,771</u></b>	<b><u>141,960</u></b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
Investment income.....	9,195	756	9,951	20,932
Interest expense.....	(177,967)	(36,740)	(214,707)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b><u>(168,772)</u></b>	<b><u>(35,984)</u></b>	<b><u>(204,756)</u></b>	<b><u>20,932</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b><u>3,416,858</u></b>	<b><u>81,157</u></b>	<b><u>3,498,015</u></b>	<b><u>162,892</u></b>
<b><u>TRANSFERS:</u></b>				
Transfers out.....	(1,941,449)	(127,791)	(2,069,240)	-
<b>CHANGE IN NET POSITION.....</b>	<b><u>1,475,409</u></b>	<b><u>(46,634)</u></b>	<b><u>1,428,775</u></b>	<b><u>162,892</u></b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b><u>56,715,530</u></b>	<b><u>1,204,122</u></b>	<b><u>57,919,652</u></b>	<b><u>2,946,089</u></b>
<b>NET POSITION AT END OF YEAR.....</b>	<b><u>\$ 58,190,939</u></b>	<b><u>\$ 1,157,488</u></b>	<b><u>\$ 59,348,427</u></b>	<b><u>\$ 3,108,981</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 27,650,475	\$ 1,275,928	\$ 28,926,403	\$ -
Receipts from interfund services provided.....	-	-	-	2,179,214
Payments to vendors.....	(20,494,292)	(561,176)	(21,055,468)	(1,953,366)
Payments to employees.....	(2,297,615)	(464,420)	(2,762,035)	-
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>4,858,568</b>	<b>250,332</b>	<b>5,108,900</b>	<b>225,848</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers out.....	(1,941,449)	(127,791)	(2,069,240)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(1,941,449)</b>	<b>(127,791)</b>	<b>(2,069,240)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	1,000,000	500,000	1,500,000	-
Premium from the issuance of bonds.....	84,413	-	84,413	-
Acquisition and construction of capital assets.....	(1,171,035)	(782,250)	(1,953,285)	-
Principal payments on bonds.....	(2,154,166)	(154,000)	(2,308,166)	-
Interest expense.....	(270,861)	(37,355)	(308,216)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,511,649)</b>	<b>(473,605)</b>	<b>(2,985,254)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	9,195	756	9,951	20,932
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>414,665</b>	<b>(350,308)</b>	<b>64,357</b>	<b>246,780</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>6,836,986</b>	<b>777,037</b>	<b>7,614,023</b>	<b>5,807,200</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 7,251,651</b>	<b>\$ 426,729</b>	<b>\$ 7,678,380</b>	<b>\$ 6,053,980</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 3,585,630	\$ 117,141	\$ 3,702,771	\$ 141,960
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,653,253	240,744	1,893,997	-
Deferred outflows (inflows) related to pensions.....	(578,694)	(42,253)	(620,947)	-
Changes in assets and liabilities:				
Charges for services receivable.....	(661,330)	-	(661,330)	-
Due to other funds.....	-	(50,000)	(50,000)	-
Other assets.....	439	(69,849)	(69,410)	-
Warrants payable.....	(11,620)	(8,750)	(20,370)	7,999
Postemployment benefits.....	30,415	889	31,304	-
Accrued liabilities.....	13,290	(6,880)	6,410	(1,111)
Net pension liability.....	812,786	52,682	865,468	-
Other liabilities.....	-	4,573	4,573	-
Accrued compensated absences.....	14,399	12,035	26,434	-
Workers' compensation.....	-	-	-	77,000
<b>Total adjustments.....</b>	<b>1,272,938</b>	<b>133,191</b>	<b>1,406,129</b>	<b>83,888</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 4,858,568</b>	<b>\$ 250,332</b>	<b>\$ 5,108,900</b>	<b>\$ 225,848</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 10,967	\$ 263,846	\$ 2,253,300	\$ -
Investments.....	256,167,885	29,752,544	3,953,035	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	364,404	-	-	658,954
Due from other funds.....	-	-	113,542	-
<b>TOTAL ASSETS.....</b>	<b>256,543,256</b>	<b>30,016,390</b>	<b>6,319,877</b>	<b>658,954</b>
<b>LIABILITIES</b>				
Warrants payable.....	19,841	-	5,907	-
Accrued liabilities.....	-	-	362,298	-
Other liabilities.....	-	-	-	545,412
Due to other funds.....	-	-	-	113,542
<b>TOTAL LIABILITIES.....</b>	<b>19,841</b>	<b>-</b>	<b>368,205</b>	<b>658,954</b>
<b>NET POSITION</b>				
Held in trust for pension benefits, OPEB, and other purposes..	\$ <u>256,523,415</u>	\$ <u>30,016,390</u>	\$ <u>5,951,672</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 19,232,179	\$ 3,499,199	\$ -
Employee.....	6,197,022	-	-
Private donations.....	-	-	241,388
Total contributions.....	<u>25,429,201</u>	<u>3,499,199</u>	<u>241,388</u>
Net investment income (loss):			
Net change in fair value of investments.....	3,361,958	-	-
Investment income (loss).....	<u>352,962</u>	<u>460,267</u>	<u>310,874</u>
Total investment income (loss).....	3,714,920	460,267	310,874
Less: investment expense.....	<u>(1,980,100)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>1,734,820</u>	<u>460,267</u>	<u>310,874</u>
Intergovernmental.....	<u>430,120</u>	<u>-</u>	<u>-</u>
Transfers from other systems.....	<u>980,552</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>28,574,693</u>	<u>3,959,466</u>	<u>552,262</u>
<b>DEDUCTIONS:</b>			
Administration.....	413,350	-	-
Transfers to other systems.....	1,521,541	-	-
Retirement benefits and refunds.....	27,953,105	-	-
Educational scholarships.....	-	-	250,170
TOTAL DEDUCTIONS.....	<u>29,887,996</u>	<u>-</u>	<u>250,170</u>
CHANGE IN NET POSITION.....	(1,313,303)	3,959,466	302,092
NET POSITION AT BEGINNING OF YEAR.....	<u>257,836,718</u>	<u>26,056,924</u>	<u>5,649,580</u>
NET POSITION AT END OF YEAR.....	<u>\$ 256,523,415</u>	<u>\$ 30,016,390</u>	<u>\$ 5,951,672</u>

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 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. 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 Board of Selectmen, 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 *Devotion School renovation fund* is used to account for financial resources for the renovation of the Devotion School building.

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 & 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 health insurance, workers' compensation, unemployment and municipal building insurance. The Town also uses this fund to accumulate reserves for postemployment benefits.

**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 trust fund* is used to account for the activities of the Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefits trust fund* is used to accumulate assets which will be used to offset future postemployment benefit costs.

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.

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

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### 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 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 detail.

## 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 & 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.

### ***Loans***

The Department of Community and Economic Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

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

### **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's reported deferred outflow of resources relate to pensions.

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 did not have any items that qualify for reporting in this category.

#### *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 are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities 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, 2016, 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:

“Loans” represents community development outstanding loans receivable balances.

“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.

“Other purposes” 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 (BCRS) and the Massachusetts Teachers Retirement System and additions to/deductions from the BCRS'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.

#### T. Individual Fund Deficits

At year-end several individual fund deficits exist in the Special Revenue Funds that will be funded through grants and available fund balances in the next year.

#### 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 \$89,061,854 and the bank balance totaled \$93,504,114. Of the bank balance, \$860,240 was covered by Federal Depository Insurance, \$86,292,608 was covered by the Depositors Insurance Fund, and \$6,351,266 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$89,061,854 in deposits and \$11,004,516 in cash equivalents. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts totaled \$97,549,224 and \$2,517,146, respectively. See investments below for amounts designated as cash equivalents.

At December 31, 2015, the carrying amount of deposits for the Retirement System totaled \$10,967 and the bank balance totaled \$382,427. The entire bank balance of the System was covered by Federal Depository Insurance.

The Retirement System’s cash and cash equivalents consist of \$10,967 in deposits.

Investments

The Town of Brookline had the following investments, including cash equivalents classified as investments, at June 30, 2016:

Investment Type	Fair Value	Maturity		
		1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities</u>				
United States Treasury.....	\$ 2,075,806	\$ 1,124,871	\$ 762,959	\$ 187,976
Federal National Mortgage Asso.....	170,697	-	-	170,697
Federal Home Loan Mortgage Corp.....	6,876	-	-	6,876
Bond Mutual Funds.....	1,408,687	1,408,687	-	-
Corporate Bonds.....	395,543	182,887	212,656	-
Total Debt Securities.....	\$ 4,057,609	\$ 2,716,445	\$ 975,615	\$ 365,549
<u>Other Investments</u>				
Alternative Investments.....	2,771,098			
PRIT Investments (Pooled Funds).....	26,981,446			
Equity Securities.....	5,307,926			
Equity Mutual Funds.....	3,578,955			
Money Market Mutual Funds (*).....	786,349			
MMDT (*).....	10,218,167			
Total Investments.....	\$ 53,701,550			
(*) designates cash equivalent				
Total investments per above.....	\$ 53,701,550			
Less: cash equivalents.....	<u>(11,004,516)</u>			
Total Investments.....	\$ <u>42,697,034</u>			

The Town’s investments are reported in both the primary government and the fiduciary funds. Those amounts total \$8,991,455 and \$33,705,579, respectively.

As of December 31, 2015, the Retirement System had the following investments:

<u>Other Investments</u>	
Equity Mutual Funds.....	\$ 163,222,437
Bond Mutual Funds.....	60,483,127
PRIT Investments (Pooled Funds).....	1,124,851
Alternative Investments-Real Estate.....	<u>31,337,470</u>
 Total Investments.....	 \$ <u>256,167,885</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, \$2,075,806 in U.S. Treasury Securities, \$170,697 in Federal National Mortgage Association, \$6,876 in Federal Home Loan Mortgage Corporation, \$395,543 in Corporate Bonds, and \$5,307,926 in Equity Securities, the Town has custodial credit risk exposure of \$7,956,848 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, 2016 the Town’s debt securities were rated as follows:

Rated Debt Investments - Town						
Quality Ratings	United States Treasury	Federal National Mortgage Asso.	Federal Home Loan Mortgage Corp.	Bond Mutual Funds	Corporate Bonds	Total
AAA.....	\$ -	\$ -	\$ -	\$ -	\$ 26,894	\$ 26,894
AA+.....	2,075,806	170,697	6,876	913,108	25,554	3,192,041
AA.....	-	-	-	-	27,337	27,337
AA-.....	-	-	-	-	104,477	104,477
A+.....	-	-	-	-	106,126	106,126
A.....	-	-	-	495,578	53,316	548,894
A-.....	-	-	-	-	51,840	51,840
Fair Value..	\$ 2,075,806	\$ 170,697	\$ 6,876	\$ 1,408,686	\$ 395,544	\$ 4,057,609

#### 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 0.14 to 24.23 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, 2016, 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, 2015, 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, 2016:

<b>Town</b>		<u>Fair Value Measurements Using</u>		
<u>Investment Type</u>	<u>6/30/16</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments measured at fair value level:</b>				
<u>Debt Securities</u>				
United States Treasury.....	\$ 2,075,806	\$ 2,075,806	\$ -	\$ -
Federal National Mortgage Asso.....	170,697	170,697	-	-
Federal Home Loan Mortgage Corp.....	6,876	6,876	-	-
Bond Mutual Funds.....	1,408,687	1,408,687	-	-
Corporate Bonds.....	395,543	-	395,543	-
Total debt securities.....	<u>4,057,609</u>	<u>3,662,066</u>	<u>395,543</u>	<u>-</u>
<u>Other investments</u>				
Pooled Alternative Investments.....	2,771,098	-	-	2,771,098
Equity Securities.....	5,307,926	5,307,926	-	-
Equity Mutual Funds.....	3,578,955	3,578,955	-	-
Money Market Mutual Funds.....	786,349	786,349	-	-
Total other investments.....	<u>12,444,328</u>	<u>9,673,230</u>	<u>-</u>	<u>2,771,098</u>
Total investments measured at fair value level.....	16,501,937	<u>\$ 13,335,296</u>	<u>\$ 395,543</u>	<u>\$ 2,771,098</u>
<b>Investments measured at the net asset value:</b>				
PRIT Investments.....	26,981,446			
<b>Investments measured at amortized cost:</b>				
MMDT.....	<u>10,218,167</u>			
Total investments.....	<u>\$ 53,701,550</u>			

U.S. government treasuries and government sponsored enterprises, bond mutual funds, equity securities, equity mutual funds, 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. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pooled alternative investments 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 (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.

The System has the following recurring fair value measurements as of December 31, 2015:

Retirement System	12/31/15	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)
<b>Investments measured at fair value level:</b>				
<u>Debt Securities</u>				
Bond Mutual Funds.....	\$ 60,483,127	\$ 60,483,127	\$ -	\$ -
<u>Other investments</u>				
Equity Mutual Funds.....	163,222,437	163,222,437	-	-
Alternative Investments-Real Estate.....	31,337,470	-	-	31,337,470
Total other investments.....	194,559,907	163,222,437	-	31,337,470
Total investments measured at fair value level:	255,043,034	\$ 223,705,564	\$ -	\$ 31,337,470
<b>Investments measured at the net asset value:</b>				
PRIT Investments.....	1,124,851			
Total investments.....	\$ 256,167,885			

Bond mutual funds and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Alternative investments – 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 (NAV) 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 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, 2016, 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....	\$ 3,119,885	\$ -	\$ 3,119,885
Tax liens.....	2,058,503	-	2,058,503
Motor vehicle and other excise taxes.....	407,481	(322,332)	85,149
User fees.....	102,686	-	102,686
Departmental and other.....	5,698,815	(1,963,864)	3,734,951
Intergovernmental.....	8,446,994	-	8,446,994
Loans.....	28,117	-	28,117
Total.....	<u>\$ 19,862,481</u>	<u>\$ (2,286,196)</u>	<u>\$ 17,576,285</u>

At June 30, 2016, receivables for the water and sewer enterprise fund totaled \$7,127,639. 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>Type:</u>			
Real estate and personal property taxes....	\$ 2,753,903	\$ -	\$ 2,753,903
Tax liens.....	1,851,032	-	1,851,032
Motor vehicle and other excise taxes.....	85,149	-	85,149
User fees.....	102,686	-	102,686
Departmental and other.....	3,699,734	35,217	3,734,951
Intergovernmental.....	2,612,000	4,570,231	7,182,231
<u>Other asset type:</u>			
Due from other funds.....	150,000	-	150,000
Total.....	<u>\$ 11,254,504</u>	<u>\$ 4,605,448</u>	<u>\$ 15,859,952</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 874,873	\$ -	\$ -	\$ 874,873
Construction in progress.....	<u>4,208,412</u>	<u>4,817,322</u>	<u>-</u>	<u>9,025,734</u>
Total capital assets not being depreciated.....	<u>5,083,285</u>	<u>4,817,322</u>	<u>-</u>	<u>9,900,607</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	30,896,620	2,913,400	-	33,810,020
Buildings.....	297,681,305	5,627,438	-	303,308,743
Machinery and equipment.....	30,486,379	1,998,763	-	32,485,142
Infrastructure.....	<u>47,125,118</u>	<u>3,691,167</u>	<u>(2,196,035)</u>	<u>48,620,250</u>
Total capital assets being depreciated.....	<u>406,189,422</u>	<u>14,230,768</u>	<u>(2,196,035)</u>	<u>418,224,155</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(13,304,073)	(1,775,100)	-	(15,079,173)
Buildings.....	(120,496,504)	(7,286,885)	-	(127,783,389)
Machinery and equipment.....	(19,529,381)	(2,015,219)	-	(21,544,600)
Infrastructure.....	<u>(23,033,534)</u>	<u>(1,769,556)</u>	<u>2,196,035</u>	<u>(22,607,055)</u>
Total accumulated depreciation.....	<u>(176,363,492)</u>	<u>(12,846,760)</u>	<u>2,196,035</u>	<u>(187,014,217)</u>
Total capital assets being depreciated, net.....	<u>229,825,930</u>	<u>1,384,008</u>	<u>-</u>	<u>231,209,938</u>
Total capital assets, net.....	<u>\$ 234,909,215</u>	<u>\$ 6,201,330</u>	<u>\$ -</u>	<u>\$ 241,110,545</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Water &amp; Sewer Activities:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 201,230	\$ -	\$ -	\$ 201,230
Buildings.....	2,810,328	-	-	2,810,328
Machinery and equipment.....	2,384,625	203,676	-	2,588,301
Infrastructure.....	<u>76,134,536</u>	<u>1,692,849</u>	<u>-</u>	<u>77,827,385</u>
Total capital assets being depreciated.....	<u>81,530,719</u>	<u>1,896,525</u>	<u>-</u>	<u>83,427,244</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(86,191)	(6,574)	-	(92,765)
Buildings.....	(1,297,918)	(68,049)	-	(1,365,967)
Machinery and equipment.....	(1,616,128)	(207,370)	-	(1,823,498)
Infrastructure.....	<u>(20,190,173)</u>	<u>(1,371,260)</u>	<u>-</u>	<u>(21,561,433)</u>
Total accumulated depreciation.....	<u>(23,190,410)</u>	<u>(1,653,253)</u>	<u>-</u>	<u>(24,843,663)</u>
Total capital assets being depreciated, net.....	<u>\$ 58,340,309</u>	<u>\$ 243,272</u>	<u>\$ -</u>	<u>\$ 58,583,581</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Golf Course Activities:</b>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 1,823,773	\$ 933,002	\$ -	\$ 2,756,775
Buildings.....	2,028,007	-	-	2,028,007
Machinery and equipment.....	143,930	-	-	143,930
Total capital assets being depreciated.....	<u>3,995,710</u>	<u>933,002</u>	<u>-</u>	<u>4,928,712</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(630,995)	(144,721)	-	(775,716)
Buildings.....	(614,727)	(84,454)	-	(699,181)
Machinery and equipment.....	(132,361)	(11,569)	-	(143,930)
Total accumulated depreciation.....	<u>(1,378,083)</u>	<u>(240,744)</u>	<u>-</u>	<u>(1,618,827)</u>
Total capital assets being depreciated, net.....	<u>\$ 2,617,627</u>	<u>\$ 692,258</u>	<u>\$ -</u>	<u>\$ 3,309,885</u>

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

**Governmental Activities:**

General government.....	\$ 1,042,898
Public safety.....	1,215,580
Education.....	5,226,765
Public works.....	4,172,946
Leisure services.....	722,820
Human services.....	465,751

Total depreciation expense - governmental activities..... \$ 12,846,760

**Business-Type Activities:**

Water and Sewer.....	\$ 1,653,253
Golf.....	240,744

Total depreciation expense - business-type activities..... \$ 1,893,997

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Capital Article Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 9,083,000	\$ 163,078	\$ 9,246,078
Nonmajor Governmental Funds.....	4,729,124	-	-	4,729,124
Capital Article Fund.....	500	-	-	500
Water & Sewer Enterprise Fund.....	1,941,449	-	-	1,941,449
Golf Enterprise Fund.....	127,791	-	-	127,791
	<u>\$ 6,798,864</u>	<u>\$ 9,083,000</u>	<u>\$ 163,078</u>	<u>\$ 16,044,942</u>

Transfers represent amounts voted to fund the 2016 operating budget and indirect costs transfers from the enterprise 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, 2016, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
BAN	Golf Course Improvements.....	0.65	03/29/17	\$ -	\$ 500,000	\$ -	\$ 500,000

**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 \$18,735,000 of new general obligation bonds of which \$17,735,000 was recognized in the governmental funds, \$1,000,000 was recognized in the water & sewer enterprise fund.

In order to take advantage of favorable interest rates, the Town issued \$6,075,000 of General Obligation Refunding Bonds on March 29, 2016. \$6,350,000 of general obligation bonds were refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments over the next 12 years by \$733,586 and resulted in an economic gain of \$623,843. At June 30, 2016, approximately \$6,350,000 of governmental bonds outstanding from the refunding is considered defeased.

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

<b>Governmental Funds</b>							
Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
<i>Inside Debt Limit</i>							
Schools.....	2041	\$ 39,495,877	2.00-5.00	\$ 18,121,000	\$ 11,920,000	\$ 2,026,000	\$ 28,015,000
General Government.....	2031	69,963,968	2.00-5.00	28,280,294	7,625,000	10,032,794	25,872,500
Sub-total.....				46,401,294	19,545,000	12,058,794	53,887,500
<i>Outside Debt Limit</i>							
Schools.....	2032	19,760,000	2.00-4.00	13,555,000	-	1,455,000	12,100,000
General Government.....	2031			-	4,265,000	-	4,265,000
Sub-total.....				13,555,000	4,265,000	1,455,000	16,365,000
Total Governmental Bonds Payable.....				59,956,294	23,810,000	13,513,794	70,252,500
Unamortized Premium on Bonds.....				1,285,369	1,362,097	213,168	2,434,298
Total Governmental Long-Term Debt.....				61,241,663	25,172,097	13,726,962	72,686,798
<b>Enterprise Funds</b>							
<i>Inside Debt Limit</i>							
Golf Course Enterprise Fund....	2035	1,749,000	2.00-4.50	1,149,000	-	154,000	995,000
Water Enterprise Fund.....	2022	7,855,932	2.00-5.00	2,414,706	-	767,206	1,647,500
Sewer Enterprise Fund.....	2026	14,114,900	0.00-5.00	6,756,617	1,000,000	1,386,960	6,369,657
Total Enterprise Bonds Payable.....				10,320,323	1,000,000	2,308,166	9,012,157
Unamortized Premium on Bonds.....				86,854	-	4,092	82,762
Total Enterprise Long-Term Debt.....				10,407,177	1,000,000	2,312,258	9,094,919
Total Long-Term Debt.....				\$ 71,648,840	\$ 26,172,097	\$ 16,039,220	\$ 81,781,717

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

**Governmental funds - Debt Service Payments**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 7,835,000	\$ 2,632,542	\$ 10,467,542
2018.....	7,372,500	2,436,396	9,808,896
2019.....	7,010,000	2,180,358	9,190,358
2020.....	6,670,000	1,923,057	8,593,057
2021.....	5,165,000	1,649,805	6,814,805
2022.....	5,165,000	1,423,245	6,588,245
2023.....	4,600,000	1,205,943	5,805,943
2024.....	4,105,000	1,014,182	5,119,182
2025.....	3,705,000	852,756	4,557,756
2026.....	2,995,000	699,968	3,694,968
2027.....	2,460,000	564,000	3,024,000
2028.....	2,465,000	445,426	2,910,426
2029.....	1,855,000	347,950	2,202,950
2030.....	1,660,000	294,400	1,954,400
2031.....	1,675,000	231,560	1,906,560
2032.....	960,000	167,562	1,127,562
2033.....	450,000	138,762	588,762
2034.....	460,000	125,262	585,262
2035.....	475,000	111,462	586,462
2036.....	490,000	97,212	587,212
2037.....	505,000	82,512	587,512
2038.....	520,000	67,362	587,362
2039.....	535,000	51,762	586,762
2040.....	550,000	35,712	585,712
2041.....	570,000	18,524	588,524
Totals.....	\$ <u>70,252,500</u>	\$ <u>18,797,714</u>	\$ <u>89,050,214</u>

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

**Enterprise Funds - Debt Service Payments**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 2,132,960	\$ 278,788	\$ 2,411,748
2018.....	1,743,441	218,750	1,962,191
2019.....	1,395,378	168,018	1,563,396
2020.....	1,265,378	126,457	1,391,835
2021.....	695,000	89,006	784,006
2022.....	460,000	62,706	522,706
2023.....	360,000	45,506	405,506
2024.....	310,000	33,133	343,133
2025.....	210,000	22,732	232,732
2026.....	160,000	15,276	175,276
2027.....	55,000	9,312	64,312
2028.....	60,000	7,532	67,532
2029.....	60,000	5,543	65,543
2030.....	30,000	3,580	33,580
2031.....	30,000	2,474	32,474
2032.....	15,000	1,350	16,350
2033.....	10,000	900	10,900
2034.....	10,000	600	10,600
2035.....	10,000	300	10,300
Totals.....	\$ <u>9,012,157</u>	\$ <u>1,091,963</u>	\$ <u>10,104,120</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 2016, \$557,000 of such assistance was received for reimbursement. Approximately \$2,975,000 will be received in future years. Of this amount, \$363,000 represents reimbursement of long-term interest costs, and \$2,612,000 represents reimbursement of approved construction costs. Accordingly, a \$2,612,000 intergovernmental receivable and corresponding deferred inflow of resources has been reported in governmental fund financial statements. The deferred inflows of resources have been recognized as revenue in the conversion to the government-wide financial statements.

Beginning in 2005, the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2016, the Town has received capital grant proceeds totaling \$1.1 million from the MSBA, which is equal to 35.84% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$790,788 of grant proceeds in 2017. Accordingly, a \$790,788 intergovernmental receivable and corresponding deferred inflow 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, 2016, the Town had the following authorized and unissued debt:

Purpose	Amount
Devotion School.....	\$ 108,400,000
Fire Maintenance Facility & Remodeling.....	4,500,000
Wastewater System Improvements.....	2,000,000
School Building Envelope/Fenestration Repairs.....	2,100,000
Carlton Street Foot Bridge.....	1,245,000
Traffic Circulation, Pedestrian & Bicycle Crossing Imp.....	1,200,000
Town and School Building Roof Repairs.....	1,200,000
Golf Course Improvements.....	1,000,000
Fire Truck Acquisition.....	800,000
Muddy River Project.....	745,000
Recreational Facility Renovations.....	700,000
Golf - Grounds.....	265,000
Pierce Playground Renovation.....	60,000
Sewers.....	<u>265</u>
Total.....	<u>\$ 124,215,265</u>

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

**Governmental Funds**

	Balance June 30, 2015	Bonds Issued	Bonds Redeemed	Other Net Increase (Decrease)	Balance June 30, 2016	Current Portion
Long-Term Bonds.....	\$ 59,956,294	\$ 23,810,000	\$ (13,513,794)	\$ -	\$ 70,252,500	\$ 7,835,000
Add: unamortized premium.....	1,285,369	-	-	1,148,929	2,434,298	323,680
Total Long-Term Debt.....	61,241,663	23,810,000	(13,513,794)	1,148,929	72,686,798	8,158,680
Other Postemployment Benefits.....	51,254,226	-	-	4,483,169	55,737,395	-
Workers' Compensation.....	2,860,000	-	-	77,000	2,937,000	234,960
Compensated Absences.....	8,781,518	-	-	(178,420)	8,603,098	6,438,619
Net Pension Liability.....	180,510,554	-	-	35,321,649	215,832,203	-
Landfill Closure.....	4,785,000	-	-	(66,000)	4,719,000	190,000
Total.....	\$ 309,432,961	\$ 23,810,000	\$ (13,513,794)	\$ 40,786,327	\$ 360,515,494	\$ 15,022,259

**Business-Type Activities**

	Balance June 30, 2015	Bonds Issued	Bonds Redeemed	Other Net Increase (Decrease)	Balance June 30, 2016	Current Portion
Long-Term Bonds.....	\$ 10,320,323	\$ 1,000,000	\$ (2,308,166)	\$ -	\$ 9,012,157	\$ 2,132,960
Add: unamortized premium.....	86,854	-	-	(4,092)	82,762	3,737
Total Long-Term Debt.....	10,407,177	1,000,000	(2,308,166)	(4,092)	9,094,919	2,136,697
Other Postemployment Benefits.....	1,608,053	-	-	31,304	1,639,357	-
Compensated Absences.....	409,504	-	-	26,434	435,938	338,198
Net Pension Liability.....	3,982,890	-	-	865,468	4,848,358	-
Total.....	\$ 16,407,624	\$ 1,000,000	\$ (2,308,166)	\$ 919,114	\$ 16,018,572	\$ 2,474,895

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At year end, \$2,937,000 of internal service fund accrued liabilities is included above. Except for the amounts related to the internal service funds and a portion of the bonds, the governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 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	Devotion School Renovation	Capital Article Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	1,701,420	\$ 1,701,420
Restricted for:					
Housing trust funds.....	-	-	-	3,404,366	3,404,366
Parking meter fund.....	-	-	-	3,773,523	3,773,523
Revolving funds.....	-	-	-	2,573,190	2,573,190
Trust funds.....	-	-	-	5,854	5,854
Federal grant funds.....	-	-	-	468,400	468,400
Gift and grant funds.....	-	-	-	6,036,985	6,036,985
Sale of cemetery lots/ graves.....	-	-	-	488,931	488,931
Sale of municipal property.....	-	-	-	80,000	80,000
Non-expendable permanent funds.....	-	-	-	58,590	58,590
Cemetery perpetual care.....	-	-	-	128,876	128,876
Library permanent fund.....	-	-	-	5,180,018	5,180,018
Other permanent funds.....	-	-	-	587,850	587,850
Committed to:					
Revenue financed capital article major fund.....	-	8,249,953	10,367,481	-	18,617,434
Debt financed school capital projects.....	-	-	-	764,131	764,131
Debt financed town capital projects.....	-	-	-	7,660,373	7,660,373
Assigned to:					
General government.....	153,319	-	-	-	153,319
Public safety.....	763,380	-	-	-	763,380
Education.....	754,581	-	-	-	754,581
Public works.....	431,571	-	-	-	431,571
Human services.....	14,072	-	-	-	14,072
Leisure services.....	63,264	-	-	-	63,264
Employee benefits.....	7,419	-	-	-	7,419
Free cash used for subsequent year's appropriations.....	5,311,538	-	-	-	5,311,538
Unassigned.....	21,345,882	-	-	-	21,345,882
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 28,845,026</b>	<b>\$ 8,249,953</b>	<b>\$ 10,367,481</b>	<b>\$ 32,912,507</b>	<b>\$ 80,374,967</b>

**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 \$6,204,334 and is reported as unassigned fund balance within the General Fund. The fund earned \$52,250 of investment income during 2016. 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, 2016, the amount of the liability for workers’ compensation claims totaled \$2,937,000. Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Year-End
Year 2016.....	\$ 2,860,000	\$	1,541,716	\$	(1,464,716)	\$	2,937,000
Year 2015.....	2,070,000	\$	2,185,243	\$	(1,395,243)	\$	2,860,000

**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, 2015. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$10,664,082 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 \$213,814,290 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, 2015.

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, 2015, the System membership consists of the following:

Active members.....	1,318
Inactive members.....	1,596
Retirees and beneficiaries currently receiving benefits.....	<u>898</u>
Total.....	<u><u>3,812</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, 2015, was \$19,232,179, 28.46% 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 \$18,614,041 which equaled its actual contribution. The Town made an additional contribution of \$25,976.

*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2016 were as follows:

Total pension liability.....	\$ 484,224,410
The pension plan's fiduciary net position.....	<u>(256,523,415)</u>
The net pension liability.....	\$ <u>227,700,995</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	52.98%

At June 30, 2016, the Town reported a liability of \$220,680,561 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2015, the Town's proportion was 96.92%, and at December 31, 2014, the Town's proportion was 96.53%.

*Pension Expense*

For the year ended June 30, 2016, the Town recognized pension expense of \$7,965,620. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$30,633,383, from the net difference between projected and actual investment earnings on pension plan investments, the difference between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and changes in the proportionate share of contributions.

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

Year ended June 30:	
2017.....	\$ 9,064,605
2018.....	9,064,605
2019.....	9,064,605
2020.....	<u>3,439,568</u>
Total.....	\$ <u>30,633,383</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 2016 totaled approximately \$111,000.

*Actuarial Assumptions* - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Actuarial Cost Method
Amortization method - UAAL.....	Appropriation increasing 7.85% per year
Amortization method - 2003 ERI.....	Increasing at 4.50% to reduce the 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2030
Remaining amortization period.....	As of July 1, 2015, 15 years
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted, if necessary to be within 10% of the market value
Investment rate of return.....	7.40%
Discount rate.....	7.40%
Inflation rate.....	4.50%
Projected salary increases.....	4.50% for Groups 1 and 2, 4.75% for Group 4
Cost of living adjustments.....	3.0% of first \$13,000 of the annual retirement allowance.
Mortality rates.....	RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D for pre-retirement mortality and the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 with Scale BB2D for post-retirement mortality. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table projected generationally from 2015 using Scale BB2D.

#### *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, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Cash.....	1.11%	0.00%
Domestic equity.....	6.49%	24.0%
International developed markets equity.....	7.16%	21.0%
International emerging markets equity.....	9.46%	5.00%
Core fixed income.....	1.68%	14.0%
High-yield fixed income.....	4.76%	6.00%
Real estate.....	4.37%	10.0%
Commodities.....	4.13%	3.00%
Hedge fund, GTAA, Risk parity.....	3.60%	7.00%
Private equity.....	11.04%	10.0%
Total.....		<u>100.0%</u>

*Rate of return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.40%. 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 presents the net pension liability, calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount (7.40%)	1% Increase (8.40%)
The Town's proportionate share of the net pension liability.....	\$ <u>272,517,653</u>	\$ <u>220,680,561</u>	\$ <u>176,977,550</u>
Total net liability.....	\$ <u>281,187,162</u>	\$ <u>227,700,995</u>	\$ <u>182,607,675</u>

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Town implemented the provisions of GASB Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and established its “Other Postemployment Benefits Trust Fund”. The Town voted to begin funding its OPEB liabilities through the use of this fund.

*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 2016, 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 2016, the Town contributed \$14.4 million to the plan.

*Annual OPEB Cost and Net OPEB Obligation* - The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for 2016:

Annual required contribution.....	\$	17,847,987
Interest on existing net OPEB obligation.....		3,700,360
Adjustments to annual required contribution.....		<u>(2,671,288)</u>
Annual OPEB cost (expense).....		18,877,059
Contributions made.....		<u>(14,362,586)</u>
Increase/Decrease in net OPEB obligation.....		4,514,473
Net OPEB obligation - beginning of year.....		<u>52,862,279</u>
Net OPEB obligation - end of year.....	\$	<u><u>57,376,752</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 18,877,059	76.1%	\$ 57,376,752
6/30/15	18,055,248	73.4%	52,862,279
6/30/14	17,909,220	78.1%	48,063,557

*Funded Status and Funding Progress* - As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$220.7 million, of which the Town has funded approximately \$22.4. The covered payroll (annual payroll of active employees covered by the plan) was \$142.2 million, and the ratio of the UAAL to the covered payroll was 139.51%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.00 percent investment rate of return, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 6.5 percent for one year, reduced by 0.50 percent to 6.0 percent for the next 8 years, then reduced again by 0.50 percent to 5.5 percent for one year and decreased to an ultimate rate of 5.0, thereafter. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

### **NOTE 13 - 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 \$4,719,000 as the estimate of the rear landfill closure liability at June 30, 2016. 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, changes in technology, or changes in regulations.

**NOTE 14 - INTERFUND LOAN**

On June 12, 2001, the General Fund issued an interest free note in the amount of \$500,000 to Putterham Meadows Golf Club Enterprise Fund to meet projected and capital expenses. The note is payable at \$25,000 per year, due on July 1 of each year. At June 30, 2016 the outstanding loan balance was \$150,000.

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, 2016 the outstanding loan balance was \$425,000.

**NOTE 15 - 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 2016 price was \$70 per ton and the 2017 price is \$72 per ton. The contract expires on June 30, 2020.

The Town entered into an agreement with Waste Management of Massachusetts, Inc. to provide single stream recycling for the Town. The 2016 cost was \$1,124,000 for collection plus \$75 per ton processing fee minus the Average Commodity Rate (ACR) which was \$56 per ton for most of the year. The 2017 cost is currently \$1,149,290 for collection plus \$75 per ton processing minus the ACR which currently is \$63 per ton. The contract expires on June 30, 2020.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for regular transportation. The 2016 cost to the Town was \$233,500 and the expected cost for 2017 is \$280,800. The contract expires on August 31, 2018 and may be extended annually.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for additional regular transportation to Upper Devotion School at Old Lincoln School during construction that is above the normal services. The 2016 cost to the Town was \$202,500 charged to the operating budget for one year. The expected cost for 2017 is \$453,600 which is to be funded from the building project until the school opens. The contract expires on August 31, 2018 and may be extended annually.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for METCO transportation. The 2016 cost to the Town was \$362,000 and the expected cost for 2017 is \$373,000. The contract expires on August 31, 2018 and may be extended annually.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc. to provide transportation for its special needs students. The 2016 cost to the Town was \$1,509,000 and the expected cost for 2017 is \$1,554,000. The contract expires on August 31, 2018 and may be extended annually.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$124.2 million for construction of the Devotion School, various other School and Town building repairs, various sewer improvements, renovations to the Carlton Street Foot Bridge, and various other building and construction (roadway) projects.

**NOTE 16 - 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. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 7, 2016, which is the date the financial statements were available to be issued.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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, 2016

	Budgeted Amounts			
	(A) Amounts Carried forward From Prior Year	(B) Current Year Initial Budget	(A+B) Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 193,084,196	\$ 193,084,196	\$ 193,084,196
Motor vehicle and other excise taxes.....	-	5,350,000	5,350,000	5,350,000
Hotel/motel tax.....	-	1,450,000	1,450,000	1,450,000
Local meals tax.....	-	1,025,000	1,025,000	1,025,000
Charges for services.....	-	4,834,250	4,834,250	4,824,500
Penalties and interest on taxes.....	-	488,000	488,000	488,000
Payments in lieu of taxes.....	-	1,335,000	1,335,000	1,335,000
Licenses and permits.....	-	3,268,974	3,268,974	3,264,474
Fines and forfeitures.....	-	4,327,000	4,327,000	4,302,000
Intergovernmental.....	-	18,745,855	18,745,855	18,745,855
Departmental and other.....	-	1,315,460	1,315,460	1,353,460
Investment income.....	-	225,000	225,000	225,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>235,448,735</b>	<b>235,448,735</b>	<b>235,447,485</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	230,650	8,796,795	9,027,445	12,414,449
Public safety.....	474,146	36,814,604	37,288,750	37,647,979
Education.....	791,448	96,290,380	97,081,828	96,707,542
Public works.....	407,437	14,103,923	14,511,360	15,563,116
Human services.....	15,127	2,531,934	2,547,061	2,647,578
Leisure services.....	51,621	4,907,202	4,958,823	5,111,178
Pension benefits.....	-	18,707,021	18,707,021	18,707,021
Employee benefits.....	4,337	39,927,720	39,932,057	35,441,145
State and county charges.....	-	6,323,012	6,323,012	6,319,715
Debt service:				
Principal.....	-	7,158,794	7,158,794	7,158,794
Interest.....	-	2,272,516	2,272,516	2,272,516
<b>TOTAL EXPENDITURES.....</b>	<b>1,974,766</b>	<b>237,833,901</b>	<b>239,808,667</b>	<b>239,991,033</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,974,766)</b>	<b>(2,385,166)</b>	<b>(4,359,932)</b>	<b>(4,543,548)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds, net of expenditures.....	-	-	-	-
Transfers in.....	-	6,798,364	6,798,364	6,798,364
Transfers out.....	-	(9,246,078)	(9,246,078)	(9,246,078)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(2,447,714)</b>	<b>(2,447,714)</b>	<b>(2,447,714)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,974,766)</b>	<b>(4,832,880)</b>	<b>(6,807,646)</b>	<b>(6,991,262)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>21,960,276</b>	<b>21,960,276</b>	<b>21,960,276</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (1,974,766)</b>	<b>\$ 17,127,396</b>	<b>\$ 15,152,630</b>	<b>\$ 14,969,014</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 194,425,407	\$ -	\$ 1,341,211
6,360,901	-	1,010,901
1,587,568	-	137,568
1,125,291	-	100,291
5,395,221	-	570,721
499,590	-	11,590
1,042,912	-	(292,088)
5,694,293	-	2,429,819
4,146,004	-	(155,996)
19,053,808	-	307,953
1,652,830	-	299,370
210,123	-	(14,877)
<u>241,193,948</u>	<u>-</u>	<u>5,746,463</u>
11,089,960	153,319	1,171,170
36,522,976	763,380	361,623
95,715,553	754,581	237,408
14,870,354	431,571	261,191
2,605,611	14,072	27,895
4,969,813	63,264	78,101
18,724,794	-	(17,773)
34,511,940	7,419	921,786
6,283,848	-	35,867
7,163,794	-	(5,000)
2,064,939	-	207,577
<u>234,523,582</u>	<u>2,187,606</u>	<u>3,279,845</u>
<u>6,670,366</u>	<u>(2,187,606)</u>	<u>9,026,308</u>
1,362,097	-	1,362,097
6,798,864	-	500
(9,246,078)	-	-
<u>(1,085,117)</u>	<u>-</u>	<u>1,362,597</u>
5,585,249	(2,187,606)	10,388,905
<u>21,960,276</u>	<u>-</u>	<u>-</u>
<u>\$ 27,545,525</u>	<u>\$ (2,187,606)</u>	<u>\$ 10,388,905</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, 2015	December 31, 2014
<b>Total pension liability:</b>		
Service cost.....	\$ 9,579,238	\$ 9,255,303
Interest.....	33,783,255	32,675,994
Changes in benefit terms.....		-
Differences between expected and actual experience.....	1,204,511	-
Changes in assumptions.....	18,752,117	-
Benefit payments, including refunds of employee contributions.....	<u>(28,063,973)</u>	<u>(27,308,052)</u>
Net change in total pension liability.....	35,255,148	14,623,245
Total pension liability, beginning.....	<u>448,969,263</u>	<u>434,346,018</u>
Total pension liability, ending <b>(a)</b> .....	<u>\$ 484,224,411</u>	<u>\$ 448,969,263</u>
<b>Plan fiduciary net position:</b>		
Member contributions.....	\$ 19,232,179	\$ 6,233,795
Employer contributions.....	6,197,022	18,432,347
Pension contributions from federal grants.....	-	-
Net investment income (loss).....	1,734,820	14,475,566
Retirement benefits and refunds.....	(28,063,973)	(27,308,052)
Administrative expenses.....	(413,350)	(416,818)
Military Service Fund Contribution.....	<u>-</u>	<u>-</u>
Net increase (decrease) in fiduciary net position.....	(1,313,302)	11,416,838
Fiduciary net position at beginning of year.....	<u>257,836,718</u>	<u>246,419,880</u>
Fiduciary net position at end of year <b>(b)</b> .....	<u>\$ 256,523,416</u>	<u>\$ 257,836,718</u>
<b>Net pension liability - ending (a) - (b)</b> .....	<u>\$ 227,700,995</u>	<u>\$ 191,132,545</u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.98%	57.43%
Covered-employee payroll.....	\$ 67,587,462	\$ 64,829,168
Net pension liability as a percentage of covered-employee payroll.....	336.90%	294.82%

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**

	December 31, 2015	December 31, 2014
Actuarially determined contribution.....	\$ 19,206,203	\$ 18,204,932
Contributions in relation to the actuarially determined contribution.....	<u>19,232,179</u>	<u>18,432,347</u>
Contribution deficiency (excess).....	<u>\$ (25,976)</u>	<u>\$ (227,415)</u>
Covered-employee payroll (a).....	\$ 67,587,462	\$ 64,829,168
Contributions as a percentage of covered- employee payroll.....	28.46%	28.08%

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.

(a) Covered employee payroll for 2014 has been restated to reflect  
a change in the definition of covered payroll under  
GASB Statement #82.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURN**  
**BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM**

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	December 31, 2015	December 31, 2014
Annual money-weighted rate of return, net of investment expense.....	1.43%	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.

The annual money-weighted rate of return has been calculated by  
the Public Employee Retirement Administration Commission (PERAC).

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**

	December 31, 2015	December 31, 2014
Town's proportion of the net pension liability (asset).....	96.92%	96.53%
Town's proportionate share of the net pension liability (asset)..... \$	220,680,561	\$ 184,493,444
Town's covered employee payroll (a)..... \$	65,389,850	\$ 62,892,101
Net pension liability as a percentage of Town's covered-employee payroll.....	337.48%	293.35%
Plan fiduciary net position as a percentage of the total pension liability.....	52.98%	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.

(a) Covered employee payroll for 2014 has been restated to reflect a change in the definition of covered payroll under GASB Statement #82.

See notes to required supplementary information.

**SCHEDULE OF TOWN CONTRIBUTIONS**  
**BROOKLINE CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2015	December 31, 2014
Actuarially determined contribution.....	\$ 18,614,041	\$ 17,572,573
Contributions in relation to the actuarially determined contribution.....	<u>18,640,017</u>	<u>17,799,988</u>
Contribution deficiency (excess).....	\$ <u>(25,976)</u>	\$ <u>(227,415)</u>
Town's Covered-employee payroll (a).....	\$ 65,389,850	\$ 62,892,101
Contributions as a percentage of Town covered- employee payroll.....	28.51%	27.94%

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.

(a) Covered employee payroll for 2014 has been restated to reflect  
a change in the definition of covered payroll under  
GASB Statement #82.

See notes to required supplementary information.

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

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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 a revenue and pension expense recognized by the Town; and the Plan's fiduciary

Fiscal Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2016.....	\$ 213,814,290	\$ 10,664,082	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 Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2014	\$ 22,373,501	\$ 220,718,530	\$ 198,345,029	10%	\$ 142,177,301	139.51%
6/30/2012	12,766,296	202,733,897	189,967,601	6%	128,628,216	147.69%
6/30/2010	7,355,050	215,241,642	207,886,592	3%	124,608,849	166.83%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 17,847,987	\$ 14,362,586	80%
2015	17,119,593	13,256,526	77%
2014	17,007,193	13,990,280	82%
2013	16,290,766	12,278,875	75%
2012	15,558,958	11,655,515	75%
2011	21,473,717	10,522,409	49%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods and Assumptions:

Valuation date.....	June 30, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.0%, open
Remaining amortization period.....	30 years, open
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	7.00%, blended rate, pay-as-you-go scenario
Inflation.....	4.00%
Medical/drug cost trend rate.....	6.5% for 1 year then 6.0% for 8 years, 5.5% for 1 year decreasing by 0.50% for 1 year to an ultimate level of 5.0% per year.

Plan Membership:

Current retirees, beneficiaries, and dependents...	1,706
Current active members.....	<u>1,310</u>
Total.....	<u><u>3,016</u></u>

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 2016 approved budget, including amounts carried forward from the prior years authorized approximately \$249.1 in appropriations and other amounts to be raised. During 2016, Town Meeting approved appropriation increases totaling \$182 thousand.

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 2016 the Town used \$5.0 million of free cash and overlay surplus 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, 2016, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 5,585,249
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	52,250
<u>Basis of accounting differences:</u>	
Recognition of expenditures on modified accrual basis.....	(71,490)
Net change in recording 60-day receipts accrual.....	(429,984)
Tax refunds payable.....	(841,000)
Recognition of revenue for on-behalf payments.....	10,664,000
Recognition of expenditures for on-behalf payments.....	<u>(10,664,000)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$ <u>4,295,025</u>

**C. Appropriation Deficits**

During 2016, expenditures exceeded the budgeted appropriation for pension benefits related to the non-contributory pensions and debt service principal. These deficits will be funded through tax levy in 2016.

**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.

At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$30,633,383, from the net difference between projected and actual investment earnings on pension plan investments, the difference between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and changes in the proportionate share of contributions.

**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 Return

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 - Town***

#### A. 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

- The investment return assumption was lowered from 7.60% to 7.40%.
- The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2010 using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D.
- The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected generationally from 2010 using Scale AA to the RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D.

- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally from 2010 using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D
- The administrative expense assumption was increased from \$415,000 for calendar 2014 to \$430,000 for calendar 2016.

#### E. Changes in Plan Provisions

None

#### **NOTE C – OTHER POSTRETIREMENT BENEFITS**

The Town of Brookline administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a hybrid of pay-as-you-go and setting aside monies in an OPEB Trust. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 10%. In accordance with *Governmental Accounting Standards*, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.



111 Huntington Avenue  
Boston, MA 02199  
Telephone: 617-239-0100  
Fax: 617-227-4420  
www.lockelord.com

(Date of Delivery)

Melissa Goff, Deputy Town Administrator  
Town of Brookline  
Brookline, Massachusetts

\$36,925,000  
Town of Brookline, Massachusetts  
General Obligation Municipal Purpose Loan of 2017 Bonds  
Dated March 28, 2017

We have acted as bond counsel to the Town of Brookline, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon

be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Brookline, Massachusetts (the “Issuer”) in connection with the issuance of its \$36,925,000 General Obligation Municipal Purpose Loan of 2017 Bonds dated March 28, 2017 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated March 15, 2017 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
  13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 28, 2017

TOWN OF BROOKLINE,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

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Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]