OFFICIAL STATEMENT DATED FEBRUARY 3, 2011

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

New Issue

In the opinion of Edwards Angell Palmer & Dodge 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

$11,025,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS

DATED	DUE
February 15, 2011	February 15 (as shown below)

The Bonds are issuable only in fully registered forms, 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. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable February 15 of the years in which the Bonds mature. Interest on the Bonds will be payable August 15 and February 15, commencing August 15, 2011. 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.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Brookline, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

Due February 15	Principal Amount	Interest Rate	Price or Yield	Cusip 113745	Due February 15	Principal Amount	Interest Rate	Price or Yield	Cusip 113745
2012	$ 1,220,000	2.00 %	0.33 %	M83	2022	$ 470,000	3.50 %	3.50 %	P23
2013	570,000	2.00	0.70	M91	2023	470,000	3.625	3.65	P31
2014	570,000	3.00	1.00	N25	2024	470,000	3.75	3.80	P49
2015	570,000	5.00	1.50	N33	2025	470,000	4.00	3.95	P56
2016	570,000	2.00	1.80	N41	2026	470,000	4.00	4.10	P64
2017	570,000	2.25	2.10	N58	2027	465,000	4.125	4.20	P72
2018	570,000	3.00	2.45	N66	2028	465,000	4.25	4.30	P80
2019	570,000	3.00	2.75	N74	2029	465,000	4.25	4.375	P98
2020	570,000	3.00	3.00	N82	2030	465,000	4.375	4.45	Q22
2021	570,000	3.25	3.25	N90	2031	465,000	4.50	4.50	Q30

(plus accrued interest to be added if any)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Brookline, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about February 17, 2011, against payment to the Town in Federal Reserve funds.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

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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:	Thursday, February 3, 2011, at 11:00 a.m. (E.T).
Location of Sale:	First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Brookline, Massachusetts.
Issue:	$11,025,000 General Obligation Municipal Purpose Loan of 2011 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	February 3, 2011.
Dated Date of the Bonds:	February 15, 2011.
Principal Due:	Serially on February 15, 2012 through February 15, 2031, inclusive, as detailed herein.
Purpose and Authority:	Bond proceeds will finance various municipal projects as authorized by the Town under provisions of Chapter 44, Section 7 of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds are subject to redemption prior to their stated maturity dates as described herein.
Security:	The Bonds will be valid general obligations of the Town of Brookline, Massachusetts, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½).
Credit Rating:	Moody's Investors Service, Inc. has assigned Aaa rating on 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. **BIDS ON THE BONDS MUST INCLUDE A PREMIUM OF AT LEAST $80,000.**
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel."
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 by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent/Escrow Agent	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, 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 February 17, 2011, against payment in Federal Funds.
Additional Information:	Questions concerning the Official Statement should be addressed to: Mr. Stephen E. Cirillo, Finance Director/Treasurer, Town of Brookline, Massachusetts, telephone (617) 730-2020, or Peter B. Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts, telephone (617) 619-4409.

NOTICE OF SALE

TOWN OF BROOKLINE, MASSACHUSETTS

$11,025,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS

The Town of Brookline, Massachusetts (the “Town”) will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Thursday, February 3, 2011, for the purchase of the following described General Obligation Municipal Purpose Loan of 2011 Bonds of the Town (the "Bonds"):

$11,025,000 General Obligation Municipal Purpose Loan of 2011 Bonds payable February 15 of the years and in the amounts as follows:

Due February 15	Principal Amount	Due February 15		Principal Amount
2012	$ 1,220,000	2022	*	$ 470,000
2013	570,000	2023	*	470,000
2014	570,000	2024	*	470,000
2015	570,000	2025	*	470,000
2016	570,000	2026	*	470,000
2017	570,000	2027	*	465,000
2018	570,000	2028	*	465,000
2019	570,000	2029	*	465,000
2020	570,000	2030	*	465,000
2021	570,000	2031	*	465,000

The Bonds will be dated February 15, 2011. Principal of the Bonds will be payable on February 15 of the years in which the Bonds mature. Interest will be payable on August 15 and February 15, commencing August 15, 2011.

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 Participants of DTC 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.

Bonds maturing on or prior to February 15, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after February 15, 2022 shall be subject to redemption prior to maturity, at the option of the Town, on or after February 15, 2021, 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, plus accrued interest to the date set for redemption.

For Bonds maturing on and after February 15, 2022, 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 or two maturities of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on February 15 of the year or years immediately prior to the stated maturity of such Term Bonds (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 plus accrued interest to the redemption date, without premium. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not therefore applied as a credit against any mandatory redemption requirement.

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 disbursements 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. No bid of less than par and accrued interest to date of delivery, **plus a premium of at least $80,000, will be considered.** The bid should reflect the premium required plus accrued interest.

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 February 15, 2011, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. 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 Mr. Stephen E. Cirillo, Treasurer, Town of Brookline, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, 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 First Southwest Company.

(b) Electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m. local time, but no bid will be received after the time for receiving bids specified above. 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 Dalcomp at 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021.

First Southwest Company will act as agent for the bidder in connection with the submission of bids, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.

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 February 3, 2011 (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.

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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, such bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated January 28, 2011 (b) a certificate in form satisfactory to said firm, 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 signer or signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, the Preliminary Official Statement referred to below as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in 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.

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

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for 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 charges that may be imposed for the assignment of such numbers.

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 his contractual obligations arising from the acceptance of his 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, Inc. for the rating of the Bonds. Any such fee paid to Moody's Investors Service, Inc. would be borne by the issuer.

Additional information concerning the Town of Brookline and the Bonds is contained in the Preliminary Official Statement dated January 28, 2011, 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. Such Preliminary Official Statement is deemed final by the Town as of its date for the purposes of SEC Rule 15c2-12(b)(1), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, 54 Canal Street - 3rd Floor, Boston, Massachusetts 02114, telephone number (617) 619-4400. Within seven business days following award of the Bonds and receipt of necessary information from the successful bidder, at least 100 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided to the successful bidder to a maximum of one per $100,000 of par amount purchased.

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.

The Bonds, in definitive form, will be delivered to The Depository Trust Company, or its custodial agent on or about February 17, 2011, against payment in federal reserve funds.

TOWN OF BROOKLINE, MASSACHUSETTS
/s/ Stephen E. Cirillo
Finance Director/Treasurer

January 28, 2011

PRELIMINARY OFFICIAL STATEMENT

TOWN OF BROOKLINE, MASSACHUSETTS

$11,025,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 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 $11,025,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2011 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 February 15, 2011 and will bear interest payable semiannually on August 15 and February 15, commencing August 15, 2011. The Bonds shall mature on February 15 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only as fully registered Bonds 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 interest 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 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 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

Optional Redemption

Bonds maturing on or prior to February 15, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after February 15, 2022 shall be subject to redemption prior to maturity, at the option of the Town, on or after February 15, 2021 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** plus accrued interest to the redemption date.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on February 15 of the first year which has been combined to form such Term Bonds and continuing on February 15 in each year thereafter until the stated maturity date of any such Term Bonds. The amount redeemed or paid at maturity in any years shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated January 28, 2011 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed 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 Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the last business 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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 Bond certificate will be issued for each maturity 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 Standard & Poor's highest rating: AAA. 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** and **www.dtc.org**.

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 ("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 DTC 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.
Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI 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 the 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 Town or the 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 or the 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 the Bonds 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, Bond certificates are required to be printed and delivered.

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

Purpose	This Issue	Original Authorization	Statutory (Reference Massachusetts General Laws, as amended)	Date of Authorization	Article
Wastewater	$ 1,000,000	$ 5,500,000	Ch. 44 s. 7(1) & 7(1A)	5/23/2006	7, Item 73
Runkle School	9,650,000	29,100,000	Ch. 44 s. 7(3A) & Ch. 70B.	11/17/2009	4
Golf Course	375,000	2,840,000	Ch. 44 s. 8(16)	2001 ATM	20
	$ 11,025,000				

Maturity Schedule by Purpose

Fiscal Year	Sewer	School	Golf Course	Total
2012	$ 100,000	$ 1,100,000	$ 20,000	$ 1,220,000
2013	100,000	450,000	20,000	570,000
2014	100,000	450,000	20,000	570,000
2015	100,000	450,000	20,000	570,000
2016	100,000	450,000	20,000	570,000
2017	100,000	450,000	20,000	570,000
2018	100,000	450,000	20,000	570,000
2019	100,000	450,000	20,000	570,000
2020	100,000	450,000	20,000	570,000
2021	100,000	450,000	20,000	570,000
2022	-	450,000	20,000	470,000
2023	-	450,000	20,000	470,000
2024	-	450,000	20,000	470,000
2025	-	450,000	20,000	470,000
2026	-	450,000	20,000	470,000
2027	-	450,000	15,000	465,000
2028	-	450,000	15,000	465,000
2029	-	450,000	15,000	465,000
2030	-	450,000	15,000	465,000
2031	-	450,000	15,000	465,000
Totals	$ 1,000,000	$ 9,650,000	$ 375,000	$ 11,025,000

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge 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. Further, no assurance can be given that 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 value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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 or deduction. 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.

Bank Eligibility

The Bonds will not be designated as "qualified tax –exempt obligations" for the purpose of section 265(b(3) of the Code.

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 above (see "Serial Bonds and Notes" under "TYPES OF OBLIGATIONS" above) 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 payments 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 TAX" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

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 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" 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 TAX" 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 fee, 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, 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" (See "Serial Bonds and Notes" under "TYPES OF OBLIGATIONS" above) 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 currently 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.

Use of State Distributions to Pay Debt Service

Section 19A of Chapter 44 of the General Laws provides in part that, 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 shall 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 paragraphs). See "State Distributions" above. 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.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. 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 Aaa rating on the Bonds. The rating reflects only 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 First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Brookline, Massachusetts. The Town has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

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 Issuer will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Issuer 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 enumerated events. 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.

The Town has never failed to comply in any material respect with any previous undertakings in regards to continuing or material events disclosure.

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 2000 federal census, has a population of 57,107 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

Office	Name	Term and Manner of Selection	Term Expires
Selectmen	Nancy Daly	Elected - 3 years	2011
	Kenneth Goldstein	Elected - 3 years	2012
	Richard Benka	Elected - 3 years	2011
	Jesse Mermell	Elected – 3 years	2013
	Betsy DeWitt, Chairperson	Elected – 3 years	2012
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2013
Finance Director/Collector/Treasurer	Stephen E. Cirillo	Appointed - 1 year	2011
Town Clerk	Patrick J. Ward	Elected - 3 years	2012
Comptroller	Judith Ann Haupin	Appointed - 1 year	2011
Town Counsel	Jennifer Dopazo	Appointed - 3 years	2011

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 capacity of 6,850. Vocational programs are provided by the Unified Arts Department of the Brookline High School.

Student Enrollments

	Average Annual Enrollment					Projected	
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Pre-Kindergarten to 6	3,222	3,279	3,492	3,631	3,778	3,895	3,933
Grades 7-8	841	819	798	838	874	871	978
Grades 9-12	1,829	1,808	1,782	1,748	1,726	1,748	1,724
Ungraded	-	-	-	-	-	-	
Total	5,892	5,906	6,072	6,217	6,378	6,514	6,635

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
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 2000, 1990 and 1980.

Age

	Brookline	Norfolk County	Massachusetts
Percentage of the Population:			
Under 5 Years	4.6%	6.4%	6.3%
5 Years to 19 Years	13.9	19.0	20.1
20 Years to 64 Years	69.0	60.1	60.1
Over 65 Years	12.4	14.4	11.5
Median Age	34.9	35.1	33.6

Source: U.S. Department of Commerce, Bureau of the Census (2000).

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training, in September 2010, the Town had a total labor force of 32,442 of whom 30,812 were employed and 1,630 or 5.0% were unemployed as compared with 8.4% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2005 through 2009 versus unemployment rates for the County and the Commonwealth for the same period:

	Town of Brookline			Unemployment Rate	
Calendar Year	Labor Force	Number Employed	Unemployment Rate	Norfolk County	Massachusetts
2009	32,370	30,635	5.4%	7.3%	10.5%
2008	32,549	31,549	3.1	6.8	5.3
2007	32,841	32,002	2.6	4.5	5.5
2006	33,148	32,220	2.8	3.7	4.3
2005	32,897	31,973	2.8	4.6	4.8

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

Employment by Industry

Industry	2005	2006	2007	2008	2009
	Calendar Year Average				
Construction	383	403	406	405	369
Manufacturing	189	151	163	161	152
Trade, Transportation and Utilities	1,748	1,632	1,678	1,696	1,608
Information	328	325	338	488	506
Financial Activities	906	946	968	955	963
Professional and Business Services	2,196	2,108	2,114	2,162	2,120
Education and Health Services	4,737	4,754	4,845	5,057	5,094
Leisure and Hospitality	2,199	2,333	2,344	2,306	2,234
Other Services	791	798	790	784	789
Total Employment	13,477	13,450	13,646	14,014	13,835
Number of Establishments	1,587	1,565	1,582	1,599	1,635
Average Weekly Wages	$ 779	$ 783	$ 807	$ 852	$ 879
Total Wages	$ 573,586,641	$ 575,654,660	$ 598,971,993	$ 650,227,638	$ 663,348,378

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 - 2010 (1)

Name	Nature of Business	Number of Employees
Dana Farber	Nonprofit Office	300
NE Institute of Art	College	297
Coolidge House	Nursing Home	271
Pine Manor College	College	198
Bournewood	Hospital	182
Newbury College	College	179
Dexter/Southfield (Clay) School	Private school	172
Arbour HRI	Hospital	171
Park School	Private School	154
Brookline Health Care Center	Nursing Home	150
Partner's Research Facility	Medical Research	146
Trader Joe's	Supermarket	145
Stop & Shop	Supermarket	143
U.S.Post Office	Government Agency	138
Brigham and Women's Admin	Medical Admin	134
Maimonides	Private school	131
Beaver Country Day	Private school	130
America's Test Kitchen	Magazine	130
Brookline Center	Mental Health Clinic	121
Brookline Bank	Bank	113
Brimmer & May	Private school	101
Goddard House	Assisted Living	94
Partner's Admin	Medical Admin	87
Star Market	Supermarket	80
T J Maxx	Clothing store	66
Courtyard by Marriott	Hotel	62
Holiday Inn	Hotel	60

(1) Source: 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:						
2000	$44,327	53.0%	$32,484	54.0%	$25,952	51.0%
1989	29,044	28.5	21,091	21.2	17,224	19.7
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
1983 (Est.)	16,527	16.1	12,657	16.3	10,517	15.6
Median Family Income (2000)	$92,993		$77,847		$61,664	

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

Building Permits (1)

Calendar Year	Residential	Non-Residential	Total	Total Taxable Value
2010	5	1	6	$ 2,713,000
2009	12	1	13	12,407,500
2008	18	0	18	26,628,000
2007	12	1	13	17,772,000
2006	12	0	12	13,882,000
2005	26	0	26	34,972,375

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

Housing

	Brookline	NorfolkCounty	Massachusetts
Median Value of Occupied Non-Condominium Housing Units	$599,500	$230,400	$185,700
% Year-Round Housing Units Built 1939 or earlier	52.7%	30.5%	34.5%
% Year-Round Housing Units Built 1990 to April 2000	1.3%	8.0%	8.3%

Source: U.S. Department of Commerce, Bureau of the Census (2000).

Economic/Industrial Development

In the spring of 1995, the Town hired its first Economic Development Officer and appointed its first Economic Development Advisory Board ("EDAB"). The EDAB is comprised of 12 citizens of the Town who are established professionals in development and related fields. The EDAB defines its mission as follows:

- to encourage appropriate economic growth;
- to foster the prosperity of businesses in the Town's commercial areas;
- to enhance the Town's built environment by promoting design excellence in new development; and
- to preserve and enhance the character of its neighborhoods.

The EDAB and the Economic Development Office have divided their work into three major areas:

1. Facilitate appropriate development by pro-actively marketing available development sites, guiding developers through the regulatory process, and recommending ways to simplify and expedite project approvals while continuing to garner valuable community input.

2. Strengthen the Town's commercial areas by sponsoring and supporting public celebrations to showcase Brookline's shopping areas, working with local merchants' associations and the Chamber of Commerce, and promoting tourism.

3. Create a strategic development plan by collecting and disseminating information on available sites, understanding regional demand for new development, and eliminating obstacles to development in key areas of Town.

The Town's economic development efforts have yielded significant accomplishments within the last several years, including:

Advancing new zoning for the 2 Brookline Place parcel for redevelopment as an office/biomedical facility with a significant package of community benefits and estimated additional annual tax revenue of $1 million per year.

The sale, clean-up and redevelopment of the former Town garage and vehicle repair facility. The Town moved its garage facility and sold the site for $1,040,000, contributing $500,000 toward the clean-up of the site. A private developer has constructed a commercial and residential complex that yields approximately $200,000 annually in new tax revenue.

Assisted in conducting the sale of a state owned building at 1010 Commonwealth Avenue to commercial use that fits into the neighborhood. This project has yielded $147,224 in real estate taxes annually.

The development of a hotel on the site of a town owned parking lot. This 200 room hotel generates approximately $300,000 annually in room occupancy fees and $300,000 in real estate taxes annually.

Launched several commercial area support efforts including:

- Producing a town wide festival that promotes holiday shopping and dining in Brookline
- Providing analysis of census data for marketing use by the many small independent businesses
- Developing vacancy rate data and type of use statistics to more precisely understand trends and take appropriate actions
- Implementing an information kiosk as a town service and an inexpensive marketing vehicle for local business
- Collaborating with the Transportation Board on efforts to maximize the effectiveness of existing commercial parking capacities.

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 State 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 State 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 current and last four fiscal years:

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
GROSS AMOUNT TO BE RAISED(1)					
Appropriations	$ 216,962,102	$ 219,737,924	$ 214,823,409	$ 200,046,562	$ 194,256,443
Other Local Expenditures	278,858	128,079	147,866	145,749	142,738
State and & County Charges	5,556,335	5,550,741	5,424,518	5,511,129	5,229,723
Overlay Reserve (2)	1,795,169	1,618,338	1,535,026	1,858,148	1,451,593
Total Gross Amount to be Raised:	224,592,464	227,035,082	221,930,819	207,561,588	201,080,497
LESS ESTIMATED RECEIPTS AND OTHER REVENUE:					
Estimated Receipts from State (3)	13,796,542	16,536,492	19,623,724	18,973,131	18,021,104
Estimated Receipts - Local	45,328,797	45,576,697	45,149,515	45,119,214	43,855,229
Available Funds Appropriated					
Free Cash	4,590,079	7,053,295	5,954,963	3,814,792	5,387,435
Other Available Funds	2,998,760	5,187,425	3,929,582	3,842,551	3,740,195
Total Estimated Receipts and Other Revenue	66,714,178	74,353,909	74,657,784	71,749,688	71,003,963
NET AMOUNT TO BE RAISED (TAX LEVY):	$ 157,878,286	$ 152,681,173	$ 147,273,068	$ 135,811,900	$ 130,076,534
Property Valuation (000)	$ 14,781,019	$ 14,703,432	$ 14,576,646	$ 14,231,497	$ 14,336,259
Tax Rate per $1,000:					
Residential	$ 11.30	$ 10.97	$ 10.69	$ 10.18	$ 9.73
Other (4)	$ 18.30	$ 17.80	$ 17.32	$ 16.70	$ 15.88

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) In fiscal 2010, State Aid was reduced by $3.01 million (16%). In fiscal 2011, the reduction was $700,213 (5%), exclusive of MSBA reimbursement.

(4) 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 his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" above.

Valuation of real and personal property in Brookline is established by the Board of Assessors. The Town underwent revaluation most recently in 2009. 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
2011	$ 14,781,018,800	$ 145,418,280	$ 14,926,437,080	$ 16,024,896,500 (3)	93.1 %
2010	14,703,432,300	138,212,160	14,841,644,460	15,563,591,600	95.4
2009	14,576,646,000	132,665,180	14,709,311,180	15,563,591,600	94.5
2008	14,103,442,600	128,054,780	14,231,497,380	14,826,752,900	96.0
2007	14,216,745,100	119,514,350	14,336,259,450	14,826,752,900	96.7

(1) Source: Board of Assessors.
(2) Source: Massachusetts Department of Revenue.
(3) Proposed.

Classification of Property

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

	2011		2010		2009	
Property Type	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	$ 13,550,832,800	90.8 %	$ 13,453,462,600	90.6 %	$ 13,352,327,800	90.8 %
Commercial	1,216,769,000	8.2	1,236,446,900	8.3	1,210,911,200	8.2
Industrial	13,417,000	0.1	13,522,800	0.1	13,407,000	0.1
Personal	145,418,280	1.0	138,212,160	0.9	132,665,180	0.9
Total Real Estate	$ 14,926,437,080	100.0 %	$ 14,841,644,460	100.0 %	$ 14,709,311,180	100.0 %

(1) Source: Board of Assessors.

Major Taxpayers

Following is a list of the major taxpayers based on assessed valuations for fiscal 2011, all of whom are current in their tax payments:

Name	Nature of Business	FY11 Assessed Valuation	FY11 Property Tax	Percent of Net Levy
Boston University Trustees	Higher Education	104,799,862	1,549,536	0.98 %
830-850 Ventures LLC	Office Building	74,557,600	1,364,404	0.86
Hamilton Park Towers LLC (Dexter Park)	Apartments	105,872,200	1,196,336	0.76
Ten Brookline Place LLC	Office Building	52,428,500	959,442	0.61
Boston Edison Co./ Nstar	Electric Utility	52,103,370	953,492	0.60
The Country Club	Private Golf Club	48,049,600	879,308	0.56
Hancock Village (Chestnut Hill Realty)	Apartments	77,614,700	877,046	0.56
Keypoint Partners LLC (1 Brookline Place)	Medical Office Bldg	45,776,900	837,717	0.53
HRCA Brookline Housing	Apartments	68,608,800	775,279	0.49
Hersha Hospitality LP (Marriott)	Hotel	41,155,100	753,138	0.48
Brookline Hospitality LLC (Holiday Inn)	Hotel	27,285,100	499,317	0.32
1101 Beacon Stareet Associates LP	Office/Retail Bldg	28,941,700	427,082	0.27
Pierce Building Associates	Office/Retail Bldg	22,742,400	416,186	0.26
1501 Beacon Street LLC	Apartments	34,749,500	392,669	0.25
Lawrence Kaplan Trust	Residential	32,770,500	370,307	0.23
Verizon New England	Telephone Utility	20,157,600	368,884	0.23
		$ 837,613,432	$ 12,620,143	7.99 %

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:

As of January 1		State Equalized Valuation
2010	(Proposed)	$ 16,024,896,500
2008		15,563,591,600
2006		14,826,752,900
2004		12,574,894,600
2002		9,669,674,100
2000		7,371,209,100
1998		5,637,538,000

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.

Under recent legislation, cities and towns are authorized to establish a municipal tax amnesty program through June 30, 2004 permitting the payment of delinquent property taxes without interest or with reduced interest during the period of the program.

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 State 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 State 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:

Fiscal Year	Tax Rate Per $I,000 (1)	Total Tax Levy	Net Tax Levy (2)	% of Net Collected at FY End (3)(4)	% of Net Collected at June 30, 2010
2010	$10.97-R 17.80-O	$152,681,173	$151,062,835	99.1%	99.1%
2009	10.69-R 17.32-O	147,273,068	145,738,042	98.9	100.0
2008	10.18-R 16.70-O	135,811,899	133,953,752	99.2	100.0
2007	9.73-R 10.36-O	130,078,303	128,626,710	99.4	100.0
2006	9.55-R 15.46-O	125,014,839	123,524,397	99.0	100.0

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, 2010 of each levy year.

	Overlay Allowance				
Fiscal Year	Dollar Amount	Percent of Total Levy	Abatements Granted At June 30, 2010(1)	Overlay Transfers	Overlay Excess (Deficit)
2010	$ 1,618,338	1.03 %	$ 549,191	$ -	$ 1,069,147
2009	1,535,059	1.04	1,007,033	-	528,026
2008	1,858,147	1.37	869,201	-	988,946
2007	1,451,593	1.20	1,759,818	750,000	441,775
2006	1,490,442	1.20	1,441,276	100,000	149,166

Source: Town Collector.
(1) Includes real estate and personal property tax abatements for five prior fiscal years.

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 or taken by the municipality, becoming a "tax possession," which may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

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

As of June 30	Aggregate Taxes Outstanding (1)	Tax Titles	Tax Possessions
2010	$ 1,355,129	$ 1,446,044	$
2009	1,500,776	1,265,379	-
2008	1,359,231	1,306,938	-
2007	860,916	873,404	-
2006	1,309,744	907,589	2,010

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

Sale of Tax Receivables

Legislation enacted in 1996 authorizes public sales by cities and towns of delinquent property tax receivables, with individually or in bulk. The Town does not expect to utilize this option at the present time.

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates.

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 State 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 current and last four fiscal years:

	2011	2010	2009	2008	2007
Primary Levy Limit (2)	$ 373,160,927	$ 371,041,112	$ 367,732,780	$ 355,787,435	$ 358,406,486
Prior Fiscal Year Levy Limit	151,047,971	145,644,643	134,259,885	128,463,615	123,376,018
2.5% Levy Growth	3,776,199	3,641,116	3,356,497	3,211,590	3,097,914
Current Fiscal Year New Growth (3)	1,829,084	1,762,212	1,828,261	2,584,680	1,989,683
Current Fiscal Year Override	-	-	6,200,000	-	-
Growth Levy Limit	156,653,254	151,047,971	145,644,643	134,259,885	128,463,615
Current Fiscal Year Debt Exclusions	1,258,944	1,667,074	1,692,696	1,568,947	1,614,854
Current Fiscal Year Capital	-	-	-	-	-
Expenditure Override	-	-	-	-	-
Tax Levy Limit	157,912,198	152,715,045	147,337,339	135,828,832	130,078,469
Tax Levy	157,878,286	152,681,173	147,273,068	135,811,900	130,076,534
Unused Levy Capacity (4)	33,912	33,872	64,271	16,932	1,935
Unused Primary Levy Capacity (5)	$ 216,507,673	$ 219,993,141	$ 222,088,137	$ 221,527,550	$ 229,942,871

(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 2 ½

Since the passage of Proposition 2 ½ in 1980, the Town of Brookline approved a permanent operating override in the amount of $2,960,000 in fiscal 1995 and has voted to exempt debt service on $56,800,000 principal amount of bonds from its limitations; i.e., $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 a permanent operating override in the amount of $6.2 million by a 5,236 to 4,305 vote margin.

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 TAX" 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 and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. 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% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including 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, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAX"). 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, 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 on the real property tax levy. 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 provision 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 which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes 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 accepts its provisions to issue bonds and notes in anticipation of the receipt of surcharge 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 of 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 TAX" below.)

Operating Budget Trends

	FY-07 Budget	FY-08 Budget	FY-09 Budget	FY-10 Budget	FY-11 Budget
General Government	$ 7,145,933	$ 7,251,347	$ 7,541,103	$ 7,358,456	$ 7,459,927
Public Safety	31,510,572	31,802,972	34,067,998	33,644,611	33,810,858
Public Works (1)	12,365,067	12,398,421	12,901,418	12,879,990	12,772,571
Human Services	2,100,103	2,115,634	2,216,197	2,205,625	2,210,741
Leisure Services	4,347,616	4,246,186	4,416,404	4,438,745	4,407,760
Debt Service	14,396,621	14,052,910	12,374,047	12,572,215	9,594,781
Retirement	10,165,009	11,277,159	11,651,618	13,258,716	13,999,954
Group Insurance	18,936,109	20,969,983	23,084,980	24,323,604	20,697,416
Other Personnel Benefits	4,473,017	4,203,000	4,843,528	4,232,000	6,126,531
Education	60,096,385	62,924,864	68,021,240	68,823,845	72,043,133
Non-Departmental	2,675,636	2,394,155	2,512,031	3,752,588	2,863,427
Special Appropriations	7,874,562	5,928,000	8,575,748	9,260,572	7,102,000
Salary Reserves (2)	-	1,492,804	-	-	475,000
Total	$ 176,086,630	$ 181,057,435	$ 192,206,312	$ 196,750,967	$ 193,564,099

Source: Town Comptroller.
(1) Water and Sewer are accounted for in enterprise funds.
(2) FY08 includes the estimated costs for unsettled contracts in Salary Reserves.

Education Reform

Education Reform: In 1993, the Massachusetts Supreme Judicial Court found that the State has an enforceable constitutional obligation to provide an adequate public education and that, at that time, the State was not fulfilling its obligation. Promptly thereafter, the state legislature adopted the Education Reform Act of 1993 referred to above, which, among other things, increased funding levels and changed allocation formulas for state school aid. In 1999, the litigation was reinstituted by a number of municipalities challenging the adequacy of the public education being provided by the State and seeking, among other things, additional state aid for their schools. Pursuant to a fact finding trial, the Superior Court recently issued a report to the Supreme Judicial Court which, among other things, concludes that the State is not satisfying its constitutional obligation with respect to certain municipal school systems and recommends that the Court order the State to provide funding necessary to pay for an adequate education in such municipalities. The case is currently pending before the Supreme Judicial Court.

Capital Improvements Program

It is the intent of the Town's Capital Improvements Program ("CIP") to include those projects which will preserve and provide, in the most efficient manner, the infrastructure necessary to achieve the highest possible level of public services and quality of life with the financial resources available.

To address the Town's capital improvement needs in a fiscally prudent manner, it is recognized that a balance must be maintained between operating and capital budgets so as to meet the needs of both to the maximum extent possible. 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 2011-2016, which serves as a guide for the Town in establishing priorities for the timing of future capital projects, proposes capital expenditures having a gross cost of $126,615,814. This does not include the cost of the Landfill Closure project discussed in the "Litigation" section below.

Costs of the Capital Improvements Program
Yearly by Source of Funds

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	TOTAL
Property Tax	2,901,660	2,122,625	2,196,628	2,988,848	3,558,185	2,050,237	15,818,185
Free Cash	3,670,340	3,076,375	3,044,372	3,034,152	3,011,815	2,991,763	18,828,818
General Fund Bond	950,000	5,000,000	2,900,000	2,350,000	40,280,000	1,400,000	52,880,002
State / Federal Grants	719,968	719,968	719,968	1,819,968	22,719,968	719,968	27,419,809
Utility Budget	-	-	275,000	255,000	-	-	530,000
Utility Bond	-	1,500,000	-	3,000,000	-	-	4,500,000
CDBG	189,000	2,250,000	-	-	-	-	2,439,000
Other	200,000	750,000	-	3,250,000	-	-	4,200,000
TOTAL	8,630,968	15,418,968	9,135,968	16,697,968	69,569,968	7,161,968	126,615,814

Source: Finance Director.
*Community Development Block Grant.

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 "Tax Limitations," above.

State Aid **-** 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 State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State 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.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

Based on most recent figures available, the Town expects to receive approximately $13,796,542 in state aid in fiscal 2011. In addition to the fiscal 2011 estimate, following are state aid payments received by the Town for the last five fiscal years:

Fiscal Year	State Aid Receipts	
2011	$13,796,542	
2010	16,912,114	
2009	18,616,534	
2008	19,544,682	
2007	19,112,046	
2006	26,309,586	(1)

Source: Town Comptroller.

(1) Includes approximately $7.9 million school construction aid from the Massachusetts School Building Authority in connection with the Lawrence School project.

School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts 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 Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority 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 Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority 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 Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority 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 Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority'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 Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority 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.

Per MSBA processes, once the feasibility study / schematic design phase is complete, the Town will seek funding for all remaining costs (completion of design, construction costs, and soft costs). The current plan calls for these funds being sought at a Special Town Meeting in late-CY09 / early-CY10, after a Budget and Scope Agreement is approved by both the Town and the MSBA. A minimum of 40% of the design completion / construction phase will be reimbursed by the MSBA.

Federal Aid

In addition to state aid, the Town receives annually certain amounts of federal aid. Presented below is an estimate for fiscal 2011 and a five-year history of the Town's federal aid receipts:

Fiscal Year	Federal Aid Receipts
2011 (est.)	$6,239,446
2010	7,185,845
2009	4,985,207
2008	5,597,735
2007	6,969,595
2006	5,985,604

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.

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

Fiscal Year	Receipts (1)
2010	$4,757,579
2009	5,077,548
2008	5,394,734
2007	4,691,252
2006	5,740,712

Source: Finance Director.
(1) Net after refunds. Includes receipts from prior years' levies.

Room Occupancy Tax: In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities. Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed four percent (4%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State 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 four percent rate.

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

Fiscal Year	Receipts
2010	$907,474
2009	788,531
2008	742,744
2007	799,339
2006	732,178

Source: Finance Director.

Local Options Meals Tax

On August 31, 2009, the Town adopted the local meals excise tax to be effective October 1, 2009. In fiscal year 2010, 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 State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax was $504,079 in fiscal 2010 and is projected to be $700,000 in fiscal 2011.

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. In fiscal 2010, water and sewer revenues totaled $22,992,804, while expenditures totaled $23,288,242.

Annual Audits

The Town's accounts are audited annually, most recently for fiscal year ended June 30, 2010 by the firm of Powers & Sullivan P.C. The audit for fiscal year ended June 30, 2010 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, 2010, June 30, 2009 and June 30, 2008, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity (General Fund) for fiscal years 2006 through 2010. Said statements have been extracted from the Town’s audited financials.

TOWN OF BROOKLINE, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2010 (1)

ASSETS	General	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short term investments	$ 23,345,392	$ 10,477,333	$ 77,528	$ 24,056,965	$ 57,957,218
Investments	-	-	-	4,447,461	4,447,461
Receivables, net of uncollectibles:					
Real estate and personal property taxes	1,493,824	-	-	-	1,493,824
Tax liens	1,454,602	-	-	-	1,454,602
Motor vehicle excise taxes	192,432	-	-	-	192,432
User fees	119,864	-	-	-	119,864
Department and other	3,088,874	-	-	94,807	3,183,681
Intergovernmental	6,783,008	-	3,249,306	1,351,920	11,384,234
Loans	-	-	-	163,393	163,393
Due from other funds	300,000	-	-	-	300,000
Prepaid expenses	227,992	-	-	1,699	229,691
TOTAL ASSETS	$ 37,005,988	$ 10,477,333	$ 3,326,834	$ 30,116,245	$ 80,926,400
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	$ 1,499,735	$ 613,725	$ -	$ 1,127,053	$ 3,240,513
Accrued liabilities	270,382	15,792	-	56,276	342,450
Accrued payroll	1,616,833	-	-	25,662	1,642,495
Tax refunds payable	2,370,000	-	-	-	2,370,000
Liabilities due depositors	4,762	-	-	-	4,762
Abandoned property	285,059	-	-	5,997	291,056
Other liabilities	586,103	-	-	33,588	619,691
Deferred revenues	12,450,299	-	3,249,306	722,155	16,421,760
TOTAL LIABILITIES	19,083,173	629,517	3,249,306	1,970,731	24,932,727
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations	1,449,307	-	-	-	1,449,307
Loans	-	-	-	163,393	163,393
Perpetual permanent funds	-	-	-	1,067,531	1,067,531
Unreserved:					
Designated for subsequent year's expenditures	4,590,079	-	-	-	4,590,079
Undesignated, reported in:					
General fund	11,883,429	-	-	-	11,883,429
Special revenue funds	-	-	77,528	20,463,981	20,541,509
Capital projects funds	-	9,847,816	-	2,117,912	11,965,728
Permanent funds	-	-	-	4,332,697	4,332,697
TOTAL FUND BALANCES	17,922,815 (2)	9,847,816	77,528	28,145,514	55,993,673
TOTAL LIABILITIES AND FUND BALANCES	$ 37,005,988	$ 10,477,333	$ 3,326,834	$ 30,116,245	$ 80,926,400

(1) Extracted from the Audited financial statements of the Town.
(2) Restated from June 30, 2009. Prior year General Fund balance sheets included Capital Article Fund.

TOWN OF BROOKLINE, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2009 (1)

ASSETS	General	Town Hall Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short term investments	$ 36,279,572	$ 4,827	$ 26,481,003	$ 62,765,402
Investments	-	-	3,975,233	3,975,233
Receivables, net of uncollectibles:				
Real estate and personal property taxes	1,581,667	-	-	1,581,667
Tax liens	1,273,607	-	-	1,273,607
Motor vehicle excise taxes	126,332	-	-	126,332
User fees	138,300	-	-	138,300
Department and other	3,565,882	-	122,494	3,688,376
Intergovernmental	24,674,000	-	5,289,632	29,963,632
Loans	-	-	194,066	194,066
Due from other funds	325,000	-	-	325,000
Prepaid expenses	2,484,432	-	6,780	2,491,212
TOTAL ASSETS	$ 70,448,792	$ 4,827	$ 36,069,208	$ 106,522,827
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	$ 1,196,463	$ -	$ 1,616,759	$ 2,813,222
Accrued liabilities	23,473	-	24,524	47,997
Accrued payroll	1,426,032	-	22,428	1,448,460
Tax refunds payable	1,153,000	-	-	1,153,000
Liabilities due depositors	3,941	-	-	3,941
Abandoned property	179,088	-	5,997	185,085
Other liabilities	934,221	-	33,590	967,811
Deferred revenues	31,139,539	-	5,244,628	36,384,167
TOTAL LIABILITIES	36,055,757	-	6,947,926	43,003,683
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations	14,735,607	-	-	14,735,607
Loans	-	-	194,066	194,066
Perpetual permanent funds	-	-	1,176,359	1,176,359
Unreserved:				
Designated for subsequent year's expenditures	7,053,295	-	-	7,053,295
Undesignated, reported in:				
General fund	12,604,133	-	-	12,604,133
Special revenue funds	-	-	23,609,146	23,609,146
Capital projects funds	-	4,827	423,637	428,464
Permanent funds	-	-	3,718,074	3,718,074
TOTAL FUND BALANCES	34,393,035	4,827	29,121,282	63,519,144
TOTAL LIABILITIES AND FUND BALANCES	$ 70,448,792	$ 4,827	$ 36,069,208	$ 106,522,827

(1) Extracted from the Audited financial statements of the Town.

TOWN OF BROOKLINE, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2008 (1)

ASSETS	General	Lawrence School & Longwood Playground Renovations	Town Hall Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	$ 36,660,946	$ 252,175	$ 3,781,460	$ 26,809,567	$ 67,504,148
Investments	-	-	-	4,782,490	4,782,490
Receivables, net of uncollectibles:					
Real Estate and Personal Property Taxes	1,270,810	-	-	-	1,270,810
Tax Liens	1,313,753	-	-	-	1,313,753
Motor Vehicle Excise Taxes	42,159	-	-	-	42,159
User Fees	129,764	-	-	-	129,764
Department and Other	4,188,077	-	-	120,497	4,308,574
Intergovernmental	26,785,000	-	-	4,622,098	31,407,098
Loans	-	-	-	225,259	225,259
Due From Other Funds	350,000	-	-	-	350,000
Other Assets	2,481,867	-	-	-	2,481,867
Prepaid expenses	-	-	-	6,735	6,735
TOTAL ASSETS	$ 73,222,376	$ 252,175	$ 3,781,460	$ 36,566,646	$ 113,822,657
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	$ 1,207,730	$ -	$ 1,749,841	$ 428,869	$ 3,386,440
Accrued Liabilities	1,791,791	-	-	24,666	1,816,457
Accrued Payroll	1,283,464	-	-	6,013	1,289,477
Tax Refunds Payable	2,076,000	-	-	-	2,076,000
Liabilities due depositors	6,101	-	-	-	6,101
Abandoned property	168,320	-	-	5,997	174,317
Other Liabilities	727,437	-	-	33,500	760,937
Deferred Revenues	33,714,908	-	-	4,396,699	38,111,607
Notes Payable	-	-	6,900,000	-	6,900,000
TOTAL LIABILITIES	40,975,751	-	8,649,841	4,895,744	54,521,336
FUND BALANCES:					
Reserved For:					
Encumbrances and Continuing Appropriations	9,603,248	-	-	-	9,603,248
Loans	-	-	-	225,259	225,259
Perpetual Permanent Funds	-	-	-	1,160,019	1,160,019
Unreserved:					
Designated for Subsequent Year's Expenditures	5,954,963	-	-	-	5,954,963
Undesignated, Reported In:					
General Fund	16,688,414	-	-	-	16,688,414
Special Revenue Funds	-	-	-	24,199,670	24,199,670
Capital projects Funds	-	252,175	(4,868,381)	1,469,973	(3,146,233)
Permanent Funds	-	-	-	4,615,981	4,615,981
TOTAL FUND BALANCES	32,246,625	252,175	(4,868,381)	31,670,902	59,301,321
TOTAL LIABILITIES AND FUND BALANCES	$ 73,222,376	$ 252,175	$ 3,781,460	$ 36,566,646	$ 113,822,657

(1) Extracted from the Audited Financial Statements of the Town.

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

	Year Ended June 30, 2010	2009	2008	2007	2006
Revenues:					
Real estate and personal property taxes,					
net tax refunds	$ 151,452,964	$ 147,553,179	$ 133,127,009	$ 129,833,124	$ 123,223,931
Motor vehicle and other excise taxes	4,694,128	5,027,901	5,291,912	4,407,452	5,740,712
Charges for services	4,829,006	5,006,364	4,892,038	4,881,463	3,923,804
Payments in lieu of taxes	1,029,056	989,282	907,316	774,270	763,359
Licenses and permits	3,183,139	3,227,512	3,622,581	3,413,839	3,999,565
Fines and forfeitures	4,280,894	4,518,301	4,555,357	4,020,887	4,046,175
Intergovernmental	49,294,869	31,343,464	31,435,776	29,272,642	26,309,586
Departmental and other	849,708	599,320	1,536,102	578,128	1,042,146
Hotel/motel tax	907,474	788,531	742,744	799,339	732,178
Penalties and interest on taxes	532,328	494,311	455,388	428,659	331,864
Investment income	251,538	942,808	1,934,480	2,782,461	2,250,854
Total Revenues	221,305,104	200,490,973	188,500,703	181,192,264	172,364,174
Expenditures:					
Current:					
General government	8,783,709	9,732,504	9,977,959	8,967,031	8,287,099
Public safety	32,797,120	34,348,558	32,575,654	35,241,481	31,558,423
Education	69,195,643	68,772,169	64,010,466	60,248,406	58,373,278
Public works	13,156,104	17,233,710	15,987,452	16,240,723	15,947,411
Human services	2,157,458	2,283,624	2,154,633	2,085,448	2,016,749
Leisure services	4,355,284	4,683,332	4,848,599	4,389,318	5,120,790
Pension benefits	26,779,555	24,397,914	23,386,289	20,933,546	19,239,559
Fringe benefits	28,688,384	24,714,243	23,565,040	22,291,764	19,466,175
State and county charges	5,559,230	5,493,891	5,410,405	5,375,086	5,084,477
Debt service:					
Principal	8,311,176	8,232,309	7,290,036	7,343,577	7,096,319
Interest	2,809,580	4,035,097	3,542,544	4,107,806	4,165,293
Total Expenditures	202,593,243	203,927,351	192,749,077	187,224,186	176,355,573
Excess (deficiency) of revenues over expenditures	18,711,861	(3,436,378)	(4,248,374)	(6,031,922)	(3,991,399)
Other Financing Sources (Uses):					
Proceeds from refunded bond escrow agent	(30,215,210)	-	(1,962,868)	-	-
Proceeds from refunding bonds	10,659,400	-	1,948,000	-	-
Premium from issuance of bonds	258,415	-	86,828	1,460	52,539
Premium from issuance of refunding bonds	501,348				
Sale of capital assets	2,015	-	252,300	566,855	-
Operating transfers in	5,052,659	5,630,070	5,404,928	4,516,647	5,196,804
Operating transfers out	(225,000)	(47,282)	(550,000)	(1,716,999)	(1,414,613)
Total other financing sources (Uses)	(13,966,373)	5,582,788	5,179,188	3,367,963	3,834,730
Net change in fund balances	4,745,488	2,146,410	930,814	(2,663,959)	(154,802)
Fund Euity, beginning of year	13,177,327 (2)	32,246,625	31,315,811	33,979,770	34,134,572
Fund equity, end of year	$ 17,922,815	$ 34,393,035	$ 32,246,625	$ 31,315,811	$ 33,979,770

(1) Extracted from annual audited financial statements.
(2) Restated from June 30, 2009. Prior year General Fund balance sheets included Capital Article Fund. Prior year General Fund Balances included Encumbrances and Continuing appropriations and Designated for subsequent year's expenditures associated with capital projects.
Those balances are now found in the Capital Article Fund.

Undesignated General Fund Balance

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

FY Ending June 30	Undesignated General Fund Balance
2010	$ 11,883,429
2009	12,604,133
2008	16,688,414
2007	13,823,065
2006	12,093,785

Source: Audited Financial Statements.

Stabilization Fund

The Town maintains a stabilization fund that is accounted for in the Trust Funds. 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.

FY Ending June 30,	Stabilization Fund Balance
2010	$ 5,398,393
2009	5,356,986
2008	5,249,522
2007	5,024,267
2006	4,744,349

Liability / Catastrophe Fund

The Town maintains a liability/catastrophe fund that is accounted for in the Trust Funds. 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 Board must also approve it. The following table presents the Town's liability/catastrophe fund balances for the last five fiscal years.

FY Ending June 30,	Liability/ Catastrophe Fund Balance
2010	$ 1,232,172
2009	366,863
2008	1,338,134
2007	1,261,092
2006	1,120,427

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 Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust 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 State 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 State Department of Revenue ("DOR"). 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 five 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 2011.

Direct Debt Summary (1)
As of June 30, 2010

General Obligation Bonds:		
Inside the Debt Limit		
Sewers & Drains	$ 6,928,200	
Schools	9,217,497	
Other	27,174,265	
Total Inside the Debt Limit		$ 43,319,962
Outside the Debt Limit		
Water	$ 5,745,353	
Sewers	647,500	
Schools (2)	16,984,685	
Other	7,685,000	
Total Outside the Debt Limit		31,062,538
This Issue		11,025,000
Total Direct Debt		$ 85,407,500

(1) Based on the Town's proposed equalized valuation of $16,024,896,500 effective January 1, 2010, its Normal General Debt Limit is $801,244,825 and its Double General Debt Limit is $1,602,489,650. (See "General Information on Debt Authorization and Legal Limit," above.)

(2) Represents the balance remaining on $13,000,000 School Bonds issued September 1, 1992 and refunded July 15, 2002 (exempt from Proposition 2 ½); $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 Massachusetts School Building Authority 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 July 1, 2010, 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 $7,960,239.

Key Debt Ratios

	As of June 30				
	2010	2009	2008	2007	2006
Amount (1)	$74,382,500	$97,975,000	$96,908,587	$97,328,174	$104,508,761
Per Capita (2)	$1,302.51	$1,715.64	$1,696.96	$1,761.88	$1,891.87
Percent of Assessed Valuation (3)	0.50%	0.67%	0.68%	0.69%	0.74%
Percent of Equalized Valuation (4)	0.48%	0.63%	0.65%	0.66%	0.82%
Per Capita as a Percent of Personal Income Per Capita (2)	2.94%	3.87%	3.83%	3.97%	4.27%

(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.)

Annual Debt Service (1)

Fiscal Year	Outstanding Debt Principal	Outstanding Debt Interest	This Issue Principal	This Issue Interest	Less State Aid	Net Debt Service	Cumulative % Principal Retired
2011	$ 9,452,500	$ 2,672,591	$ -	$ -	$ (1,227,634)	$ 10,897,457	11.1 %
2012	8,800,000	2,324,604	1,220,000	364,138	(1,227,634)	11,481,107	22.8
2013	8,225,000	2,038,226	570,000	339,738	(587,125)	10,585,839	33.1
2014	7,395,000	1,765,229	570,000	328,338	(587,125)	9,471,441	42.4
2015	6,490,000	1,534,358	570,000	311,238	(587,125)	8,318,470	50.7
2016	6,065,000	1,328,643	570,000	282,738	(587,125)	7,659,255	58.5
2017	5,575,000	1,098,278	570,000	271,338	(587,125)	6,927,490	65.7
2018	4,785,000	892,423	570,000	258,513	(587,125)	5,918,810	71.9
2019	4,160,000	724,641	570,000	241,413	(587,131)	5,108,923	77.5
2020	3,710,000	563,929	570,000	224,313	(465,030)	4,603,211	82.5
2021	1,930,000	416,579	570,000	207,213	(465,030)	2,658,761	85.4
2022	1,780,000	339,404	470,000	188,688	(465,030)	2,313,061	88.0
2023	1,270,000	264,879	470,000	172,238	-	2,177,116	90.1
2024	1,265,000	210,833	470,000	155,200	-	2,101,033	92.1
2025	1,265,000	155,748	470,000	137,575	-	2,028,323	94.1
2026	875,000	100,663	470,000	118,775	-	1,564,438	95.7
2027	670,000	61,600	465,000	99,975	-	1,296,575	97.0
2028	670,000	30,800	465,000	80,794	-	1,246,594	98.4
2029	-	-	465,000	61,031	-	526,031	98.9
2030	-	-	465,000	41,269	-	506,269	99.5
2031	-	-	465,000	20,925	-	485,925	100.0
Total	$ 74,382,500	$ 16,523,424	$ 11,025,000	$ 3,905,444	$ (7,960,239)	$ 97,876,129	

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have $28,934,065 authorized unissued debt as follows:

Putterham Golf Course	$ 940,000
Muddy River Restoration	745,000
Sewers	3,124,065
Landfill	3,275,000
Runkle School	18,500,000
Carlton Street Foot Bridge	1,400,000
Town Hall Garage	950,000
Total	$ 28,934,065

Overlapping Debt

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

Overlapping Entity	Outstanding Debt as of 6/30/10	Brookline Estimated Share (1)	Fiscal 2011 Dollar Assessment (2)
Norfolk County (2)	$ 900,000	11.10 %	$ 638,171
Massachusetts Water Resources Authority (4)			
Water	1,965,302,000	2.95	5,310,862
Sewer	3,902,910,000	2.75	11,279,012
Massachusetts Bay Transportation Authority (3)	5,522,119,947	1.34	4,478,795

(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: Massachusetts Bay Transportation Authority ("MBTA"). The Massachusetts Bay Transportation Authority (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 TAX" below.)

(4) Source: Massachusetts Water Resources Authority ("MWRA"). Outstanding debt is as of June 30, 2010. 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.

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, (see “CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT” above), cities and towns may also be empowered to make other contracts and leases.

The Town of Brookline is a participant in the following contracts:

Name	Nature of Service	Contract Expires	Annual Cost Fiscal 2010	Annual Cost Fiscal 2011
Whitney	Solid Waste	06/30/14	$914,420	$899,834
Whitney	White Goods & Metal	06/30/14	77,000	97,983
Lorusso	Yard Waste Disposal	06/30/12	85,295	85,295
Waste Management	Recycling	6/30/15		621,750
Whitney	Collection of Recyclables	09/30/10	603,689	179,704
Ikon	Copier Leases	(1)	54,603	60,455
Ricoh	Copier Leases	(1)	4,490	4,490
Ikon	Copier Leases	(1)	160,635	155,151
Riso	Copier Leases	(1)	1,720	1,738
Sun Trust	DPW Equipment	10/14/11	48,315	48,315
Sun Trust	DPW Equipment	10/14/11	97,191	97,191
Kansas State Bank of Manhattan	DPW Equipment	1/5/10-1/5/12	113,523	113,523
Sun Trust	DPW Equipment	8/14/2010		176,863
Sun Trust	DPW Recycling	8/14/2010		94,534
Laidlaw (First Students)	Student Transport-Metro	08/31/11	295,444	290,993
YCN	Student Transport-Sped	08/31/11	868,204	959,110
Lease Finance Group	School Point of Sale Equip.	11/31/10	14,242	14,242

(1) Various four or five years.

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 recent 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.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must have been submitted to PERAC by September 27, 2010.

Current membership in the System consists of the following:

	Number of Employees
Active members:	
Fully vested	499
Non-vested	773
Inactive members	1,234
Retired members	853
Total	3,359

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:

Fiscal Year	Contributory	Non-Contributory (1)
2011	$13,784,954	$215,000
2010	13,028,716	230,000
2009	11,421,618	230,000
2008	11,002,159	275,000
2007	9,855,009	310,000
2006	9,600,000	467,000

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 System.

Schedule of Funding Progress (000)

As indicated below, as of January 1, 2010, the date of the latest actuarial valuation, the System's funded ratio was 61.6 percent:

Actuarial Valuation Date	Actuarial Value of Assets (000)(1)	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (000)(2)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll
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.

For additional information on the Town's retirement system, please refer to Appendix A, Audited Financial Statements as of June 30, 2010.

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
2010	$ 8,331,375
2009	8,293,074
2008	6,156,390
2007	6,380,000
2006	5,323,000
2005	4,659,000

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new 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.

In 2008 the Town hired Segal Group, Inc to perform an actuarial valuation of its non-pension, post employment benefit liability. Assuming investment at capital market rates of return, the Town's unfunded liability is likely $219,959,740. The unfunded liability based upon bank rates of return is $338,037,123. Special legislation was adopted several years ago that created the Retiree Health Trust Fund. Recently, this Trust Fund was amended to comply with GASB 43, allowing the Town to utilize market rates of return. As of December 31, 2009, the fund balance was more than $7 million.

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 62 percent belong to unions or other collective bargaining groups as shown below:

Employee Category	Represented by	Number of Employees	Contract Expires (1)
Police	Brookline Police Association	123	6/30/11
Firefighters	International Association of Firefighters	152	6/30/09
The Town Workers	AFSCME	238	6/30/09
Library	AFSCME	30	6/30/09
Engineers	Brookline Engineers Association	11	6/30/09
School Traffic Supervisors	AFSCME	22	6/30/09
Public Safety Dispatchers	Teamsters Local 25	15	6/30/11
School:			
Teachers	Brookline Educators Association (MTA)	733	8/31/11
Custodians/Maintenance	Massachusetts Public Schools Custodians Association (AFSCME)	43	6/30/11
Secretaries	Brookline Educational Secretaries' Association	44	6/30/11
Cafeteria Workers	Massachusetts School Food Service Association	36	6/30/09
Bus Monitors	Brookline School Transportation Employees' Association	5	8/31/09
Current Coordinators	BEU	37	8/31/11
Aids	BEU	285	8/31/11
Total		1,774	

(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.

TOWN OF BROOKLINE, MASSACHUSETTS
/s/ Stephen E. Cirillo, Finance Director/Treasurer

February 3, 2011

APPENDIX A

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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TOWN of BROOKLINE
Massachusetts

BOARD OF SELECTMEN

BETSY DEWITT, Chairman
NANCY A. DALY
JESSE MERMELL
RICHARD W. BENKA
KENNETH M. GOLDSTEIN

MELVIN A. KLECKNER
Town Administrator

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

October 22, 2010

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 accounting principles generally accepted in the United States of America (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, 2010 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. Because 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, a firm of licensed certified public accountants. 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, 2010, 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 concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Brookline's financial statements for the fiscal year ended June 30, 2010 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 compliment 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 founded in 1630 and incorporated in 1705. It is located in Norfolk County and borders on 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 2000 federal census, has a population of 57,107 persons.

Municipal Services

The Town provides general governmental services within its boundaries including:

- public education in grades pre-kindergarten through 12 to more than 6,000 students
- police and fire protection, including 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 services
- parks and recreational services, including a golf course and a swimming pool
- library services
- senior citizen services and programs, including a senior center facility
- public health services, including food outlet inspections, immunizations, and mental health
- veterans services

Governing Bodies and Officers

The Town operates under a Board of Selectmen/Town Meeting form of government. Local legislative decisions are made by a representative Town Meeting consisting of 248 members and implemented by a five-member Board of Selectmen. 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 municipal departments except for the School Department, Library, and Town Clerk's Office. The superintendent of Schools is the chief operating officer for the Brookline Public Schools and is responsible for the supervision and administration of all School departments.

A nine person elected school committee is responsible for the administration of all local school affairs. 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 Town 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, 2 members elected by active and retired members of the Retirement System, 1 member appointed by the Selectmen and a fifth member chosen by the other 4 Board members.

Audit Committee

The Audit Committee consists of six members with appointment not restricted to the ranks of appointing bodies. 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), Leonard Weiss (Advisory Committee), Alan Morse (School Committee), James Littleton, Gregory Grobstein and Christopher Cox (Moderator's Appointees). In addition to the six voting members, the Director of Finance (Stephen Cirillo), the Comptroller (Judith Haupin), the Superintendent of Schools or his/her designee (Peter Rowe), and the Town Administrator or his/her designee (Sean Cronin) serve as nonvoting members of the Committee. The Audit Committee serves as advisor to the Board of Selectmen with respect to the Town's financial condition, financial management systems, and controls and annual audit. In addition, the Committee shall report 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 Systems

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 first year of the CIP and the operating budget are submitted to Town Meeting for adoption. The Board of Selectmen have formally adopted financial policies that guide the preparation of the Annual Financial Plan.

The five-year forecast, submitted in December of each year, is a comprehensive review of economic trends on a local, regional 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 presents various surplus/deficit projections 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 capital improvement program (CIP), preliminarily submitted in November/December of each year, 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 5.5% of the prior year's net revenue, plus free cash, to the CIP, the annual update allows decision makers and voters the opportunity to regularly analyze and decide upon priority project funding. After inclusion in the Town Administrator's Financial Plan, the Proposed CIP is reviewed by both 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 source and use recommendations for all funds; details departmental missions, goals, objectives and annual work plans; and details 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 tax, user fee receipts, state aid, investment income and miscellaneous program income; the enterprise funds for the water and sewer operations and the golf course; and the Recreation Revolving Fund. These latter funds are intended to be self-supporting through user-based charges.

Principal Executive Officers

Office	Name	Term	Term Exp.
Town Administrator	Melvin A. Kleckner	Appointed - 3 years	2013
Superintendent of Schools	William Lupini	Appointed - 3 years	2012
Deputy Town Administrator	Sean Cronin	Appointed - 1 year	2011

Office	Name	Term	Term Exp.
Assistant Town Administrator	Melissa Goff	Appointed - 1 year	2011
Finance Director and Treasurer	Stephen Cirillo	Appointed - 1 year	2011
Town Comptroller	Judith Haupin	Appointed - 1 year	2011
Town Clerk	Patrick J. Ward	Elected - 3 years	2012
Town Counsel	Jennifer Dopazo	Appointed - 3 years	2011

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Brookline operates.

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 10%), State Aid (approximately 7%), transfers from other non-general funds (approximately 3%) and other available funds (approximately 2%).

Residential property comprise 90.7% of the full and fair value of the property in Brookline and they are responsible for 84% of the taxes. The Town has been adopting the tax classification authorization that permits it to set two separate tax rates. The current tax rates are:

Residential	$ 10.97 per thousand
Commercial	$ 17.80 per thousand

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 $14.8 billion) has increased more than 115% since FY2000, reflecting strong development and real estate appreciation. The Town's tax base is now the fifth largest in Massachusetts. Building permit activity continues at a strong pace, having averaged more than $2.5 million annually over the last five years. Per capita market value of approximately $250,000 is also among the highest in the state, as is the per capita personal income level, which is approximately $45,435 according to the 2000 census.

The Annual Financial Plan

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 have been the norm over the past few years, consuming approximately one-third of all new property tax revenue since FY 2003. This line item increased from $12 million in FY 2003 to $24 million in FY 2010. Over the past few years, the Town has taken steps to help blunt some of the recent increases. In FY2008, plan design changes were implemented that resulted in an annualized decrease of more than $1 million in the health insurance budget. Effective July 1, 2010 (FY2011), 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 heath budget from what was expected to be $25.8 million to $21.2 million, a savings of $4.6 million. It also reduced premium withholdings for employees.

Healthcare 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 to its working employees in their retirement years. Financial accounting and disclosure for healthcare provided to employees in retirement is established by GAAP for Other Post Employment Benefits, and is referred to herein by terms including OPEB, post-employment, and post-retirement.

Increases in the Town's contribution to the Retirement System have averaged approximately $500,000 over the past five years, including the large $1.1 million increase in FY 2008. However, due to the world-wide economic down-turn, government retirement systems experienced significant losses in calendar year 2008. Knowing that these losses would require the Town to dramatically increase the FY2012 appropriation, the Town took steps to offset the anticipated budget impact by ramping up to the higher appropriation over a three-year period, beginning in FY 2010. In both FY2010 and FY2011, the Town earmarked new revenue from local option taxes, which were made possible by an act of the State Legislature, for the pension system. The impact of this was to increase the FY2010 appropriation by just under $1 million and the FY2011 appropriation by $1.2 million, leaving an increase of FY2012 of approximately $600,000. If this approach was not taken, the increase from FY2011 to FY2012 would have been $1.8 million. The success of this strategy was illustrated in the approved calendar year 2010 Actuary funding schedule, which included an FY 2012 appropriation with only an average increase from the prior fiscal year, a reduction in the estimated rate of return from 8.25% to 8.15%, and a full funding date of 2028, well ahead of the 2040 maximum full funding date mandated by state law.

Utility expenses have skyrocketed since FY2003: the price of electricity has increased 134%; natural gas has increased by 143%; the price of heating oil is 175% higher; and the price of vehicle fuel is 147% higher. As a result, the Town's total utility budget has doubled since FY2003 to more than $5.3 million. As part of an effort to reduce the consumption of energy, the Town, through its CIP, funding from the American Recovery and Reinvestment Act (ARRA), and programs with local utilities, has invested in energy efficiency programs and technologies. Savings from these investments have begun to realize, most notably in Town Hall, where consumption has been cut in half. The Town has also taken advantage of recent drops in the electricity and natural gas markets by locking in at reduced rates for the next few fiscal years.

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 under "Long-term Financial Planning" below). Over the past five years, total K-8 enrollment has grown 581 (15%) and, based upon available birth data and other demographic trends, this growth pattern is expected to continue for at least the next four years. This will result in total enrollment growth of approximately 900 students (23%) during the nine year (FY05-FY14) period. In 2005, the K-8 elementary schools operated with 3,888 students in 196 homerooms. Last school year, they operated with 4,469 students in 219 homerooms. In FY2014, the schools estimate a need for 241 homerooms for the projected enrollment of 4,780 students. This is an increase of 45 homerooms between 2005 and 2014. In order to create the classroom space necessary to accommodate this enrollment level, the Schools have had to convert spaces intended for other purposes into regular classrooms. On the operating budget side, with new classrooms comes the need for new teachers. Obviously, this has put pressure on the School budget.

On the revenue side, while property taxes comprise approximately three quarters of the Town's general fund revenue, there are two other revenue streams that impact the budget significantly: State Aid and Local Receipts. In FY2003 and FY2004, local aid was cut by close to $3 million. In FY10, it was cut $3.1 million and then by another $700,000 in FY2011. Since FY03, state aid has realized a cut of 26%, even before accounting for inflation. The current fiscal climate at the state level points to decreases in state aid in fiscal 2012, so there is likely to be a significant negative impact on the Town's ability to provide services.

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 half 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 2 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 distributions from the Commonwealth in December, 2009.

Long-term Financial Planning

The Town continues to manage its financial affairs in a prudent manner. Throughout all of the changes in the economy, 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 forecast and the six-year Capital Improvement Program; establishing rainy day accounts and budgeting stabilization reserves; prioritizing spending plans and identifying discretionary spending; incorporating pay-as-you-go financing strategies; 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 establishing enterprise funds for certain operations. This allows the Town to charge 100% percent of the operating cost 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.

Through the CIP process, the Town of Brookline has identified approximately $126.6 million in capital improvements needed over the next 6 years. Large components of this total include the following:

- Anticipated school projects ($92.3 million). It is important to note that the three renovation/addition projects planned for (Runkle School, Heath School, and Devotion School) assume the Massachusetts School Building Authority (MSBA) covers at least 34.58% of the costs. In September, 2009, the Town was notified that the MSBA approved funding equivalent to 40% of eligible expenses for the Runkle School, meaning $11.8 million of the $29.1 million project will be paid for by the State. Funding was approved at the November, 2009 Fall Town Meeting for the Town's share of the project. In March, 2010, the Town was notified that the MSBA would partner with the Town for the Heath project. The Town is currently in the feasibility stage of that project and it is anticipated that the state will fund at least 34.58% for what is expected to be a $6 million - $7 million project. The Town should be cautioned, however, that with the combination of a slowdown in the economy (which will reduce MSBA revenue) and a need for school construction in economically challenged communities, it is not certain that the Town will be as fortunate with the Devotion School. If that were to occur, then either the project needs to be reduced or a debt exclusion override will be required. The Town might consider a debt exclusion even with MSBA assistance if the project is of such size that funding the Town's share consumes all remaining CIP capacity under the 5.5% funding policy.
- Upgrade and maintenance of our waste water system ($5.0 million), which will be borne by the water and sewer rates rather than the tax levy.
- Rehabilitation of the Town's streets and sidewalks ($15.6 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 $4.3 million of this work.
- The purchase of the former state-owned Fisher Hill reservoir for transformation into an active / passive open space ($4.6 million, of which just $1.35 million is supported by the tax base).

- The Village Square project in the Brookline Village / Route 9 area ($4 million). The Town plans on utilizing the Section 108 Loan Program afforded by the Federal government under the CDBG program to finance $2.25 million. The remaining piece is to be funded by a grant through the State Transportation Improvement Program (STIP) and outside sources related to the 2 Brookline Place redevelopment.
- The closure of the rear landfill ($4.6 million)
- Upgrades and rehabilitation of various parks/playgrounds/open spaces ($13.6 million)

A particularly challenging issue that the Town is proud to be able to say it has successfully managed is the closing and capping of the Town's landfills, which included the development of a recreational field. In FY04, Town Meeting approved $7.89 million for capping the front landfill and transforming it into a full-sized recreational field and playground. Unfortunately, part of the project including implementing state-mandated assessment and corrective actions related to the removal of historically deposited ash-laden soils were required on properties surrounding the landfill.

In FY04 and FY05, a total of $3 million was approved to undertake all actions required on certain properties along Newton St., Nelson Drive, and Hammond Pond Parkway. Between FY07 and FY10, a total of $9.25 million was approved for similar actions on properties along the other side of the landfill (Martha's Lane, Kensington Circle, and Arlington Road). Of this amount, $1 million ended up being funded via a grant from the State's Environmental Bond Bill. All of these actions ensured on-going compliance with Department of Environmental Protection's (DEP) Solid Waste Management regulations, 310 CMR 19.000, and Massachusetts Contingency Plan, 310 CMR 40.000, for properties along Martha's Lane, Kensington Circle, and Arlington Road. In addition, the Town and the effected residents agreed on a settlement that totaled $5 million.

We are also pleased to reiterate what was announced during the FY11 – FY16 CIP process: virtually all, if not all, of the $3.275 million bond authorization will be rescinded at a future Town Meeting since the remediation projects along Martha's Lane, Kensington Circle, and Arlington Road came in well under-budget.

Other Post Employment Benefits

The Town of Brookline is legally and contractually obligated to pay for the retiree health cost of past, present and future Town / School retirees who have worked a minimum of ten years for the Town. There is no requirement that the employee has to be working for the Town at the time of retirement in order to receive this benefit. The calendar year 2008 Biennial Actuary Analysis estimated the present value of this obligation to be $323 million (at a discount rate of 5.5%). At June 30, 2010, the Town has a balance of $6.1 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. Beyond the trust fund, the Statement of Net Assets at June 30, 2010 includes a liability of $37.6 million for a portion of the unfunded post-employment benefits; none of the Town's assets as of that date are dedicated to the satisfaction of that liability. The recognized amount of the liability will continue to grow, and be reduced as assets are contributed to the trust fund. Future funding of the retiree healthcare obligation represents the Town's largest financial challenge.

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, could reduce the OPEB liability. In addition, the Committee made several recommendations regarding the development of a long-term funding strategy over a thirty year period.

The Town has already adopted some of the funding recommendations, including an annual and escalating appropriation into the Financial Plan, which would generate $116.5 million over the thirty year period. The current strategy increases the annual funding commitment each year until, in approximately year fourteen of the plan, the Town reaches the annual funding requirement. In the remaining sixteen years, funding levels would exceed the annual requirement in order to bring the Town to full funding by year thirty.

In addition, the Town has begun allocating retiree healthcare costs to all enterprise, revolving, grant, and special funds of the Town and School Departments. It is anticipated that this policy could generate an additional $28.95 million of funding for the OPEB liability, if additional fees are charged to the users. 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. It is anticipated that, as a result of this decision, the unfunded OPEB liability will be reduced by approximately $18 million.

The fiduciary-managed trust fund for retiree health care benefits is classified as an internal service fund, and included in the government-wide financial statements."

Cash management policies and practices

The Town of Brookline issues property tax bills four times a year and derives approximately 74% 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, 2010 for the funds maintained by the Town's Treasurer are as follows:

General Fund - Unencumbered	$	21,544,461
General Fund - Encumbered		1,449,308
Reserved for :		
General Fund -Revenue Funded Capital Project Funds		10,624,128
Special Revenue Funds		4,877,749
Bond Funded Capital Projects Funds		9,467,289
Enterprise Funds		257,201
Trust and Agency Funds		28,649,506
	$	76,869,642

Of the $76.8 million in total cash and investments, more than $55.3 million is committed to Bond and Revenue Funded Capital Projects, Enterprise operations, Trust and Agency Funds and Grant funded projects, leaving approximately $21.5 million unencumbered and not reserved for within

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 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. 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

Due to the above referenced and other cost pressures and strains of revenues, annual budget deficits have become the norm. In order to balance the budgets, the Town has continued to drive efficiencies and find other ways to continue to deliver a high level of service at lower costs. Over the past couple budget cycles, the Town has taken steps toward reducing both immediate and long-term costs, including the following:

- 5% reduction in Town FTE's since FY06 (exclusive of school positions)
- Further utilization of contracted services
- Move to the Group Insurance Commission (GIC) (see above)
- Implementation of plan design changes in the Town's health insurance program (see above)
- Re-organization of various departments/divisions
- Civilianization of certain functions in the police and fire departments
- Further utilization of technology to drive efficiencies
- Investment in energy efficiency projects

Efficiency Initiative Committee (EIC)

While these and other steps have been critical in balancing budgets and maintaining services, the Selectmen determined that the Town should undertake an exhaustive review of how the Town operates in order to yield additional cost savings possibilities. The Selectmen therefore appointed an Efficiency Initiative Committee (EIC), which was charged with developing a long-term plan for pursuing cost savings, including the following:

- Expanded use of technology
- Integration of functions across departments
- Merger of Town / School operations
- Departmental consolidation
- Privatization
- Position reduction

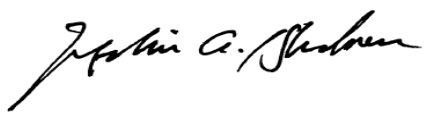
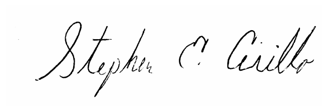
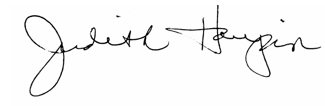
The EIC reported its findings to the Selectmen in January, 2009, and a number of the Committee's recommendations were included in both the FY 2010 and FY2011 budgets ultimately approved by Town Meeting. The recommendations of the EIC have influenced both short-term and long-term budgetary decisions, as they help address the issues of sustainability, which was originally raised by the Override Study Committee (OSC).

The Other Post-Employment Benefits (OPEB) Task Force completed its work in June 2009. The Committee made several recommendations to the Board of Selectmen, which, if implemented, would reduce the long-term OPEB liability. In addition, the Committee made several recommendations regarding the development of a long-term funding strategy to pay down the un-funded liability over a thirty-year period. The Town has already adopted some of the funding recommendations, including an annual and escalating appropriation into the Financial Plan, which would generate $116.5 million over a thirty-year period. In addition, the Town has begun to include a unit cost for each FTE included in the annual budget of all enterprise, revolving grant and special funds of the Town and School Departments. It is anticipated that this policy would generate an additional $28.95 million toward the un-funded OPEB liability. In the area of cost containment, the Town and Unions reached an agreement to enter the state's Government Insurance Commission (GIC). It is anticipated that the unfunded OPEB liability will be reduced by approximately $18 million as a result of this decision.

Acknowledgements.

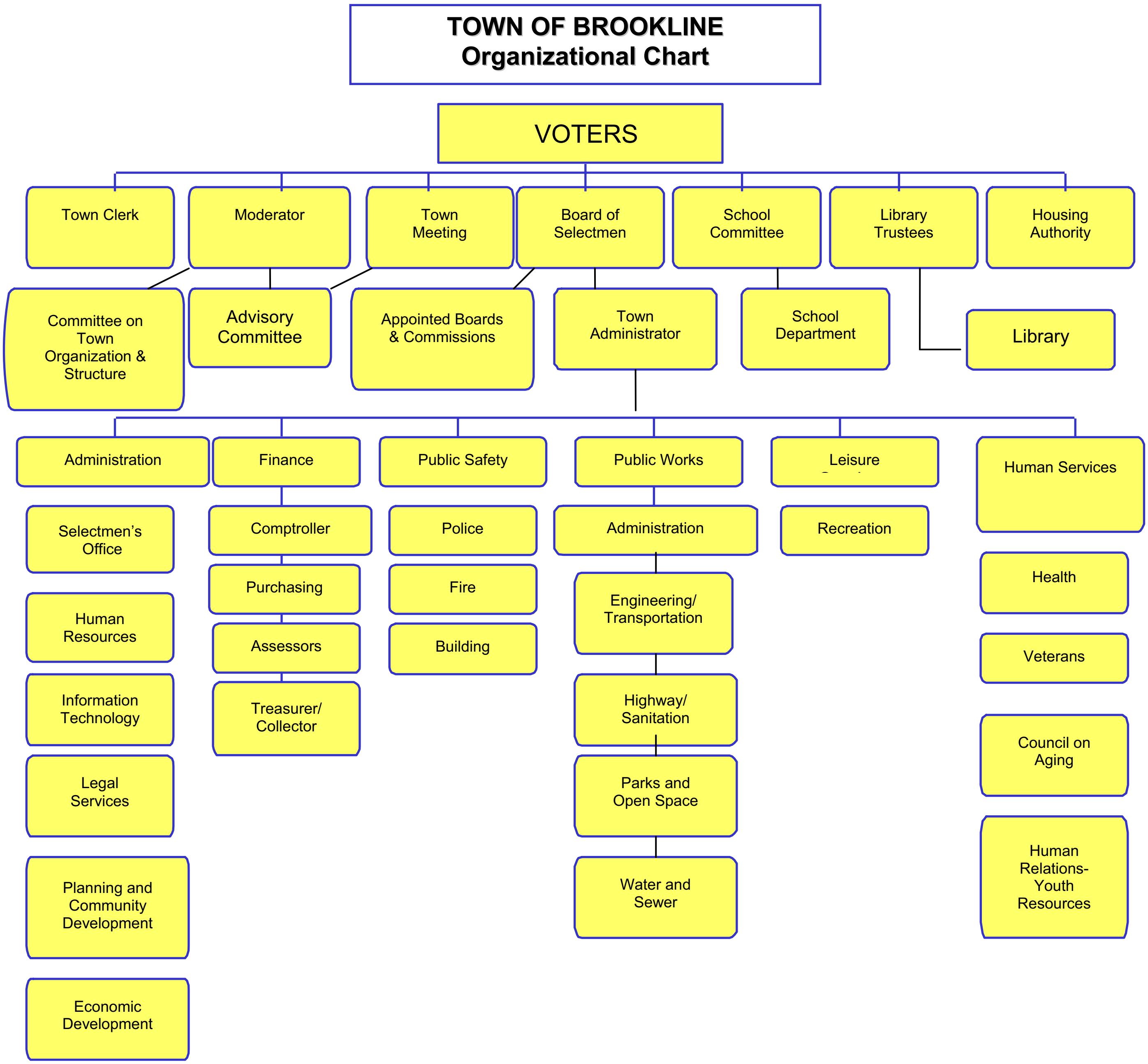
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Town Administrator's Office and the Finance Department. We would like to express our appreciation to all the members of the department who assisted and contributed to the 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	Stephen Cirillo Finance Director	Judith A. Haupin Town Comptroller

Organizational Charts



BOARDS/COMMISSIONS APPOINTED BY THE BOARD OF SELECTMEN

Planning/ Development
- Board of Appeals
- Board of Examiners
- Building Commission
- Economic Development Advisory Board
- Housing Advisory Board
- Planning Board
- Preservation Commission

Administration and Finance
- Board of Assessors
- Human Resources Board
- Registrars of Voters
- Retirement Board
- Information Technology Advisory Committee

Public Works
- Conservation Commission
- Solid Waste Advisory Committee
- Transportation Board
- Tree Planting Committee
- Trustees of Walnut Hills Cemetery

Cultural/ Leisure Services
- Broadband Monitoring Committee
- Brookline Access Television
- Celebrations Committee
- Brookline Commission for the Arts
- Park and Recreation Commission

Human Services
- Advisory Council on Public Health
- Commission for the Disabled
- Commission for Women
- Council on Aging
- Holocaust Memorial Committee
- Human Relations Youth Resources

Powers & Sullivan
Certified Public Accountants

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Wakefield, MA 01880
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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Brookline, Massachusetts

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 fiscal year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Brookline, Massachusetts' management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010 on our consideration of the Town of Brookline, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance - general fund – budget and actual, other postemployment benefit plan-schedule of funding progress, and other postemployment benefit plan-actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The letter 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 express no opinion on them.

Powers & Sullivan

October 22, 2010

Management's Discussion and Analysis

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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 fiscal year ended June 30, 2010. 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, legislator and others) can assess the financial condition of one government compared to others.

Government 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 fiscal 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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 fiscal 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 fiscal 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 Other Post Employment Benefits (OPEBs), 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown below, governmental assets exceeded liabilities by $162.1 million at the close of FY2010.

For the governmental activities, net assets of $138.4 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. $29.6 million represents resources that are subject to external restrictions on expenditures. The Town has $30.2 million of unrestricted net assets without considering the recorded liability for a portion of the post employment healthcare obligation. That liability ($36.1 million) is long-term in nature, and will not be funded from the $30.2 million of unrestricted net assets at June 30, 2010 (see the discussion of Other Post Employment Benefits in the Transmittal Letter section of this report).

At this point it is important to note that in accordance with the requirements of Massachusetts finance laws and regulations, all of the unrestricted net assets are required to be reserved for designated purposes except for approximately $7.1 million, which is the amount classified as "available funds" (also known as "free cash") by the Massachusetts Department of Revenue's Division of Local Services. The remaining unrestricted net assets are either already committed for expenditure or required to be retained for other purposes.

Governmental Activities Net Assets

At the end of the current fiscal year, the Town is able to report positive balances in two out of three categories of net assets. The Town's assets exceeded liabilities by $162.1 million at the close of fiscal year 2010.

	FY 2010 Governmental Activities	*FY 2009 Governmental Activities*	*FY 2008 Governmental Activities*
Assets:			
Current:			
Cash and cash equivalents	$ 62,792,008	$ 65,868,113	$ 71,447,187
Investments	11,048,635	9,250,406	9,131,561
Receivables, net of allowance for uncollectibles	12,588,030	14,475,980	14,023,415
Other current assets	529,691	2,816,212	2,838,603
Noncurrent assets (excluding capital)	5,404,000	22,490,000	24,674,000
Capital assets	190,228,444	191,449,243	189,751,816
Total assets	**282,590,808**	**306,349,954**	**311,866,582**
Liabilities:			
Current (excluding debt):			
Warrants payable	3,262,614	2,830,241	3,438,730
Tax refunds payable	2,370,000	1,153,000	2,076,000
Compensated absences	5,736,797	5,554,883	5,509,082
Other current liabilities	4,192,953	5,338,050	6,897,052
Noncurrent (excluding debt):			
Landfill closure	5,207,000	12,030,000	14,880,000
Compensated absences	3,694,576	3,603,745	3,591,846
Postretirement benefits	36,158,149	25,306,331	14,742,618
Other noncurrent liabilities	702,000	183,000	493,000
Current debt	7,105,400	8,311,177	15,132,309
Noncurrent debt	51,546,047	74,307,046	72,478,222
Total liabilities	**119,975,536**	**138,617,473**	**139,238,859**
Net Assets:			
Capital assets net of related debt	138,378,461	133,933,484	132,680,074
Restricted	29,607,081	33,545,176	30,200,923
Unrestricted	(5,926,270)	253,821	9,746,725
Total net assets	**$ 162,059,272**	**$ 167,732,481**	**$ 172,627,722**

Net assets from the Town's governmental activities decreased by $5.7 million during fiscal year 2010. Key elements of the change are as follows:

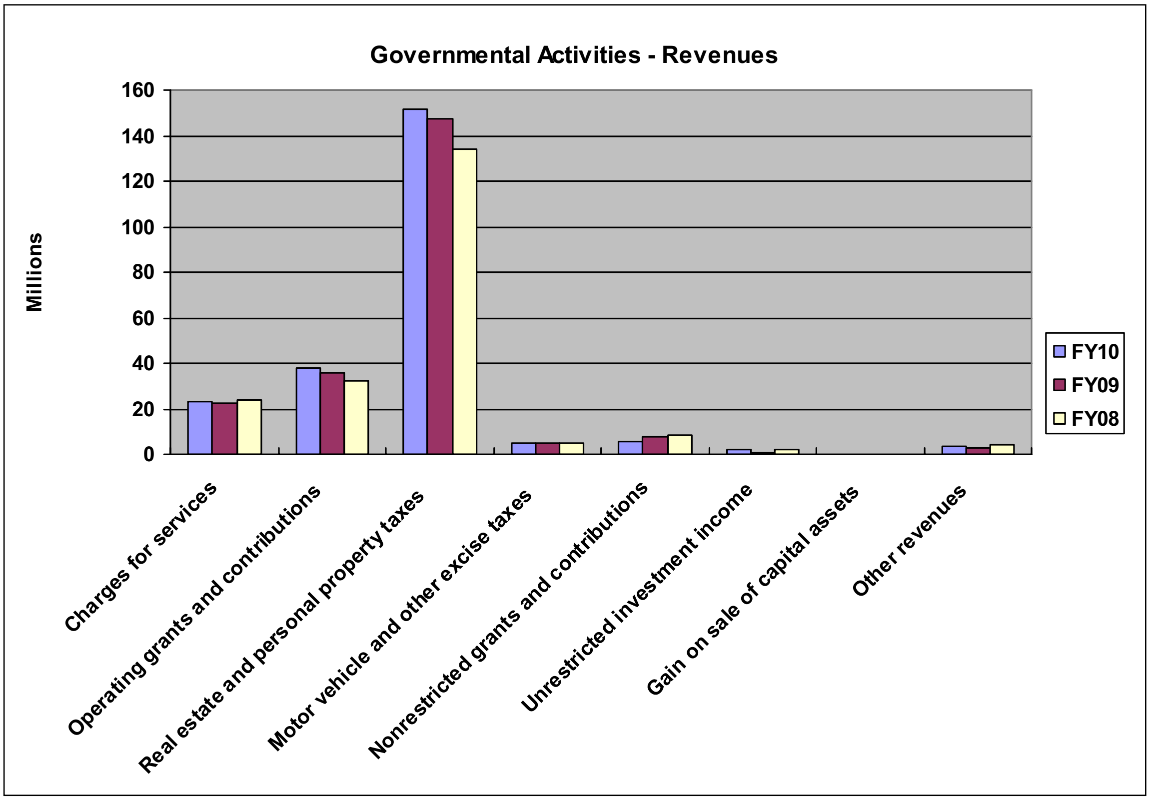
	FY 2010 Governmental Activities	*FY 2009 Governmental Activities*	*FY 2008 Governmental Activities*
Program revenues:			
Charges for services	$ 23,499,200	$ 23,089,294	$ 23,620,058
Operating grants and contributions	35,836,959	35,714,779	33,691,865
Capital grants and contributions	2,981,790	-	-
General Revenues:			
Real estate and personal property taxes	151,463,056	147,735,896	133,903,429
Motor vehicle and other excise taxes	4,760,227	5,112,074	5,121,393
Nonrestricted grants and contributions	5,828,099	7,874,410	8,728,569
Unrestricted investment income	1,910,814	555,446	2,143,201
Gain/(loss) on sale of capital assets	(19,317)	(210,848)	(48,038)
Other revenues	3,179,778	2,719,047	4,038,330
Total revenues	**229,440,606**	**222,590,098**	**211,198,807**
Expenses:			
General Government	21,087,675	20,138,908	18,827,431
Public Safety	51,016,383	47,394,571	47,288,418
Education	123,451,076	122,207,617	119,979,926
Public Works	22,816,763	21,759,827	26,317,639
Community and Economic Development	2,056,011	1,611,922	1,843,403
Human Services	4,718,964	3,723,388	3,910,929
Leisure Services	9,227,021	8,625,277	8,713,904
Interest	2,715,031	4,017,530	3,667,459
Total expenses	**237,088,924**	**229,479,040**	**230,549,109**
Transfers In(Out)	**1,975,109**	**1,993,691**	**1,868,012**
Change in net assets	**$ (5,673,209)**	**$ (4,895,251)**	**$ (17,482,290)**

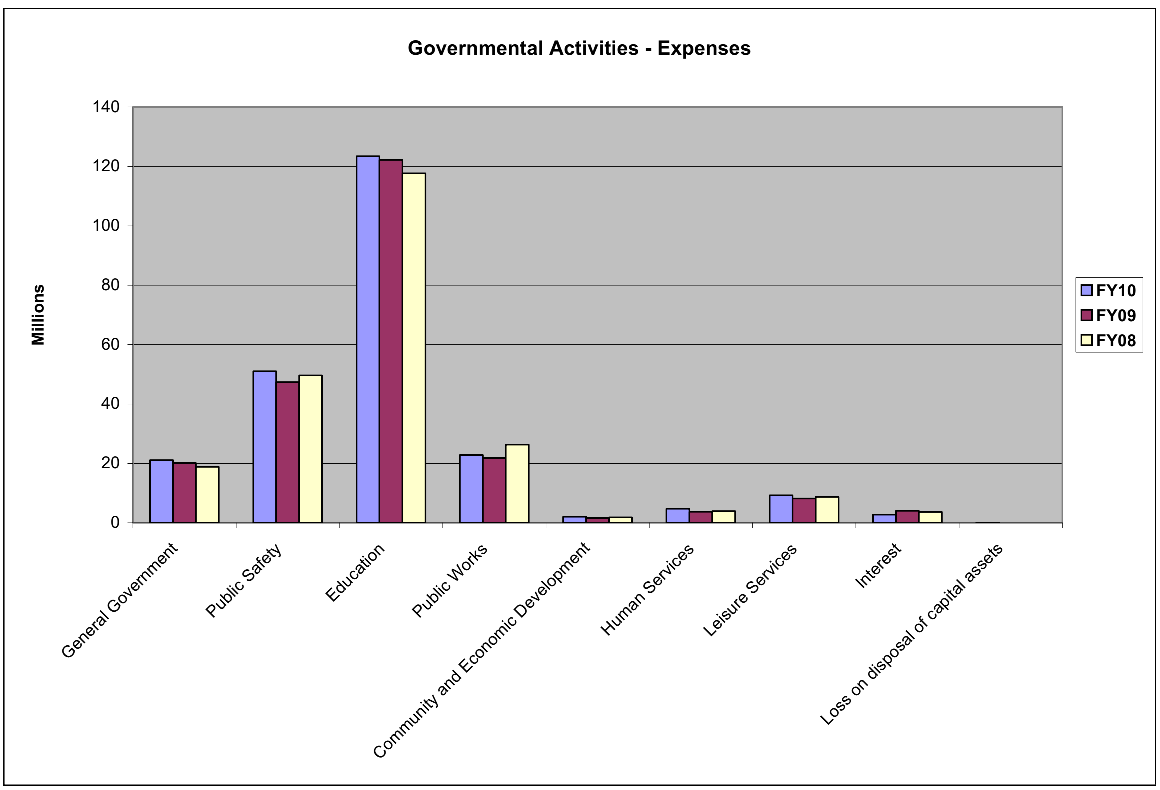
The reduction in net assets is due to several factors. The first is the increase in the liability relating to GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. In fiscal 2010 the Town, based on its actuarial valuation, reported an accrual of $36.2 million for its portion of the liability that was not paid. This represents an increase of $10.9 million over the prior fiscal year. Please see Note 11 for further discussion of this.

The second factor is that the landfill closure liability decreased by $6.3 million to a balance of $5.8 million. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The governmental expenses totaled $237.1 million of which $62.3 million (26%) was directly supported by program revenues consisting of charges for services, operating grants and contributions and capital grants. General revenues totaled $169.1 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 Fiscal 2010 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $55.9 million, of which $17.9 million is for the general fund, $78 thousand is for the Chapter 90 Highway major fund, $9.8 million is for the capital articles fund, and $28.2 million is for the nonmajor funds.

The General Fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance was $16.5 million, while total fund balance was $17.9 million. Reservation of fund balance for Encumbrances and Continuing Appropriations totaled $1.4 million and there was $4.6 million designated as amounts voted to be used in fiscal year 2011. Unreserved, undesignated fund balance represents 6% of total general fund expenditures, while total fund balance represents 9% of total general fund expenditures.

Fund balance of the General Fund increased by $4.8 million during fiscal year 2010. This is primarily due to the better than expected revenue collections and the turn-back of unexpended appropriation balances.

The Capital Article Fund is used to account for various revenue financed capital projects. At the end of the current fiscal year the fund has a fund balance of $9.8 million. In previous years this fund had been reported in the general fund

The Chapter 90 Highway fund is used to account for financial resources for the construction, reconstruction, and improvements to roadways, streets, and sidewalks. At the end of the current fiscal year the fund has a fund balance of $78 thousand.

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General Fund Budgetary Highlights

There was approximately a $342 thousand decrease between the original and final budget. This change primarily represented appropriation reductions in general government and education. The Town has elected to carryforward encumbrances and appropriations totaling $1.4 million.

Business-type Activities. Business-type activities increased by $231,000. Key elements of this decrease are as follows:

	FY 2010 Water & Sewer Activities	FY 2009 Water & Sewer Activities	FY 2008 Water & Sewer Activities
Assets:			
Current:			
Cash and short-term investments	$ 2,658,965	$ 928,684	$ 440,757
Receivables, net of allowance for uncollectibles	5,000,105	5,447,808	6,652,244
Other current assets	13,943	2,066	2,180
Capital assets	35,857,042	36,158,216	36,504,217
Total assets	**43,530,055**	**42,536,774**	**43,599,398**
Liabilities:			
Current liabilities (excluding debt)	400,701	423,114	955,408
Noncurrent liabilities (excluding debt)	1,442,236	1,038,480	95,416
Current debt	2,192,101	1,941,323	1,951,278
Noncurrent debt	12,678,951	12,540,452	13,231,775
Total liabilities	**16,713,989**	**15,943,369**	**16,233,877**
Net Assets:			
Capital assets net of related debt	20,985,990	21,676,441	21,321,164
Unrestricted	5,830,076	4,916,964	6,044,357
Total net assets	**26,816,066**	**26,593,405**	**27,365,521**
Program revenues:			
Charges for services	22,545,102	21,754,052	22,922,166
Operating grants and contributions	-	-	49,798
General Revenues:			
Gain/(loss) on sale of capital assets	(12,394)	(22,577)	(7,096)
Total revenues	**22,532,708**	**21,731,475**	**22,964,868**
Expenses:			
Water and sewer	20,505,232	20,673,186	20,407,131
Transfers In/(Out)	**(1,804,815)**	**(1,830,405)**	**(1,702,633)**
Change in net assets	**$ 222,661**	**$ (772,116)**	**$ 855,104**

The water and sewer enterprise net assets increased by $223,000 during the current fiscal year. This was attributable to the net effect of the increase in the liability relating to GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* of $406 thousand offset by the increase in revenues of $791 thousand due to the 6.4% increase in water and sewer rates.

	FY 2010 Golf Course Activities	FY 2009 Golf Course Activities	FY 2008 Golf Course Activities
Assets:			
Current:			
Cash and short-term investments	$ 239,401	$ 261,510	$ 276,164
Other current assets	16,689	30	132
Capital assets	2,145,528	2,172,013	2,230,338
Total assets	**2,401,618**	**2,433,553**	**2,506,634**
Liabilities:			
Current liabilities (excluding debt)	392,815	431,413	420,520
Noncurrent liabilities (excluding debt)	57,226	44,023	13,295
Current debt	155,000	140,000	140,000
Noncurrent debt	705,000	735,000	875,000
Total liabilities	**1,310,041**	**1,350,436**	**1,448,815**
Net Assets:			
Capital assets net of related debt	1,285,528	1,297,013	1,215,338
Unrestricted	(193,951)	(213,896)	(157,519)
Total net assets	**1,091,577**	**1,083,117**	**1,057,819**
Program revenues:			
Charges for services	1,129,605	1,176,267	1,253,066
General Revenues:			
Unrestricted investment income	3,369	9,902	-
Total revenues	**1,132,974**	**1,186,169**	**1,253,066**
Expenses:			
Golf	954,220	997,585	786,079
Transfers In/(Out)	**(170,294)**	**(163,286)**	**(165,379)**
Change in net assets	**$ 8,460**	**$ 25,298**	**$ 301,608**

The golf enterprise net assets increased by $8,500 during the current fiscal year. This matched the primary objective of the fund where rates are designed to cover the cost of operations.

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 past decade (FY00 - FY09), the Town has authorized expenditures of more than $175 million, for an average of close to $18 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 5 year view. The FY10 – FY15 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. As part of a plan to minimize cuts to the operating budget and maintain existing services, the FY10 – FY15 CIP deviated from the standard CIP financing policy of dedicating an amount equivalent to 5.5% of the prior year's net revenue. The plan is to reduce the 5.5% to 5% in FY10, then phase back up over a two-year period (5.25% in FY11 and 5.5% in FY12). Even with this reduction in funding, the CIP called for an investment of $147.8 million over the six years, for an average of $24.6 million per year.

It was a challenge to develop a balanced CIP that addressed the priorities of the community while living within the funding guidelines. The FY10 – FY15 CIP was particularly challenging because many of the new requests that arose from the process were clearly priority needs. In addition, there were complexities involved with needing to fund these new requests that meet the criteria for CIP projects while at the same time having to fund $9.7 million of additional liabilities associated with the landfill and budget for two large school renovation projects. However, the core of any CIP should be the maintenance / repair of and improvement to a community's infrastructure, and many of the new requests do just that. 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.

Funding for the CIP comes from both debt and revenue based sources. At the May, 2009 Town Meeting, it was voted to transfer the Revenue funded capital projects from the General Fund to a separate Revenue-Funded Capital class. This was done at the request of the auditor and has brought our recording and reporting into conformity with the majority of communities in Massachusetts, resulting in a transfer of approximately $21 million from the General Fund Balance account to the Revenue Funded Capital Fund Group.

The following schedule reflects the CIP expenditure activity for fiscal 2010, together with outstanding encumbrances and available budget balances, for both Debt and Revenue Funded Capital Projects.

Fiscal 2010 Schedule of Capital Improvement Plan Expenditures, Encumbrances and Available Budget

	All Capital Improvement Projects			Revenue Financed Projects			Debt Financed Projects		
	Expended in Fiscal 2010	Encumbrances	Available Budget	Expended in Fiscal 2010	Encumbrances	Available Budget	Expended in Fiscal 2010	Encumbrances	Available Budget
General Government Capital Projects									
General Government Projects	25,704	3,960	7,907	25,704	3,960	4,052	-	-	3,855
Planning Projects	7,747	173,921	1,411	7,747	173,921	1,411	-	-	-
Technology Projects	205,704	83,067	35,258	205,704	83,067	35,258	-	-	-
Building & Public Safety Projects									
General Town Building Projects	1,469,856	796,697	1,088,541	1,432,715	228,485	489,067	37,142	568,212	599,473
Public Safety Building & Equipment Projects	1,573,721	11,810	40,277	1,573,721	11,810	40,277	-	-	-
Library Building Projects	610,911	137,332	99,654	610,911	137,332	99,654	-	-	-
Recreation Building Projects	8,973	18,194	-	8,973	13,581	-	-	4,613	-
Health Building Projects	827	-	-	827	-	-	-	-	-
DPW Building Projects	-	-	40,000	-	-	40,000	-	-	-
School Building Projects	2,385,070	1,365,240	27,910,398	1,130,169	313,911	579,093	1,254,900	1,051,328	27,331,305
School Projects	123	-	-	123	-	-	-	-	-
DPW Projects									
Landfill Related Projects	5,001,137	522,075	4,221,899	4,772,621	510,816	904,601	228,516	11,259	3,317,298
General DPW Projects	-	-	1,350,000	-	-	-	-	-	1,350,000
Highway -Traffic Related Projects	1,944,512	1,362,108	3,305,395	1,866,866	1,362,108	1,905,395	77,647	-	1,400,000
Park Related Projects	940,710	591,538	2,793,690	940,710	591,538	2,048,690	-	-	745,000
Recreation-Library Projects									
Library Projects	245,795	81,428	188,355	245,795	81,428	188,355	-	-	-
DPW Enterprise Related Projects	472,540	236,430	5,218,678	5,568	-	144,433	466,973	236,430	5,074,246
Golf Enterprise Projects	107,054	-	1,341,009	-	-	-	107,054	-	1,341,009
GRAND TOTAL	15,000,385	5,383,799	47,642,472	12,828,153	3,511,957	6,480,286	2,172,231	1,871,842	41,162,187

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, 2010 amount to $228.2 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 $3.7 million, including a $4.4 million increase for governmental activities and a ($702) thousand decrease for business-type activities.

The Town's major capital projects relate to school renovations and various infrastructure projects.

Major Capital asset events during the current fiscal year included the following:

- Approximately $2.1 million was spent on roads, sidewalks, and other related infrastructure.
- Approximately $3.5 million was spent on machinery and equipment.
- Approximately $622 thousand was spent on various land improvements.
- Approximately $3.5 million was spent on building renovations and improvements.

Town of Brookline's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business –Type Activities		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Land	79,727	79,727	-	-	79,727	79,727
Construction in Progress	845,350	-	-	-	845,350	-
Land Improvements	12,510,071	12,760,937	954,727	989,263	13,455,798	13,750,200
Buildings	148,804,928	152,008,183	2,771,574	2,699,008	151,576,502	154,707,191
Machinery and Equipment	11,033,531	10,217,396	884,348	1,004,206	11,917,879	11,221,602
Infrastructure	16,954,837	16,383,000	33,400,921	33,637,752	50,355,758	50,020,752
Total	190,228,444	191,449,243	38,002,570	38,330,229	228,231,014	229,779,472

Long-term Debt. At the end of the current fiscal year, the Town of Brookline had total bonded debt outstanding of $74,382,499, of which $58,651,447 is governmental debt and $15,731,052 in business type debt. All of this amount is classified as outstanding long-term debt. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources. During fiscal 2010, the Town retired long term debt of $42,017,499, which included refunded debt of $31,625,000.

The Town of Brookline issued $5,275,000 in general obligation and $13,150,000 in refunding bonds. These bonds were used to finance several capital improvement projects and refinance bonds with higher interest rates Included in these issues was $1,600,000 in general obligation bonds for renovations to the Runkle School, $1,200,000 for the Town Hall Garage project, $1,350,000 for the Fisher Hill Reservoir, $1,000,000 for Sewer improvements, and $125,000 for the Golf Course. The refunding resulted in an economic gain of approximately $5,012,000.

Please see notes 7 and 8 for further debt information.

Cash and Investments

At June 30, 2010, the Town had recorded a Cash and Investments balance of $76,869,642. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash ($318,605) and Investment accounts ($3,355,677) maintained by the Trustees of the Brookline Public Library; and Retirement Cash ($2,026,293) and Investment accounts ($187,283,301) maintained by the Brookline Retirement System. This resulted in total Cash and Investments of $269,853,518 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.brookline.ma.gov/ .

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Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 62,792,008	$ 2,898,366	$ 65,690,374
Investments	11,048,635	-	11,048,635
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	1,493,824	-	1,493,824
Tax liens	1,454,602	-	1,454,602
Motor vehicle excise taxes	192,432	-	192,432
User fees	119,864	-	119,864
Water and sewer fees	-	5,000,105	5,000,105
Departmental and other	3,183,681	-	3,183,681
Intergovernmental	5,980,234	-	5,980,234
Loans	163,393	-	163,393
Internal balances	300,000	(300,000)	-
Prepaid expenses	229,691	30,632	260,323
NONCURRENT:			
Intergovernmental	5,404,000	-	5,404,000
Capital assets, nondepreciable	925,077	-	925,077
Capital assets, net of accumulated depreciation	189,303,367	38,002,570	227,305,937
TOTAL ASSETS	282,590,808	45,631,673	328,222,481
LIABILITIES			
CURRENT:			
Warrants payable	3,262,614	54,659	3,317,273
Accrued liabilities	342,450	1,039	343,489
Accrued payroll	1,642,495	-	1,642,495
Tax refunds payable	2,370,000	-	2,370,000
Accrued interest	461,596	147,431	609,027
Abandoned property	291,056	-	291,056
Other liabilities	619,691	10,174	629,865
Deferred revenue	632,903	-	632,903
Customer deposits payable	4,762	-	4,762
Landfill closure	556,000	-	556,000
Compensated absences	5,736,797	280,213	6,017,010
Workers' compensation	198,000	-	198,000
Bonds and notes payable	7,105,400	2,347,101	9,452,501
NONCURRENT:			
Landfill closure	5,207,000	-	5,207,000
Compensated absences	3,694,576	105,220	3,799,796
Workers' compensation	702,000	-	702,000
Postretirement benefits	36,158,149	1,394,242	37,552,391
Bonds and notes payable	51,546,047	13,383,951	64,929,998
TOTAL LIABILITIES	120,531,536	17,724,030	138,255,566
NET ASSETS			
Invested in capital assets, net of related debt	138,378,461	22,271,518	160,649,979
Restricted for:			
Loans	163,393	-	163,393
Permanent funds:			
Expendable	4,332,697	-	4,332,697
Nonexpendable	1,067,531	-	1,067,531
Other purposes	24,043,460	-	24,043,460
Unrestricted	(5,926,270)	5,636,125	(290,145)
TOTAL NET ASSETS	$ 162,059,272	$ 27,907,643	$ 189,966,915

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 21,087,675	$ 4,179,645	$ 826,396	$ -	$ (16,081,634)
Public safety	51,016,383	7,648,780	281,148	-	(43,086,455)
Education	123,451,076	6,177,304	30,036,883	2,981,790	(84,255,099)
Public works	22,816,763	3,204,659	2,784,996	-	(16,827,108)
Community and economic development	2,056,011	-	386,069	-	(1,669,942)
Human services	4,718,964	17,678	439,221	-	(4,262,065)
Leisure services	9,227,021	2,271,134	193,767	-	(6,762,120)
Interest	2,715,031	-	888,479	-	(1,826,552)
Total Governmental Activities	237,088,924	23,499,200	35,836,959	2,981,790	**(174,770,975)**
Business-Type Activities:					
Golf	954,220	1,129,605	-	-	175,385
Water and sewer	20,505,232	22,545,102	-	-	2,039,870
Total Business-Type Activities	21,459,452	23,674,707	-	-	**2,215,255**
Total Primary Government	$ 258,548,376	$ 47,173,907	$ 35,836,959	$ 2,981,790	$ **(172,555,720)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page	$ **(174,770,975)**	$ **2,215,255**	$ **(172,555,720)**
General revenues:			
Real estate and personal property taxes, net of tax refunds payable	151,463,056	-	151,463,056
Motor vehicle and other excise taxes	4,760,227	-	4,760,227
Hotel/motel tax	907,474	-	907,474
Penalties and interest on taxes	532,328	-	532,328
Payments in lieu of taxes	1,029,056	-	1,029,056
Grants and contributions not restricted to specific programs	5,828,099	-	5,828,099
Unrestricted investment income	1,910,814	3,369	1,914,183
Gain (loss) on disposal of capital assets	(19,317)	(12,394)	(31,711)
Miscellaneous	710,920	-	710,920
Transfers, net	1,975,109	(1,975,109)	-
Total general revenues and transfers	169,097,766	(1,984,134)	167,113,632
Change in net assets	(5,673,209)	231,121	(5,442,088)
Net Assets:			
Beginning of year	167,732,481	27,676,522	195,409,003
End of year	$ 162,059,272	$ 27,907,643	$ 189,966,915

See notes to basic financial statements. (Concluded)

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 23,345,392	$ 10,477,333	$ 77,528	$ 24,056,965	$ 57,957,218
Investments	-	-	-	4,447,461	4,447,461
Receivables, net of uncollectibles:		-			
Real estate and personal property taxes	1,493,824	-	-	-	1,493,824
Tax liens	1,454,602	-		-	1,454,602
Motor vehicle excise taxes	192,432	-	-	-	192,432
User fees	119,864	-	-	-	119,864
Departmental and other	3,088,874	-	-	94,807	3,183,681
Intergovernmental	6,783,008	-	3,249,306	1,351,920	11,384,234
Loans	-	-	-	163,393	163,393
Due from other funds	300,000	-	-	-	300,000
Prepaid expenses	227,992	-	-	1,699	229,691
TOTAL ASSETS	$ 37,005,988	$ 10,477,333	$ 3,326,834	$ 30,116,245	$ 80,926,400
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable	$ 1,499,735	$ 613,725	$ -	$ 1,127,053	$ 3,240,513
Accrued liabilities	270,382	15,792	-	56,276	342,450
Accrued payroll	1,616,833	-	-	25,662	1,642,495
Tax refunds payable	2,370,000	-	-	-	2,370,000
Liabilities due depositors	4,762	-	-	-	4,762
Abandoned property	285,059	-	-	5,997	291,056
Other liabilities	586,103	-	-	33,588	619,691
Deferred revenues	12,450,299	-	3,249,306	722,155	16,421,760
TOTAL LIABILITIES	19,083,173	629,517	3,249,306	1,970,731	24,932,727
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations	1,449,307	-	-	-	1,449,307
Loans	-	-	-	163,393	163,393
Perpetual permanent funds	-	-	-	1,067,531	1,067,531
Unreserved:					
Designated for subsequent year's expenditures	4,590,079	-	-	-	4,590,079
Undesignated, reported in:					
General fund	11,883,429	-	-	-	11,883,429
Special revenue funds	-	-	77,528	20,463,981	20,541,509
Capital projects funds	-	9,847,816	-	2,117,912	11,965,728
Permanent funds	-	-	-	4,332,697	4,332,697
TOTAL FUND BALANCES	17,922,815	9,847,816	77,528	28,145,514	55,993,673
TOTAL LIABILITIES AND FUND BALANCES	$ 37,005,988	$ 10,477,333	$ 3,326,834	$ 30,116,245	$ 80,926,400

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Total governmental fund balances		$ 55,993,673
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		190,228,444
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds		15,788,857
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 assets		10,513,863
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(461,596)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable	(58,651,447)	
Landfill closure	(5,763,000)	
Postretirement benefits	(36,158,149)	
Compensated absences	(9,431,373)	
Net effect of reporting long-term liabilities		(110,003,969)
Net assets of governmental activities		$ 162,059,272

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2010

	General	Capital Article Fund	Chapter 90 Highway Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes,					
net of tax refunds	$ 151,452,964	$ -	$ -	$ -	$ 151,452,964
Motor vehicle and other excise taxes	4,694,128	-	-	-	4,694,128
Hotel/motel tax	907,474	-	-	-	907,474
Charges for services	4,829,006	-	-	-	4,829,006
Penalties and interest on taxes	532,328	-	-	-	532,328
Payments in lieu of taxes	1,029,056	-	-	-	1,029,056
Licenses and permits	3,183,139	-	-	-	3,183,139
Fines and forfeitures	4,280,894	-	-	-	4,280,894
Intergovernmental	49,294,869	221,637	286,062	13,324,823	63,127,391
Departmental and other	849,708	-	-	11,535,993	12,385,701
Contributions	-	-	-	1,131,174	1,131,174
Investment income	251,538	-	-	569,632	821,170
TOTAL REVENUES	221,305,104	221,637	286,062	26,561,622	248,374,425
EXPENDITURES:					
Current:					
General government	8,783,709	1,043,846	-	2,322,563	12,150,118
Public safety	32,797,120	1,515,088	-	679,017	34,991,225
Education	69,195,643	858,215	-	15,839,476	85,893,334
Public works	13,156,104	7,292,467	250,066	3,361,395	24,060,032
Community and economic development	-	-	-	2,056,011	2,056,011
Human services	2,157,458	820	-	1,365,231	3,523,509
Leisure services	4,355,284	879,093	-	1,824,442	7,058,819
Pension benefits	26,779,555	-	-	-	26,779,555
Fringe benefits	28,688,384	-	-	-	28,688,384
State and county charges	5,559,230	-	-	-	5,559,230
Debt service:		-			
Principal	8,311,176	-	-	-	8,311,176
Interest	2,809,580	-	-	-	2,809,580
TOTAL EXPENDITURES	202,593,243	11,589,529	250,066	27,448,135	241,880,973
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	18,711,861	(11,367,892)	35,996	(886,513)	6,493,452
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes	-	-	-	2,800,000	2,800,000
Proceeds from refunding bonds	10,659,400	-	-	-	10,659,400
Premium from issuance of bonds, net of expenditures	258,415	-	-	-	258,415
Premium from issuance of refunding bonds	501,348	-	-	-	501,348
Payments to refunded bond escrow agent	(30,215,210)	-	-	-	(30,215,210)
Sale of capital assets	2,015	-	-	-	2,015
Transfers in	5,052,659	-	-	-	5,052,659
Transfers out	(225,000)	-	-	(2,852,550)	(3,077,550)
TOTAL OTHER FINANCING SOURCES (USES)	(13,966,373)	-	-	(52,550)	(14,018,923)
NET CHANGE IN FUND BALANCES	4,745,488	(11,367,892)	35,996	(939,063)	(7,525,471)
FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED)	13,177,327	21,215,708	41,532	29,084,577	63,519,144
FUND BALANCES AT END OF YEAR	$ 17,922,815	$ 9,847,816	$ 77,528	$ 28,145,514	$ 55,993,673

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

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		$ (7,525,471)
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.		
Capital outlay	10,544,722	
Depreciation expense	(11,744,189)	
Net effect of reporting capital assets		(1,199,467)
In the Statement of Activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold		(21,332)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred 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 revenue		(20,004,146)
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 assets. 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.		
Proceeds from bonds and notes	(2,800,000)	
Proceeds from refunding bonds	(10,659,400)	
Payments to refunding bond escrow agent	30,215,210	
Deferred charges on refunding	(1,100,210)	
Debt service principal payments	8,311,176	
Net effect of reporting long-term debt		23,966,776
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.		
Net change in compensated absences accrual	(272,745)	
Net change in accrued interest on long-term debt	434,996	
Net change in postretirement benefit accrual	(10,851,818)	
Net change in landfill accrual	6,267,000	
Net effect of recording long-term liabilities and amortizing deferred losses		(4,422,567)
Internal service funds are used by management to account for health insurance and workers' compensation activities.		
The net activity of internal service funds is reported with Governmental Activities		3,532,998
Change in net assets of governmental activities		$ (5,673,209)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Golf Course	Total	Governmental Activities - Internal Service Funds
ASSETS				
CURRENT:				
Cash and cash equivalents	$ 2,658,965	$ 239,401	$ 2,898,366	$ 4,834,790
Investments	-	-	-	6,601,174
Receivables, net of allowance for uncollectibles:				
Water and sewer fees	5,000,105	-	5,000,105	-
Prepaid expenses	13,943	16,689	30,632	-
Total current assets	7,673,013	256,090	7,929,103	11,435,964
NONCURRENT:				
Capital assets, net of accumulated depreciation	35,857,042	2,145,528	38,002,570	-
TOTAL ASSETS	43,530,055	2,401,618	45,931,673	11,435,964
LIABILITIES				
CURRENT:				
Warrants payable	24,171	30,488	54,659	22,101
Accrued liabilities	1,039	-	1,039	-
Accrued interest	141,690	5,741	147,431	-
Due to other funds	-	300,000	300,000	-
Other liabilities	-	10,174	10,174	-
Compensated absences	233,801	46,412	280,213	-
Workers' compensation	-	-	-	198,000
Bonds and notes payable	2,192,101	155,000	2,347,101	-
Total current liabilities	2,592,802	547,815	3,140,617	220,101
NONCURRENT:				
Compensated absences	90,220	15,000	105,220	-
Workers' compensation	-	-	-	702,000
Postretirement benefits	1,352,016	42,226	1,394,242	-
Bonds and notes payable	12,678,951	705,000	13,383,951	-
Total noncurrent liabilities	14,121,187	762,226	14,883,413	702,000
TOTAL LIABILITIES	16,713,989	1,310,041	18,024,030	922,101
NET ASSETS				
Invested in capital assets, net of related debt	20,985,990	1,285,528	22,271,518	-
Unrestricted	5,830,076	(193,951)	5,636,125	10,513,863
TOTAL NET ASSETS	$ 26,816,066	$ 1,091,577	$ 27,907,643	$ 10,513,863

See notes to basic financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Golf Course	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Employer contributions	$ -	$ -	$ -	$ 4,449,400
Charges for services	22,545,102	1,129,605	23,674,707	-
TOTAL OPERATING REVENUES	22,545,102	1,129,605	23,674,707	4,449,400
OPERATING EXPENSES:				
Cost of services and administration	19,108,760	813,410	19,922,170	-
Depreciation	946,254	104,935	1,051,189	-
Building and liability insurance claims	-	-	-	470,805
Employee benefits	-	-	-	1,535,241
TOTAL OPERATING EXPENSES	20,055,014	918,345	20,973,359	2,006,046
OPERATING INCOME (LOSS)	2,490,088	211,260	2,701,348	2,443,354
NONOPERATING REVENUES (EXPENSES):				
Investment income	-	3,369	3,369	1,089,644
Interest expense	(450,218)	(35,875)	(486,093)	-
Loss on disposal of capital assets	(12,394)	-	(12,394)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(462,612)	(32,506)	(495,118)	1,089,644
INCOME (LOSS) BEFORE TRANSFERS	2,027,476	178,754	2,206,230	3,532,998
TRANSFERS:				
Transfers in	225,000	-	225,000	-
Transfers out	(2,029,815)	(170,294)	(2,200,109)	-
TOTAL OPERATING TRANSFERS	(1,804,815)	(170,294)	(1,975,109)	-
CHANGE IN NET ASSETS	222,661	8,460	231,121	3,532,998
NET ASSETS AT BEGINNING OF YEAR	26,593,405	1,083,117	27,676,522	6,980,865
NET ASSETS AT END OF YEAR	$ 26,816,066	$ 1,091,577	$ 27,907,643	$ 10,513,863

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Golf Course	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 22,992,805	$ 1,129,605	$ 24,122,410	$ -
Receipts from interfund services provided	-	-	-	4,449,400
Payments to vendors	(16,719,397)	(420,002)	(17,139,399)	(2,480,964)
Payments to employees	(2,009,760)	(435,799)	(2,445,559)	-
NET CASH FROM OPERATING ACTIVITIES	4,263,648	273,804	4,537,452	1,968,436
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	225,000	-	225,000	-
Transfers out	(2,029,815)	(170,294)	(2,200,109)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,804,815)	(170,294)	(1,975,109)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes	4,840,600	125,000	4,965,600	-
Acquisition and construction of capital assets	(657,474)	(78,450)	(735,924)	-
Principal payments on bonds and notes	(4,451,323)	(140,000)	(4,591,323)	-
Interest expense	(460,355)	(35,538)	(495,893)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(728,552)	(128,988)	(857,540)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	-	(1,326,001)
Investment income	-	3,369	3,369	1,089,644
NET CASH FROM INVESTING ACTIVITIES	-	3,369	3,369	(236,357)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,730,281	(22,109)	1,708,172	1,732,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	928,684	261,510	1,190,194	3,102,711
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,658,965	$ 239,401	$ 2,898,366	$ 4,834,790
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	$ 2,490,088	$ 211,260	$ 2,701,348	$ 2,443,354
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	946,254	104,935	1,051,189	-
Changes in assets and liabilities:				
Charges for services receivable	447,703	-	447,703	-
Internal balances	-	(25,000)	(25,000)	-
Prepaid expenses	(11,877)	(16,659)	(28,536)	-
Warrants payable	(16,591)	(11,083)	(27,674)	5,082
Postretirement benefits	405,768	12,673	418,441	-
Accrued liabilities	1,039	(5,350)	(4,311)	-
Other liabilities	-	2,145	2,145	-
Accrued compensated absences	1,264	883	2,147	-
Workers' compensation	-	-	-	(480,000)
Total adjustments	1,773,560	62,544	1,836,104	(474,918)
NET CASH FROM OPERATING ACTIVITIES	$ 4,263,648	$ 273,804	$ 4,537,452	$ 1,968,436

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

		Pension Trust Fund (as of December 31, 2009)		Private Purpose Trust Funds		Agency Funds
ASSETS						
CURRENT:						
Cash and cash equivalents………………….…………….	$	2,026,293	$	1,074,692	$	-
Investments…………………………………………………		187,283,301		2,730,223		-
Interest and dividends………………………………………		21		-		-
Receivables, net of allowance for uncollectibles:						
Departmental and other…………………………………		55,273		-		550,204
Due from other funds……………………………………		-		540,145		-
TOTAL ASSETS………………………………………………		189,364,888		4,345,060		550,204
LIABILITIES						
Warrants payable…………………………………………		37,292		9,820		-
Accrued liabilities…………………………………………		-		332,693		-
Other liabilities…………………………………………….		-		-		10,059
Due to other funds…………………………………………		-		-		540,145
TOTAL LIABILITIES…………………………………………		37,292		342,513		550,204
NET ASSETS						
Held in trust for pension benefits and other purposes…..	$	189,327,596	$	4,002,547	$	-

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer	$ 12,568,346	$ -
Employee	5,461,298	-
Private donations	-	115,113
Total contributions	18,029,644	115,113
Net investment income (loss):		
Net change in fair value of investments	33,918,398	-
Investment income (loss)	1,929,494	384,273
Total investment income (loss)	35,847,892	384,273
Less: investment expense	(819,623)	-
Net investment income (loss)	35,028,269	384,273
Intergovernmental	701,718	-
Transfers from other systems	394,580	-
TOTAL ADDITIONS	54,154,211	499,386
DEDUCTIONS:		
Administration	453,818	812
Transfers to other systems	914,915	-
Retirement benefits and refunds	22,754,649	-
Educational scholarships	-	207,608
TOTAL DEDUCTIONS	24,123,382	208,420
CHANGE IN NET ASSETS	30,030,829	290,966
NET ASSETS AT BEGINNING OF YEAR	159,296,767	3,711,581
NET ASSETS AT END OF YEAR	$ 189,327,596	$ 4,002,547

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. The Brookline Contributory Retirement System (Retirement System) has been included as a blended component. Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The Retirement System provides retirement benefits to Town employees, the Brookline Housing Authority employees, and their beneficiaries. The Retirement 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 did not issue a separate audited financial statement. The Retirement System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the Retirement System located at Brookline Town Hall.

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, Boston, Massachusetts 02189.

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 assets and the statement of changes in net assets) 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, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets, liabilities, 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 fiscal 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 fiscal 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 *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 s*pecial revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

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

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, (including the fiduciary-managed trust fund for Other Postretirement Benefits), 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 *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. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

Refuse

Refuse fees are levied quarterly for each type of property that utilizes the collection service and are based upon a third party waste collection contract. Refuse fees are recorded receivables in the fiscal year of the levy.
Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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 fiscal 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 fiscal 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.

F. 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.

G. Restricted Assets

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

H. 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 $15,000 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:

Capital Asset Type	Estimated Useful Life (in years)
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 fiscal year of the purchase.

I. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets 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 assets 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".

J. 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 assets. 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.

K. Deferred Revenue

Deferred 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. In addition, property taken by the Town through the foreclosure process is recorded as an asset and deferred revenue. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have 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.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Loans" represents community development outstanding loans receivable balances.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2011 operating budget.

M. 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 assets. 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.

N. 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).

Investment income from the golf enterprise fund is voluntarily assigned and transferred to the general fund. The water & sewer and internal service funds retain their investment income.

O. 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.

P. 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 fiscal year. Actual results could vary from estimates that were used.

Q. Individual Fund Deficits

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

R. 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.

S. Prior Period Reclassification

During the current fiscal year, the Town elected to segregate General Fund operating and capital activities. The result is a beginning balance reclassification of $21,215,708 from the General Fund to the Capital Article Fund.

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 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 (the 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 fiscal year-end, the carrying amount of deposits totaled $39,614,255 and the bank balance totaled $42,310,136. Of the bank balance, $1,474,525 was covered by Federal Depository Insurance and $40,835,611 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of $39,614,255 in deposits and $27,150,811 in cash equivalents, totaling $66,765,066. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts total $65,690,374 and $1,074,692, respectively. See investments below for amounts designated as cash equivalents.

At December 31, 2009, the carrying amount of deposits for the Retirement System totaled $714,863 and the bank balance totaled $1,366,609. The entire bank balance of $1,366,609 was covered by Federal Depository Insurance.

The Retirement System's cash and cash equivalents consist of $714,863 in deposits and $1,311,430 in cash equivalents, totaling $2,026,293. See investments below for amounts designated as cash equivalents.

Investments

The Town of Brookline had the following investments, including cash equivalents classified as investments, at June 30, 2010:

		Maturity		
Investment Type	**Fair Value**	**Under 1 Year**	**1-5 Years**	**Over 10 Years**
Debt Securities				
United States Treasury.......................	$ 753,558	$ 176,872	$ 576,686	$ -
Federal National Mortgage Asso.............	737,100	-	-	737,100
Federal Home Loan Mortgage Corp........	103,604	-	-	103,604
Governmental National Mortgage..........	1,476	-	-	1,476
Total Debt Securities............................	$ 1,595,738	$ 176,872	$ 576,686	$ 842,180
Other Investments				
Alternative Investments - hedge funds.....	1,037,272			
Equity Securities....................................	8,171,549			
Equity Mutual Funds...........................	2,974,299			
Repurchase Agreements (*)..................	1,904,732			
Money Market Mutual Funds (*)............	170,607			
MMDT (*)..	25,075,472			
Total Investments.................................	$ 40,929,669			

(*) designates cash equivalent

Total investments per above....................	$ 40,929,669
Less: cash equivalents..........................	(27,150,811)
Total Town investments.........................	$ 13,778,858

The Town's investments are reported in both the primary government and the fiduciary funds. Those amounts total $11,048,635 and $2,730,223, respectively. Included in the primary government, and reported in the internal service funds, is $6,601,174 of investments accumulated for the funding of employee postretirement benefits.

As of December 31, 2009, the Retirement System had the following investments:

Other Investments		
Equity Security Mutual Funds..................	$	37,646,837
International Securities……………………		33,513,833
PRIT Investments…………………………		74,795,913
Alternative Investments-Real Estate…….		41,326,718
Money Market Mutual Funds (*)…………		1,311,430
Total Investments................................	$	188,594,731

(*) designates cash equivalent

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, $753,558 in U.S. Treasury Securities, $737,100 in Federal National Mortgage Association, $103,604 in Federal Home Loan Mortgage Corporation, $1,476 in Governmental National Mortgage, and $8,171,547 in Equity Securities, the Town has custodial credit risk exposure of $9,767,285 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 makeup 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, 2010 the Town's debt securities were rated as follows:

	Rated Debt Investments - Town's				
Quality Ratings	United States Treasury	Federal National Mortgage Asso.	Federal Home Loan Mortgage Corp.	Governmental National Mortage Asso.	Totals
AAA.......…....	$ 753,558	$ 737,100	$ 103,604	$ 1,476	$ 1,595,738

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. Of the Retirement System's investments the $33,513,833 in International Securities the Retirement System has custodial credit risk exposure of $33,513,833 because the related securities are uninsured, unregistered and held by the counterparty.

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.

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 .08 to 9.42 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, 2010, 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, 2009, the Retirement System does not have any investments that exceed the 5% threshold.

NOTE 3 – RECEIVABLES

At June 30, 2010, 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
Receivables:			
Real estate and personal property taxes....	$ 1,493,824	$ -	$ 1,493,824
Tax liens........	1,454,602	-	1,454,602
Motor vehicle and other excise taxes........	446,914	(254,482)	192,432
User fees........	119,864	-	119,864
Departmental and other........	5,062,420	(1,878,739)	3,183,681
Intergovernmental........	11,384,234	-	11,384,234
Loans........	163,393	-	163,393
Total........	$ 20,125,251	$ (2,133,221)	$ 17,992,030

At June 30, 2010, receivables for the water and sewer enterprise funds totaled $5,000,105. The amount is considered fully collectible.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
Type:			
Real estate and personal property taxes....	$ 1,181,210	$ -	$ 1,181,210
Tax liens........	1,195,419	-	1,195,419
Motor vehicle and other excise taxes........	192,432	-	192,432
User fees........	119,864	-	119,864
Departmental and other........	3,088,374	722,155	3,810,529
Intergovernmental........	6,373,000	3,249,306	9,622,306
Other asset type:			
Due from other funds........	300,000	-	300,000
Total........	$ 12,450,299	$ 3,971,461	$ 16,421,760

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 79,727	$ -	$ -	$ 79,727
Construction in progress	-	845,350	-	845,350
Total capital assets not being depreciated	79,727	845,350	-	925,077
Capital assets being depreciated:				
Land improvements	21,535,292	622,385	-	22,157,677
Buildings	238,462,273	3,472,511	-	241,934,784
Machinery and equipment	30,684,085	3,536,312	(432,627)	33,787,770
Infrastructure	41,271,297	2,068,164	(1,718,319)	41,621,142
Total capital assets being depreciated	331,952,947	9,699,372	(2,150,946)	339,501,373
Less accumulated depreciation for:				
Land improvements	(8,774,355)	(873,251)	-	(9,647,606)
Buildings	(86,454,090)	(6,675,766)	-	(93,129,856)
Machinery and equipment	(20,466,688)	(2,698,846)	411,295	(22,754,239)
Infrastructure	(24,888,298)	(1,496,326)	1,718,319	(24,666,305)
Total accumulated depreciation	(140,583,431)	(11,744,189)	2,129,614	(150,198,006)
Total capital assets being depreciated, net	191,369,516	(2,044,817)	(21,332)	189,303,367
Total governmental activities capital assets, net	$ 191,449,243	$ (1,199,467)	$ (21,332)	$ 190,228,444

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer Activites:				
Capital assets being depreciated:				
Land improvements	$ 201,230	$ -	$ -	$ 201,230
Buildings	2,469,029	101,847	-	2,570,876
Machinery and equipment	1,948,572	122,854	(62,297)	2,009,129
Infrastructure	48,056,982	432,773	-	48,489,755
Total capital assets being depreciated	52,675,813	657,474	(62,297)	53,270,990
Less accumulated depreciation for:				
Land improvements	(46,613)	(6,708)	-	(53,321)
Buildings	(942,397)	(64,546)	-	(1,006,943)
Machinery and equipment	(1,109,357)	(205,396)	49,903	(1,264,850)
Infrastructure	(14,419,230)	(669,604)	-	(15,088,834)
Total accumulated depreciation	(16,517,597)	(946,254)	49,903	(17,413,948)
Total capital assets being depreciated, net	$ 36,158,216	$ (288,780)	$ (12,394)	$ 35,857,042

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Activities:				
Capital assets being depreciated:				
Land improvements	$ 1,104,830	$ -	$ -	$ 1,104,830
Buildings	1,558,915	78,450	-	1,637,365
Machinery and equipment	242,656	-	-	242,656
Total capital assets being depreciated	2,906,401	78,450	-	2,984,851
Less accumulated depreciation for:				
Land improvements	(270,184)	(36,828)	-	(307,012)
Buildings	(386,539)	(43,185)	-	(429,724)
Machinery and equipment	(77,665)	(24,922)	-	(102,587)
Total accumulated depreciation	(734,388)	(104,935)	-	(839,323)
Total capital assets being depreciated, net	$ 2,172,013	$ (26,485)	$ -	$ 2,145,528

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

Governmental Activities:		
General government	$	527,014
Public safety		1,673,586
Education		4,544,555
Public works		3,718,178
Human services		1,064,257
Leisure services		216,599
Total depreciation expense - governmental activities	$	11,744,189

Business-Type Activities:		
Water and Sewer	$	946,254
Golf		104,935
Total depreciation expense - business-type activities	$	1,051,189

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

	Operating Transfers In:		
Operating Transfers Out:	General Fund	Water & Sewer Enterprise Fund	Total
General Fund	$ -	$ 225,000	$ 225,000
Nonmajor Governmental Funds	2,852,550	-	2,852,550
Water & Sewer Enterprise Fund	2,029,815	-	2,029,815
Golf Enterprise Fund	170,294	-	170,294
	$ 5,052,659	$ 225,000	$ 5,277,659

Transfers represent amounts voted to fund the fiscal year 2010 operating budget.

NOTE 7 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).

- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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

The Town had no short-term financing activity during fiscal year 2010.

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 2 1/2% 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".

In previous fiscal years, certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2010, $1,520,000 of Governmental and $1,760,000 of Enterprise Fund bonds outstanding from the advance refunding are considered defeased.

During the current year, in order to take advantage of favorable interest rates, the Town issued $13,150,000 of General Obligation Refunding Bonds. $31,625,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds, $18,309,000 of funds received from the Massachusetts School Building Authority, and other available funds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. The Town has decreased its aggregate debt service payments by $24,061,826 and will experience an economic gain of $5,012,702. At June 30, 2010 $29,115,000 of Governmental and $2,510,000 of Enterprise Fund bonds outstanding from the advance refunding are considered defeased.

Details related to the Town's outstanding indebtedness and debt service requirements follow.

Governmental Funds Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Inside Debt Limit					
Schools…………	2.59-5.91	$ 18,213,613	$ 1,730,500	$ 3,131,930	$ 16,812,183
General Government…………	3.22-5.28	34,704,610	2,538,900	4,594,246	32,649,264
Athletic and recreational facilities…………	3.94-4.94	30,000	-	30,000	-
Sub-total…………		52,948,223	4,269,400	7,756,176	49,461,447
Outside Debt Limit					
Schools…………	5.33 - 5.35	29,670,000	9,190,000	29,670,000	9,190,000
Total Governmental bonds and Notes Payable…………		82,618,223	13,459,400	37,426,176	58,651,447
Enterprise Funds					
Inside Debt Limit					
Golf Course Enterprise Fund…………	3.19-3.90	875,000	125,000	140,000	860,000
Water Enterprise Fund…………	3.90-6.63	7,530,575	2,848,600	2,638,823	7,740,352
Sewer Enterprise Fund…………	3.90-5.28	6,951,200	1,992,000	1,812,500	7,130,700
Total Enterprise Bonds and Notes Payable…………		15,356,775	4,965,600	4,591,323	15,731,052
Total Bonds and Notes Payable…………		$ 97,974,998	$ 18,425,000	$ 42,017,499	$ 74,382,499

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

Fiscal Year	Principal	Interest	Total
2011…………	$ 7,105,400	$ 2,109,206	$ 9,214,606
2012…………	6,696,238	1,849,454	8,545,692
2013…………	6,189,633	1,634,224	7,823,857
2014…………	5,407,088	1,429,881	6,836,969
2015…………	4,817,794	1,266,011	6,083,805
2016…………	4,407,794	1,116,264	5,524,058
2017…………	4,185,000	949,462	5,134,462
2018…………	3,742,500	797,231	4,539,731
2019…………	3,420,000	665,783	4,085,783
2020…………	3,100,000	533,730	3,633,730
2021…………	1,785,000	410,776	2,195,776
2022…………	1,780,000	339,404	2,119,404
2023…………	1,270,000	264,878	1,534,878
2024…………	1,265,000	210,832	1,475,832
2025…………	1,265,000	155,747	1,420,747
2026…………	875,000	100,662	975,662
2027…………	670,000	61,600	731,600
2028…………	670,000	30,800	700,800
Totals………	$ 58,651,447	$ 13,925,943	$ 72,577,390

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

Fiscal Year	Principal	Interest	Total
2011..........	$ 2,347,101	$ 563,384	$ 2,910,485
2012..........	2,103,761	475,154	2,578,915
2013..........	2,035,366	404,006	2,439,372
2014..........	1,987,912	341,347	2,329,259
2015..........	1,667,206	268,350	1,935,556
2016..........	1,657,206	212,378	1,869,584
2017..........	1,395,000	148,819	1,543,819
2018..........	1,042,500	95,194	1,137,694
2019..........	740,000	58,862	798,862
2020..........	610,000	30,200	640,200
2021..........	145,000	5,800	150,800
Totals........	$ 15,731,052	$ 2,603,494	$ 18,334,546

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loan portion is payable in five equal annual installments. At June 30, 2010, the outstanding principal amount of this loan totaled $82,500.

The Commonwealth has approved school construction assistance. 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 fiscal year 2010, $21,576,000 of such assistance was received for reimbursement. Approximately $18,309,000 was disbursed by the Massachusetts School Building Authority to assist the Town in refunding old school debt. This was part of an agreement reached between the MSBA and the Town to take advantage of favorable interest rates, thus reducing the future liability of both the Town and the MSBA. Approximately $7,960,000 will be received in future fiscal years. Of this amount, $1,587,000 represents reimbursement of long-term interest costs, and approximately $6,373,000 represents reimbursement of approved construction costs. Accordingly, a $6,373,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred 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, 2010, the Town had the following authorized and unissued debt:

Purpose	Amount
Runkle School..............................	$ 27,500,000
Waste Water System.....................	4,124,065
Landfill.......................................	3,275,000
Carlton Street Foot Bridge..............	1,400,000
Golf - Grounds.............................	1,315,000
Town Hall Garage.........................	950,000
Muddy River Project......................	745,000
Total...	$ 39,309,065

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

Governmental Funds

	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2010	Current Portion
Long-Term Bonds and Notes………..	$ 82,618,223	$ 13,459,400	$ (37,426,176)	$ -	$ 58,651,447	$ 7,105,400
Other Postemployment Benefits…….	25,306,331	-	-	10,851,818	36,158,149	-
Workers' Compensation………………	1,380,000	-	-	(480,000)	900,000	198,000
Compensated Absences…………….	9,158,628	-	-	272,745	9,431,373	5,736,797
Landfill Closure………………………	12,030,000	-	-	(6,267,000)	5,763,000	556,000
Total…………………………………	$ 130,493,182	$ 13,459,400	$ (37,426,176)	$ 4,377,563	$ 110,903,969	$ 13,596,197

Business-Type Activities

	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2010	Current Portion
Long-Term Bonds and Notes………..	$ 15,356,775	$ 4,965,600	$ (4,591,323)	$ -	$ 15,731,052	$ 2,347,101
Other Postemployment Benefits…….	975,801	-	-	418,441	1,394,242	-
Compensated Absences…………….	383,286	-	-	2,147	385,433	280,213
Total…………………………………	$ 16,715,862	$ 4,965,600	$ (4,591,323)	$ 420,588	$ 17,510,727	$ 2,627,314

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 fiscal year end, $900,000 of internal service funds 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 9 – 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 related to unemployment and municipal building insurance is deemed immaterial and is therefore not recorded.

(a) Workers' Compensation

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, 2010, the amount of the liability for workers' compensation claims totaled $900,000. Changes in the reported liability since July 1, 2008, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2010........	$ 1,380,000	$ 676,446	$ (1,156,446)	$ 900,000
Fiscal Year 2009........	1,716,000	868,193	(1,204,193)	1,380,000

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Brookline Contributory Retirement Board. 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. The amount of these on-behalf payments totaled approximately $13,791,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The Retirement System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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 Brookline Contributory Retirement Board and are borne by the Retirement System. The Retirement System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the Retirement System located at Brookline Town Hall, 333 Washington Street, Brookline, Massachusetts 02146.

At December 31, 2009, the Retirement System's membership consists of the following:

Active members……	1,383
Inactive members……	1,211
Disabled members……	196
Retirees and beneficiaries currently receiving benefits……	651
Total……	3,441

Funding Policy - Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 97%, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town contributions to the Retirement System for the fiscal years ended June 30, 2010, 2009, and 2008 were approximately $12,064,000, $11,422,000 and $10,994,000, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of an actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 5% per year. The actuarial value of the Retirement System's assets was determined using the fair value of the assets. The Retirement System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2010 was 18 years.

Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/08	$ 223,598,975	$ 332,222,063	$ 108,623,088	67.3%	$ 59,789,007	181.7%
1/1/06	190,818,205	299,355,769	108,537,564	63.7%	58,277,406	186.2%
1/1/04	177,153,465	265,441,629	88,288,164	66.7%	52,378,086	168.6%
1/1/02	171,285,347	250,478,343	79,192,996	68.4%	45,109,610	175.6%
1/1/00	160,983,529	217,964,030	56,980,501	73.9%	43,028,894	132.4%

Funding progress is reported based on the biennial actuarial valuation performed by the Retirement System, and is being accumulated on a biennial basis. The Town is responsible for approximately 97% of the unfunded liability.

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 expenditure for fiscal year 2010 totaled approximately $225,000.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Town of Brookline administers a single-employer defined benefit healthcare plan ("the Retiree Health 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 Retiree Health 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. The Town contributes 75% of the cost of current-year premiums for healthcare and 50% for life for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% or 50% respectively, of their premium costs. For fiscal year 2010, the Town contributed $10.5 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 fiscal year 2010:

Normal cost…………………………………………………	$	7,800,472
Amortization of unfunded actuarial accrued liability…….		13,673,245
Interest on existing net OPEB obligation………………………		1,389,499
Adjustments to annual required contribution…………………		(1,070,548)
Annual OPEB cost (expense)…………………………………		21,792,668
Contributions made……………………………………………		(10,522,409)
Increase/Decrease in net OPEB obligation……………………		11,270,259
Net OPEB obligation - beginning of year………………………		26,282,132
Net OPEB obligation - end of year……………………………	$	37,552,391

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$21,792,668	49.1%	$37,552,391
6/30/09	20,503,147	46.5%	26,282,132
6/30/08	21,528,926	28.9%	15,311,087

Funded Status and Funding Progress - As of June 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $323 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $120.1 million, and the ratio of the UAAL to the covered payroll was 269.14 percent.

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, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.25 percent investment rate of return, which is a 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 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. Both rates included a 4.5 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, 2010, was 28 years.

NOTE 12 - 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.

In prior fiscal years, the Town appropriated $4.31 million to complete the off-site corrective action that was required and $3.29 million for the settlement costs associated with the project. During fiscal 2010, $2.9 million and $2.8 million, respectively, were expended. The Town estimates that approximately $1.3 million remains to be expended for this phase of the project as of June 30, 2010.

As currently planned for in the Town's CIP plan, $4.4 million is required in FY15 to complete the closure of the rear landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 13 – 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, 2010 the outstanding loan balance was $300,000.

NOTE 14 - COMMITMENTS

The Town has entered into a long-term contract with Whitney Trucking 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 Town has entered into a long-term contract with KTI Recycling of New England for the processing of recyclable materials delivered by the Town. The Town receives payment for paper products and pays $25 per ton for the processing of commingled materials. There are no minimum tonnage requirements that the Town must comply with. This contract expired subsequent to year end and the Town entered into an agreement with Waste Management of Massachusetts, Inc. to provide single stream recycling for the Town.

The School Department has entered into an agreement with Eastern Bus Company, Inc. to provide for regular transportation. The contract bears an annual cost of approximately $684,000 for the first two years and approximately $537,000 for the third year. The regular school transportation contract expires on August 31, 2013.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc. to provide transportation for its special needs students. The contract bears an annual cost of approximately $395,000. The special needs student transportation contracts expire on August 31, 2013.

The Town has entered into, or is planning to enter into, contracts totaling approximately $39,300,000 for renovations to the Runkle School, landfill corrective actions, and various other projects.

NOTE 15 - 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 Single Audit Act Amendments of 1996 through June 30, 2006, 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, 2010.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement # 53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards in this statement require all derivative instruments be reported at fair value. This pronouncement did not impact the basic financial statements.

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this pronouncement did not impact the basic financial statements.

- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

- The GASB issued Statement #59, *Financial Statements Omnibus*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure relative to investments held by the Town.

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Required Supplementary Information

GENERAL FUND

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

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes,				
net of tax refunds	$ -	$ 151,062,835	$ 151,062,835	$ 151,062,835
Motor vehicle and other excise taxes	-	4,850,000	4,850,000	4,850,000
Hotel/motel tax	-	1,385,000	1,385,000	1,385,000
Charges for services	-	4,326,674	4,326,674	4,326,674
Penalties and interest on taxes	-	338,000	338,000	338,000
Payments in lieu of taxes	-	816,650	816,650	816,650
Licenses and permits	-	3,059,975	3,059,975	3,059,975
Fines and forfeitures	-	4,696,700	4,696,700	4,696,700
Intergovernmental	-	16,433,414	16,433,414	16,433,414
Departmental and other	-	559,126	559,126	559,126
Investment income	-	350,000	350,000	350,000
TOTAL REVENUES	-	187,878,374	187,878,374	187,878,374
				-
EXPENDITURES:				
Current:				
General government	654,659	10,602,647	11,257,306	10,048,123
Public safety	363,390	33,569,610	33,933,000	34,033,214
Education	198,332	68,974,271	69,172,603	69,522,177
Public works	281,082	12,879,991	13,161,073	13,685,538
Human services	10,538	2,205,624	2,216,162	2,221,671
Leisure services	11,705	4,438,745	4,450,450	4,504,444
Pension benefits	-	12,293,565	12,293,565	13,258,716
Employee benefits	177,716	30,380,761	30,558,477	29,426,717
State and county charges	-	5,543,424	5,543,424	5,543,424
Debt service:				
Principal	-	8,495,802	8,495,802	8,495,802
Interest	-	3,984,034	3,984,034	3,984,034
TOTAL EXPENDITURES	1,697,422	193,368,474	195,065,896	194,723,860
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,697,422)	(5,490,100)	(7,187,522)	(6,845,486)
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds	-	-	-	-
Premium from issuance of bonds, net of expenditures	-	-	-	-
Premium from issuance of refunding bonds, net of expenditures	-	-	-	-
Payments to current refunding fund	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	5,052,659	5,052,659	5,052,659
Transfers out	-	(225,000)	(225,000)	(225,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	4,827,659	4,827,659	4,827,659
NET CHANGE IN FUND BALANCE	(1,697,422)	(662,441)	(2,359,863)	(2,017,827)
BUDGETARY FUND BALANCE, Beginning of year (as restated)	-	13,987,495	13,987,495	13,987,495
BUDGETARY FUND BALANCE, End of year	$ (1,697,422)	$ 13,325,054	$ 11,627,632	$ 11,969,668

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
$ 152,586,904	$ -	$ 1,524,069
4,694,128	-	(155,872)
907,474	-	(477,526)
4,829,006	-	502,332
532,328	-	194,328
996,834	-	180,184
3,183,139	-	123,164
4,280,894	-	(415,806)
35,130,247	-	18,696,833
849,708	-	290,582
251,538	-	(98,462)
208,242,200	-	20,363,826
8,798,355	297,928	951,840
32,792,079	409,556	831,579
69,122,066	366,218	33,893
13,162,834	324,266	198,438
2,138,109	41,978	41,584
4,420,589	9,115	74,740
12,988,555	-	270,161
28,688,384	246	738,087
5,559,230	-	(15,806)
8,311,176	-	184,626
2,809,580	-	1,174,454
188,790,957	1,449,307	4,483,596
19,451,243	(1,449,307)	24,847,422
10,659,400	-	10,659,400
258,415	-	258,415
501,348	-	501,348
(30,215,210)	-	(30,215,210)
2,015	-	2,015
5,052,659	-	-
(225,000)	-	-
(13,966,373)	-	(18,794,032)
5,484,870	(1,449,307)	6,053,390
13,987,495	-	-
$ 19,472,365	$ (1,449,307)	$ 6,053,390

Other Postemployment Benefit Plan
Schedule of Funding Progress

June 30, 2010

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)
6/30/2008	$ -	$ 323,225,372	$ 323,225,372	0%	$ 120,097,413	269.14
6/30/2006	-	325,834,939	325,834,939	0%	114,641,067	284.22

See notes to required supplementary information.

Other Postemployment Benefit Plan
Actuarial Methods and Assumptions

Actuarial Methods:

Valuation date	June 30, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Amortization payments increasing at 4.5%, open
Remaining amortization period	30 years as of June 30, 2008
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return	5.25%, pay-as-you-go scenario
Medical/drug cost trend rate	10.0% graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	1,523
Current active members	1,444
Total	2,967

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 fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal 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 fiscal year 2010 approved budget, including amounts carried forward from the prior fiscal years authorized approximately $216,535,000 in appropriations and other amounts to be raised. During fiscal year 2010, Town Meeting approved appropriation decreases totaling $342,000.

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 fiscal year ended June 30, 2010, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis..............	$	5,484,870
Basis of accounting differences:		
Recognition of expenditures on modified accrual basis..........		20,936
Net change in recording 60-day receipts accrual..................		83,060
Recognition of revenues on modified accrual basis...............		373,622
Tax refunds payable..		(1,217,000)
Recognition of revenue for on-behalf payments....................		(13,791,000)
Recognition of expenditures for on-behalf payments.............		13,791,000
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis..............................	$	4,745,488

C. Appropriation Deficits

During fiscal year 2010, expenditures exceeded budgeted appropriations for state & county charges. This deficit will be funded through tax levy and available funds in fiscal year 2011.

NOTE B – OTHER POST-RETIREMENT 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 pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. 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 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.

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EDWARDS ANGELL PALMER & DODGE LLP
111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Stephen E. Cirillo, Finance Director/Treasurer
Town of Brookline
Brookline, Massachusetts

$11,025,000
Town of Brookline, Massachusetts
General Obligation Municipal Purpose Loan of 2011 Bonds
Dated February 15, 2011

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, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

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.

BOSTON MA | FT. LAUDERDALE FL | HARTFORD CT | MADISON NJ | NEW YORK NY | NEWPORT BEACH CA | PROVIDENCE RI
STAMFORD CT | WASHINGTON DC | WEST PALM BEACH FL | WILMINGTON DE | LONDON UK | HONG KONG (ASSOCIATED OFFICE)

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.

Edwards Angell Palmer & Dodge LLP

APPENDIX C

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 $11,025,000 General Obligation Municipal Purpose Loan of 2011 Bonds dated February 15, 2011 (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.

"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 February 3, 2011 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 determination 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 Issuer.*

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Issuer determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, 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. <u>Transmission of Information and Notices</u>. 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.

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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 Issuer 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 Issuer, 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 Issuer.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, 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(c).

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 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: February 17, 2011

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]