

OFFICIAL STATEMENT DATED FEBRUARY 18, 2010

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 and is not 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. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. 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. See "Tax Exemption" herein.

TOWN OF BROOKLINE, MASSACHUSETTS

\$18,425,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 BONDS

DATED
March 1, 2010

DUE
April 1
(as shown below)

The Bonds are issuable only as fully registered bonds, 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 April 1 of the years in which the Bonds mature. Interest on the Bonds will be payable October 1 and April 1, commencing October 1, 2010. 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 not subject to redemption prior to their stated maturity dates.

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 that may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 1/2), except for that portion of the principal and interest payments that the Town has voted to exempt from the limits imposed by Proposition 2 1/2.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

Due April 1	Principal Amount	Interest Rate	Yield	Cusip 113745	Due April 1	Principal Amount	Interest Rate	Yield	Cusip 113745
2011	\$ 1,945,000	3.00 %	0.25 %	L68	2016	\$ 1,820,000	3.00 %	1.94 %	M34
2012	1,935,000	3.00	0.60	L76	2017	1,810,000	3.00	2.25	M42
2013	1,860,000	3.00	0.84	L84	2018	1,805,000	3.00	2.52	M59
2014	1,850,000	2.00	1.13	L92	2019	1,785,000	4.00	2.74	M67
2015	1,835,000	2.00	1.51	M26	2020	1,780,000	4.00	2.89	M75

(plus accrued interest to be added)

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 March 4, 2010, against payment to the Town in Federal Reserve funds.

MORGAN KEEGAN & CO., INC.

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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 18, 2010, 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:	\$18,425,000 General Obligation Municipal Purpose Loan of 2010 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	February 18, 2010.
Dated Date of the Bonds:	March 1, 2010.
Principal Due:	Serially April 1, 2011 through April 1, 2020 as detailed herein.
Purpose and Authority:	Bond proceeds will be used to finance various municipal improvements to the Town and to refund certain maturities of outstanding bonds of the Town dated April 1, 2000 as described herein, and to pay costs of issuance related thereto.
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates.
Security:	The Bonds will be valid general obligations of the Town of Brookline, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws ("Proposition 2 ½"), except for that portion of the principal and interest payments that the Town has voted to exempt from the limits imposed by Proposition 2 ½.
Credit Rating:	Moody's Investors Service, Inc. has assigned a Aaa rating on the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
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 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 March 4, 2010, 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

\$18,305,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 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 18, 2010, for the purchase of the following described General Obligation Municipal Purpose Loan of 2010 Bonds of the Town (the "Bonds"):

\$18,305,000* General Obligation Municipal Purpose Loan of 2010 Bonds payable April 1 of the years and in the amounts as follows:

<u>Due April 1</u>	<u>Principal Amount *</u>	<u>Due April 1</u>	<u>Principal Amount *</u>
2011	\$ 1,900,000	2016	\$ 1,820,000
2012	1,890,000	2017	1,815,000
2013	1,825,000	2018	1,810,000
2014	1,825,000	2019	1,805,000
2015	1,825,000	2020	1,790,000

The Bonds will be dated March 1, 2010. Principal of the Bonds will be payable on April 1 of the years in which the Bonds mature. Interest will be payable on April 1 and October 1, commencing October 1, 2010.

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity 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.

The Bonds are not subject to redemption prior to their stated maturity dates.

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 will be considered.

As between proposals which comply with this Notice, 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 March 1, 2010, 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.

* Preliminary, subject to change.

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued after taking into account any premium to be received by the Town and the actual investment yield at which the proceeds of the Bonds are to be invested, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the Town. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by not more than fifteen percent (15%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

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 11:30 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 18, 2010 (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 February 9, 2010 (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 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 February 9, 2010, 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 10 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.

The Bonds, in definitive form, will be delivered to The Depository Trust Company, or its custodial agent on or about March 4, 2010, against payment in federal reserve funds.

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

February 9, 2010

OFFICIAL STATEMENT

TOWN OF BROOKLINE, MASSACHUSETTS

\$18,425,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2010 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 \$18,425,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2010 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 March 1, 2010 and will bear interest payable semiannually on April 1 and October 1, commencing October 1, 2010. The Bonds shall mature on April 1 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

The Bonds are not subject to redemption prior to their stated maturity dates.

Record Date

The record date for each payment of interest is the fifteenth 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
Refunding Bonds	\$ 13,150,000	\$ -	C. 44, s.21A		
Sewer	1,000,000	5,500,000	C. 44 s. 7(1) and 7(1A)	5/23/2006	7, item 73
Runkle School	1,600,000	29,100,000	C. 44 s. 7(3A) & 70B	11/17/2009	4
Golf Course	125,000	2,840,000	C. 44 s. 7(25)	2001 ATM	7, items 87 & 88
Land Acquisitions-Recreational Purposes	1,350,000	1,350,000	C. 44 s. 7(3) & 7(25)	5/29/2007	7, item 57
Town Hall Complex Garage	1,200,000	1,200,000	C. 44 s. 7(3A)	5/26/2009	8, item 57
	<u>\$ 18,425,000</u>				

\$13,150,000 of Bond proceeds (the "Refunding Bonds"), \$745,823.13 revenue funds and \$18,308,638 grant funds from the Massachusetts School Building Authority ("MSBA") will be used to retire in part and refund in part \$31,625,000 principal and interest of the Municipal Purpose Loan of 2000 dated April 1, 2000 (the "2000 Bonds") maturing in the years 2011 through 2020 (the "Refunded Bonds"), and to pay costs of issuance relating thereto. \$27,635,000 of the principal of the 2000 Bond issue to be refunded (the High School Portion) is exempt from the limitations of Proposition 2 ½.

Maturity Schedule by Purpose

Fiscal Year	Sewer	Runkle School	Golf Course	Land Acquisition-Recreation	Town Hall Garage	Refunding Bonds	Total
2011	\$ 100,000	\$ 160,000	\$ 15,000	\$ 135,000	\$ 120,000	\$ 1,415,000	\$ 1,945,000
2012	100,000	160,000	15,000	135,000	120,000	1,405,000	1,935,000
2013	100,000	160,000	15,000	135,000	120,000	1,330,000	1,860,000
2014	100,000	160,000	15,000	135,000	120,000	1,320,000	1,850,000
2015	100,000	160,000	15,000	135,000	120,000	1,305,000	1,835,000
2016	100,000	160,000	10,000	135,000	120,000	1,295,000	1,820,000
2017	100,000	160,000	10,000	135,000	120,000	1,285,000	1,810,000
2018	100,000	160,000	10,000	135,000	120,000	1,280,000	1,805,000
2019	100,000	160,000	10,000	135,000	120,000	1,260,000	1,785,000
2020	100,000	160,000	10,000	135,000	120,000	1,255,000	1,780,000
Totals	<u>\$ 1,000,000</u>	<u>\$ 1,600,000</u>	<u>\$ 125,000</u>	<u>\$ 1,350,000</u>	<u>\$ 1,200,000</u>	<u>\$ 13,150,000</u>	<u>\$ 18,425,000</u>

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$ 18,425,000.00
Premium	994,762.70
Other Contributions	745,823.13
Accrued Interest	4,596.25
MSBA Lump Sum	18,308,638.00
Total Sources	<u>\$ 38,478,820.08</u>
Uses:	
Deposit to Refunding Escrow Fund	\$ 32,822,952.02
Underwriter's Discount	27,814.16
Costs of Issuance	96,908.44
Original Issue Premium on New Money Bonds	251,549.21
Deposit to the Project Construction Fund	5,275,000.00
Accrued Interest	4,596.25
Total Uses	<u>\$ 38,478,820.08</u>

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 and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The foregoing reflects the enactment of the American Recovery and Reinvestment Act of 2009 which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities and that modify Section 265(b)(3) of the Code. 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 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. Except as stated in the following section, 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 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 below (see "*Serial Bonds and Notes*" under "TYPES OF OBLIGATIONS" below) 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. In the opinion of Bond Counsel, 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 and related 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. 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” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for any debt service due on obligations issued to the Massachusetts School Building Authority, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the MWRA, 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.

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 a rating of Aaa 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

Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended, provides that underwriters may not purchase or sell municipal securities unless the issuer of the municipal securities undertakes to provide continuing disclosure with respect to those securities, subject to certain exemptions not applicable to the Bonds. The Town will covenant, at the time of delivery of the Bonds, to provide continuing disclosure consistent with the terms of the Rule, as provided in a Continuing Disclosure Certificate to be dated as of the date of the Bonds and incorporated by reference in the Bonds. The Town has complied, in all material respects, with all previous undertakings to provide annual reports or notices of material events in accordance with the Rule. The proposed form of this certificate is provided in Appendix C.

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

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Selectmen	Nancy Daly, Chairperson	Elected - 3 years	2011
	Kenneth Goldstein	Elected - 3 years	2012
	Richard Benka	Elected - 3 years	2011
	Jesse Merrell	Elected - 3 years	2010
	Betsy DeWitt	Elected - 3 years	2012
Town Administrator	Richard J. Kelliher	Appointed - 3 years	2012
Finance Director/Collector/Treasurer	Stephen E. Cirillo	Appointed - 1 year	2010
Town Clerk	Patrick J. Ward	Elected - 3 years	2012
Comptroller	Judith Ann Haupin	Appointed - 1 year	2010
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		
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Pre-Kindergarten to 6	2,949	2,974	3,125	3,227	3,287	3,369	3,417	3,452
Grades 7-8	836	796	802	842	819	839	884	905
Grades 9-12	1,890	1,881	1,840	1,833	1,814	1,745	1,679	1,685
Ungraded	104	134	135	-	-	-	-	-
Total	5,779	5,785	5,902	5,902	5,920	5,953	5,980	6,042

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 December 2009, the Town had a total labor force of 32,007 of whom 30,463 were employed and 1,544 or 4.8% were unemployed as compared with 9.4% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2004 through 2008 versus unemployment rates for the County and the Commonwealth for the same period:

Calendar Year	Town of Brookline			Unemployment Rate	
	Labor Force	Number Employed	Unemployment Rate	Norfolk County	Massachusetts
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
2004	33,164	32,155	3.0	4.5	5.1

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

Employment by Industry

Industry	Calendar Year Average				
	2004	2005	2006	2007	2008
Construction	388	383	403	406	405
Manufacturing	200	189	151	163	161
Trade, Transportation and Utilities	1,701	1,748	1,632	1,678	1,696
Information	343	328	325	338	488
Financial Activities	900	906	946	968	955
Professional and Business Services	2,192	2,196	2,108	2,114	2,162
Education and Health Services	5,072	4,737	4,754	4,845	5,057
Leisure and Hospitality	2,220	2,199	2,333	2,344	2,306
Other Services	797	791	798	790	784
Total Employment	13,813	13,477	13,450	13,646	14,014
Number of Establishments	1,634	1,587	1,565	1,582	1,599
Average Weekly Wages	\$ 758	\$ 779	\$ 783	\$ 807	\$ 852
Total Wages	\$ 571,348,540	\$ 573,586,641	\$ 575,654,660	\$ 598,971,993	\$ 650,227,638

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 - 2009 (1)

Name	Nature of Business	Number of Employees
Bournewood	Hospital	350
NE Institute of Art	College	311
Dana Farber	Cancer Institute	300
Coolidge House	Nursing Home	246
Pine Manor College	College	218
Newbury College	College	175
Dexter/Southfield (Clay) Schools	Private School	173
Arbour HRI	Hospital	160
Brookline Health Care Center	Nursing Home	158
Park School	Private School	150
Trader Joe's	Supermarket	149
Stop & Shop	Supermarket	143
U.S.Post Office	Government Agency	138
Beaver Country Day	Private school	137
Maimonides	Private school	131
Brookline Bank	Bank	113
America's Test Kitchen	Magazine	108
Goddard House	Assisted Living	103
Brimmer & May	Private School	103
Star Market	Supermarket	90
TJ Maxx	Clothing Store	79
Coldwell Banker	Real Estate	67
Holiday Inn	Hotel	60
Courtyard by Marriott	Hotel	46
Brookline Booksmith	Book Store	38
Party Favors	Retail	26
Sovereign Bank	Bank	20

(1) As of January 1, 2009 excluding the Town.

Personal Income

	<u>Brookline</u>		<u>Norfolk County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change From Prior Census</u>	<u>Amount</u>	<u>% Change From Prior Census</u>	<u>Amount</u>	<u>% Change From Prior Census</u>
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)

<u>Calendar Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>	<u>Total Taxable Value</u>
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
2004	55	2	57	15,990,248

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

Housing

	<u>Brookline</u>	<u>Norfolk County</u>	<u>Massachusetts</u>
Median Value of Occupied Non-Condominium Housing Units	\$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 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
GROSS AMOUNT TO BE RAISED(1)					
Appropriations	\$ 219,737,924	\$ 214,823,409	\$ 200,046,562	\$ 194,256,443	\$ 183,950,630
Other Local Expenditures	128,079	147,866	145,749	142,738	1,305,287
State and County Charges	5,550,741	5,424,518	5,511,129	5,229,723	5,243,739
Overlay Reserve (2)	1,618,338	1,535,026	1,858,148	1,451,593	1,490,442
Total Gross Amount to be Raised:	<u>227,035,082</u>	<u>221,930,819</u>	<u>207,561,588</u>	<u>201,080,497</u>	<u>191,990,098</u>
LESS ESTIMATED RECEIPTS AND OTHER REVENUE:					
Estimated Receipts from State (3)	16,536,492	19,623,724	18,973,131	18,021,104	18,027,706
Estimated Receipts - Local	45,576,697	45,149,515	45,119,214	43,855,229	41,583,441
Available Funds Appropriated					
Free Cash	7,053,295	5,954,963	3,814,792	5,387,435	4,606,534
Other Available Funds	5,187,425	3,929,582	3,842,551	3,740,195	2,757,578
Total Estimated Receipts and Other Revenue	<u>74,353,909</u>	<u>74,657,784</u>	<u>71,749,688</u>	<u>71,003,963</u>	<u>66,975,259</u>
NET AMOUNT TO BE RAISED (TAX LEVY):	\$ 152,681,173	\$ 147,273,068	\$ 135,811,900	\$ 130,076,534	\$ 125,014,839
Property Valuation (000)	\$ 14,703,432	\$ 14,576,646	\$ 14,231,497	\$ 14,336,259	\$ 14,103,339
Tax Rate per \$1,000:					
Residential	\$ 10.97	\$ 10.69	\$ 10.18	\$ 9.73	\$ 9.55
Other (4)	\$ 17.80	\$ 17.32	\$ 16.70	\$ 15.88	\$ 15.46

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) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. The Governor recently announced reductions in state local aid in fiscal 2009 and fiscal 2010. Brookline expects to receive \$770,000 less in fiscal 2009 than when it set its tax rate and levy as shown above and \$2,467,000 less than the fiscal 2009 original estimate in fiscal 2010 based on the Governor's budget proposal. The Town has developed plans to absorb these cuts.

(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.

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
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
2006	13,989,815,100	113,524,250	14,103,339,350	12,676,293,400	111.3

(1) Source: Board of Assessors.

(2) Source: Massachusetts Department of Revenue.

Classification of Property

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

Property Type	2010		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 13,453,462,600	90.6 %	\$ 13,352,327,800	90.8 %	\$ 12,916,786,200	90.8 %
Commercial	1,236,446,900	8.3	1,210,911,200	8.2	1,174,959,500	8.3
Industrial	13,522,800	0.1	13,407,000	0.1	11,696,900	0.1
Personal	138,212,160	0.9	132,665,180	0.9	128,054,780	0.9
Total Real Estate	\$ 14,841,644,460	100.0 %	\$ 14,709,311,180	100.0 %	\$ 14,231,497,380	100.0 %

(1) Source: Board of Assessors.

Major Taxpayers

Following is a list of the major taxpayers based on assessed valuations for fiscal 2010, all of whom are current in their tax payments:

Name	Nature of Business	FY10 Assessed Valuation	FY10 Property Tax	Percent of Net Levy
Boston University Trustees	Higher Education	113,509,370	1,685,308	1.10 %
830-850 Ventures LLC	Office Building	70,620,400	1,257,043	0.82
Hamilton Park Towers LLC (Dexter Park)	Apartments	105,694,900	1,159,473	0.76
Ten Brookline Place LLC	Office Building	51,444,200	915,707	0.60
Boston Edison Co./ Nstar	Electric Utility	50,665,240	901,841	0.59
Hancock Village (Chestnut Hill Realty)	Apartments	79,564,600	872,824	0.57
The Country club	Private Golf Club	48,049,600	855,283	0.56
Keypoint Partners LLC (1 Brookline Place)	Medical Office Bldg	44,485,700	791,845	0.52
HRCA Brookline Housing	Apartments	70,751,800	790,174	0.52
Hersha Hospitality LP (Marriott)	Hotel	41,134,600	732,196	0.48
Brookline Hospitality LLC (Holiday Inn)	Hotel	34,788,100	619,228	0.41
Pierce Building Associates	Office/Retail Bldg	22,668,900	403,506	0.26
Verizon New England	Telephone Utility	20,390,400	362,949	0.24
Lawrence Kaplan Trust	Residential	32,770,500	359,492	0.24
Alden Tower LLC (Longwood Tower "A")	Apartment-Condo.	29,355,200	322,026	0.21
		<u>\$ 815,893,510</u>	<u>\$12,028,895</u>	<u>7.88 %</u>

Source: Board of Assessors.

State Equalized Valuation

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

As of January 1	State Equalized Valuation
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
1996	5,048,485,400

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:

<u>Fiscal Year</u>	<u>Tax Rate Per \$1,000 (1)</u>	<u>Total Tax Levy</u>	<u>Net Tax Levy (2)</u>	<u>% of Net Collected at FY End (3)(4)</u>	<u>% of Net Collected at June 30, 2009</u>
2009	\$10.69-R 17.32-O	\$147,273,068	\$145,738,042	98.9%	98.9%
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
2005	10.23-R 16.61-O	119,852,204	118,051,050	99.9	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, 2009 of each levy year.

<u>Fiscal Year</u>	<u>Overlay Allowance</u>		<u>Abatements Granted At June 30, 2009(1)</u>	<u>Overlay Transfers</u>	<u>Overlay Excess (Deficit)</u>
	<u>Dollar Amount</u>	<u>Percent of Total Levy</u>			
2009	\$ 1,535,059	1.04 %	\$ 892,849	\$ -	\$ 642,210
2008	1,858,147	1.37	845,946	-	1,012,201
2007	1,451,593	1.20	1,753,093	750,000	448,500
2006	1,490,442	1.20	1,434,951	100,000	155,491
2005	1,801,154	1.50	1,229,212	-	571,942

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:

<u>As of June 30</u>	<u>Aggregate Taxes Outstanding (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
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
2005	1,000,800	602,987	-

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.

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 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2½", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) 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:

	2010	2009	2008	2007	2006
Primary Levy Limit (2)	\$ 371,041,112	\$ 367,732,780	\$ 355,787,435	\$ 358,406,486	\$ 352,583,484
Prior Fiscal Year Levy Limit	145,644,643	134,259,885	128,463,615	123,376,018	118,186,808
2.5% Levy Growth	3,641,116	3,356,497	3,211,590	3,097,914	2,956,265
Current Fiscal Year New Growth (3)	1,762,212	1,828,261	2,584,680	1,989,683	2,232,945
Current Fiscal Year Override	-	6,200,000	-	-	-
Growth Levy Limit	151,047,971	145,644,643	134,259,885	128,463,615	123,376,018
Current Fiscal Year Debt Exclusions	1,667,074	1,692,696	1,568,947	1,614,854	1,648,734
Current Fiscal Year Capital Expenditure Override	-	-	-	-	-
Tax Levy Limit	152,715,045	147,337,339	135,828,832	130,078,469	125,024,752
Tax Levy	152,681,173	147,273,068	135,811,900	130,076,534	125,014,839
Unused Levy Capacity (4)	33,872	64,271	16,932	1,935	9,913
Unused Primary Levy Capacity (5)	\$ 219,993,141	\$ 222,088,137	\$ 221,527,550	\$ 229,942,871	\$ 229,207,466

(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.

Sale of Tax Receivables

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

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 accept 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 or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not adopted the Community Preservation Act.

TOWN FINANCES

The Budget and Appropriation Process

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

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

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

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

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

Operating Budget Trends

	FY-06 Budget	FY-07 Budget	FY-08 Budget	FY-09 Budget	FY-10 Budget
General Government	\$ 6,962,976	\$ 7,145,933	\$ 7,251,347	\$ 7,541,103	\$ 7,358,456
Public Safety	30,204,591	31,510,572	33,295,776	34,067,998	33,644,611
Public Works (1)	11,762,443	12,365,067	12,398,421	12,901,418	12,879,990
Human Services	2,006,483	2,100,103	2,115,634	2,216,197	2,205,625
Leisure Services	4,466,536	4,347,616	4,246,186	4,416,404	4,438,745
Debt Service	13,781,495	14,396,621	14,052,910	12,374,047	12,572,215
Retirement	9,921,963	10,165,009	11,277,159	11,651,618	13,258,716
Group Insurance	16,781,724	18,936,109	20,969,983	23,084,980	24,323,604
Other Personnel Benefits	3,348,047	4,473,017	4,203,000	4,843,528	4,232,000
Education	58,007,124	60,096,385	62,924,864	68,021,240	68,823,845
Non-Departmental	2,897,383	2,675,636	2,394,155	2,512,031	3,752,588
Special Appropriations	6,060,803	7,874,562	5,928,000	8,575,748	9,260,572
Salary Reserves (2)	-	-	2,242,804	-	-
Total	\$ 166,201,568	\$ 176,086,630	\$ 183,300,239	\$ 192,206,312	\$ 196,750,967

Source: Town Comptroller.

(1) Water and Sewer are accounted for in enterprise funds.

(2) FY05-07 Salary Adjustments within departments. FY08-09 have 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 reinstated 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 2010-2015, 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 \$147,839,389. 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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Total
Property Tax	\$ 1,774,221	\$ 2,552,094	\$ 1,914,206	\$ 2,869,018	\$ 3,014,958	\$ 992,155	\$ 13,116,652
Free Cash	3,121,351	3,084,906	3,071,294	3,056,982	3,038,042	3,017,845	18,390,420
Overlay Reserve Surplus	255,000	0	0	0	0	0	255,000
General Fund Bonds	21,315,000	0	0	5,900,000	31,600,000	7,580,000	66,395,002
State/Federal Grants	11,259,552	819,552	1,299,552	2,699,552	20,699,552	699,552	37,477,313
Utility Budget	0	0	500,000	270,000	255,000	0	1,025,000
Utility Bond	0	0	1,000,000	0	3,000,000	0	4,000,000
CDBG	0	2,250,000	0	0	0	0	2,250,000
Other	0	4,000,000	100,000	0	0	0	4,100,000
Re-Appropriation of Funds	830,000	0	0	0	0	0	830,000
TOTAL	\$ 38,555,124	\$ 12,706,552	\$ 7,885,052	\$ 14,795,552	\$ 61,607,552	\$ 12,289,552	\$ 147,839,389

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 \$16,912,114 in state aid in fiscal 2010. In addition to the fiscal 2010 estimate, following are state aid payments received by the Town for the last five fiscal years:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2010	\$16,912,114
2009	18,616,534
2008	19,544,682
2007	19,112,046
2006	26,309,586 (1)
2005	17,094,030

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 2010 and a five-year history of the Town's federal aid receipts:

<u>Fiscal Year</u>	<u>Federal Aid Receipts</u>
2010 (est.)	\$5,601,617
2009	4,985,207
2008	5,597,735
2007	6,969,595
2006	5,985,604
2005	6,573,684

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:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2009	\$5,077,548
2008	5,394,734
2007	4,691,252
2006	5,740,712
2005	5,314,315

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:

<u>Fiscal Year</u>	<u>Receipts</u>
2009	\$788,531
2008	742,744
2007	799,339
2006	732,178
2005	681,126

Source: Finance Director.

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 2009, water and sewer revenues totaled \$22,958,486, while expenditures totaled \$22,877,147.

Annual Audits

The Town's accounts are audited annually, most recently for fiscal year ended June 30, 2009 by the firm of Powers & Sullivan P.C. The audit for fiscal year ended June 30, 2009 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, 2009, June 30, 2008 and June 30, 2007, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity (General Fund) for fiscal years 2005 through 2009. Said statements have been extracted from the Town's audited financials.

**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
GOVERNMENTAL FUNDS
JUNE 30, 2007 (1)**

ASSETS	General	Lawrence School & Longwood Playground Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 34,628,210	\$ 370,441	\$ 28,409,245	\$ 63,407,896
Investments	-	-	5,349,545	5,349,545
Receivables, net of uncollectibles:				
Real Estate and Personal Property Taxes	1,003,907	-	-	1,003,907
Tax Liens	882,450	-	-	882,450
Motor Vehicle Excise Taxes	212,679	-	-	212,679
User Fees	116,027	-	-	116,027
Department and Other	4,333,456	-	149,800	4,483,256
Intergovernmental	32,608,600	-	4,193,490	36,802,090
Loans	-	-	258,844	258,844
Due From Other Funds	375,000	-	-	375,000
Other Assets	2,390,905	-	-	2,390,905
Prepaid expenses	-	-	216	216
TOTAL ASSETS	\$ 76,551,234	\$ 370,441	\$ 38,361,140	\$ 115,282,815
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Payable	\$ 1,222,722	\$ -	\$ 168,804	\$ 1,391,526
Accrued Liabilities	1,429,584	-	199,027	1,628,611
Accrued Payroll	1,074,440	-	638	1,075,078
Tax Refunds Payable	1,412,000	-	-	1,412,000
Liabilities due depositors	339,277	-	-	339,277
Abandoned property	-	-	5,997	5,997
Other Liabilities	777,303	-	33,500	810,803
Deferred Revenues	38,980,097	-	4,520,581	43,500,678
TOTAL LIABILITIES	45,235,423	-	4,928,547	50,163,970
FUND BALANCES:				
Reserved For:				
Encumbrances and Continuing Appropriations	13,677,954	-	-	13,677,954
Loans	-	-	258,844	258,844
Perpetual Permanent Funds	-	-	1,058,038	1,058,038
Unreserved:				
Designated for Subsequent Year's Expenditures	3,814,792	-	-	3,814,792
Undesignated, Reported In:				
General Fund	13,823,065	-	-	13,823,065
Special Revenue Funds	-	-	22,907,773	22,907,773
Capital projects Funds	-	370,441	4,287,075	4,657,516
Permanent Funds	-	-	4,920,863	4,920,863
TOTAL FUND BALANCES	31,315,811	370,441	33,432,593	65,118,845
TOTAL LIABILITIES AND FUND BALANCES	\$ 76,551,234	\$ 370,441	\$ 38,361,140	\$ 115,282,815

(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,				
	2009	2008	2007	2006	2005
Revenues:					
Real estate and personal property taxes, net tax refunds	\$ 147,553,179	\$ 133,127,009	\$ 129,833,124	\$ 123,223,931	\$ 118,580,482
Motor vehicle and other excise taxes	5,027,901	5,291,912	4,407,452	5,740,712	5,314,315
Charges for services	5,006,364	4,892,038	4,881,463	3,923,804	3,968,774
Payments in lieu of taxes	989,282	907,316	774,270	763,359	1,009,139
Licenses and permits	3,227,512	3,622,581	3,413,839	3,999,565	3,819,874
Fines and forfeitures	4,518,301	4,555,357	4,020,887	4,046,175	4,028,995
Intergovernmental	31,343,464	31,435,776	29,272,642	26,309,586	25,217,348
Departmental and other	599,320	1,536,102	578,128	1,042,146	388,493
Hotel/motel tax	788,531	742,744	799,339	732,178	681,126
Penalties and interest on taxes	494,311	455,388	428,659	331,864	380,044
Investment income	942,808	1,934,480	2,782,461	2,250,854	1,236,663
Total Revenues	200,490,973	188,500,703	181,192,264	172,364,174	164,625,253
Expenditures:					
Current:					
General government	9,732,504	9,977,959	8,967,031	8,287,099	8,463,895
Public safety	34,348,558	32,575,654	35,241,481	31,558,423	33,493,825
Education	68,772,169	64,010,466	60,248,406	58,373,278	54,464,861
Public works	17,233,710	15,987,452	16,240,723	15,947,411	16,936,473
Human services	2,283,624	2,154,633	2,085,448	2,016,749	1,903,444
Leisure services	4,683,332	4,848,599	4,389,318	5,120,790	4,211,930
Pension benefits	24,397,914	23,386,289	20,933,546	19,239,559	17,949,235
Fringe benefits	24,714,243	23,565,040	22,291,764	19,466,175	18,047,145
State and county charges	5,493,891	5,410,405	5,375,086	5,084,477	5,352,984
Debt service:					
Principal	8,232,309	7,290,036	7,343,577	7,096,319	6,494,703
Interest	4,035,097	3,542,544	4,107,806	4,165,293	3,874,730
Total Expenditures	203,927,351	192,749,077	187,224,186	176,355,573	171,193,225
Excess (deficiency) of revenues over expenditures	(3,436,378)	(4,248,374)	(6,031,922)	(3,991,399)	(6,567,972)
Other Financing Sources (Uses):					
Proceeds from refunded bond escrow agent	-	(1,962,868)	-	-	-
Proceeds from refunding bonds	-	1,948,000	-	-	-
Premium from issuance of bonds	-	86,828	1,460	52,539	44,633
Sale of capital assets	-	252,300	566,855	-	-
Operating transfers in	5,630,070	5,404,928	4,516,647	5,196,804	4,988,571
Operating transfers out	(47,282)	(550,000)	(1,716,999)	(1,414,613)	(631,382)
Total other financing sources (Uses)	5,582,788	5,179,188	3,367,963	3,834,730	4,401,822
Net change in fund balances	2,146,410	930,814	(2,663,959)	(154,802)	(2,166,150)
Fund Equity, beginning of year	32,246,625	31,315,811	33,979,770	34,134,572	36,300,722
Fund equity, end of year	\$ 34,393,035	\$ 32,246,625	\$ 31,315,811	\$ 33,979,770	\$ 34,134,572

(1) Extracted from annual audited financial statements.

Undesignated General Fund Balance

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

<u>FY Ending June 30</u>	<u>Undesignated General Fund Balance</u>
2009	\$ 12,604,133
2008	16,688,414
2007	13,823,065
2006	12,093,785
2005	11,601,326

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.

<u>FY Ending June 30,</u>	<u>Stabilization Fund Balance</u>
2009	\$ 5,356,986
2008	5,249,522
2007	5,024,267
2006	4,744,349
2005	4,512,932

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.

<u>FY Ending June 30,</u>	<u>Liability/ Catastrophe Fund Balance</u>
2009 (1)	\$ 366,863
2008	1,338,134
2007	1,261,092
2006	1,120,427
2005	893,071

(1) The Town has replenished the fund in FY2010. The balance in the fund is currently \$1,776,787.

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 the following types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing 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. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects and certain small municipal renewable energy generating facilities projects, as well as for those projects for which debt service has been exempted from property tax limitations. 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. Most of the purposes are capital projects. 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 principal payment 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 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.

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 2010.

**Direct Debt Summary (1)
As of June 30, 2009 (including Subsequent Issues)**

General Obligation Bonds:		
Inside the Debt Limit		
Sewers & Drains	\$	6,627,135
Schools		9,432,781
Other Building		2,035,000
Other		<u>25,349,283</u>
Total Inside the Debt Limit		\$ 43,444,199
Outside the Debt Limit		
Water	\$	6,815,577
Schools (2)		38,626,160
Other		<u>9,089,065</u>
Total Outside the Debt Limit		54,530,801
This Issue (3)		<u>5,275,000</u>
Total Direct Debt		<u><u>\$ 103,250,000</u></u>

- (1) Based on the Town’s equalized valuation of \$15,563,591,600 effective January 1, 2008, its Normal General Debt Limit is \$778,179,580 and its Double General Debt Limit is \$1,556,359,160. (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; \$43,800,000 school bonds issued April 1, 2000 (exempt from Proposition 2 ½); \$12,545,000 school bonds issued May 15, 2003 on which school construction grants amounting to approximately 61% of eligible project costs, including debt service. As of July 1, 2009, the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest is estimated at \$32,325,564.
- (3) New money only. Excludes Refunding Bonds.

Key Debt Ratios

	As of June 30				
	2009	2008	2007	2006	2005
Amount (1)	\$97,975,000	\$96,908,587	\$97,328,174	\$104,508,761	\$102,249,348
Per Capita (2)	\$1,715.64	\$1,696.96	\$1,761.88	\$1,891.87	\$1,899.35
Percent of Assessed Valuation (3)	0.67%	0.68%	0.69%	0.74%	0.81%
Percent of Equalized Valuation (4)	0.63%	0.65%	0.66%	0.82%	0.81%
Per Capita as a Percent of Personal Income Per Capita (2)	3.87%	3.83%	3.97%	4.27%	4.15%

(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		This Issue (1)		Less State Aid (3)	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest	Principal	Interest (2)			
2010	\$ 10,392,500	\$ 4,178,138	\$ -	\$ -	\$ (3,145,277)	\$ 11,425,361	10.1 %
2011	10,107,500	3,781,599	530,000	186,956	(3,145,277)	11,460,778	20.4
2012	9,585,000	3,407,924	530,000	156,675	(3,145,277)	10,534,322	30.2
2013	9,140,000	3,040,876	530,000	146,075	(3,145,277)	9,711,674	39.5
2014	8,450,000	2,664,116	530,000	135,475	(3,145,277)	8,634,314	48.2
2015	7,700,000	2,303,208	530,000	118,250	(3,145,277)	7,506,181	56.2
2016	7,435,000	1,959,105	525,000	105,000	(2,504,768)	7,519,337	63.9
2017	7,110,000	1,615,865	525,000	89,250	(2,504,768)	6,835,347	71.3
2018	6,485,000	1,284,516	525,000	73,500	(2,504,768)	5,863,248	78.1
2019	6,055,000	982,491	525,000	52,500	(2,504,768)	5,110,223	84.5
2020	5,790,000	695,379	525,000	26,250	(2,504,768)	4,531,861	90.6
2021	1,930,000	416,579	-	-	(465,031)	1,881,548	92.5
2022	1,780,000	339,404	-	-	(465,031)	1,654,373	94.2
2023	1,270,000	264,879	-	-	-	1,534,879	95.4
2024	1,265,000	210,833	-	-	-	1,475,833	96.6
2025	1,265,000	155,748	-	-	-	1,420,748	97.9
2026	875,000	100,663	-	-	-	975,663	98.7
2027	670,000	61,600	-	-	-	731,600	99.4
2028	670,000	30,800	-	-	-	700,800	100.0
Total	\$ 97,975,000	\$ 27,493,720	\$ 5,275,000	\$ 1,089,931	\$ (32,325,564)	\$ 99,508,088	

(1) Excludes refunding bonds.

(2) Interest estimated at 3.00%.

(3) The Massachusetts School Building Authority has agreed to provide a lump sum grant payment of \$18,309,000 in connection with the High School construction project and the bonds originally issued March 1, 2000. The lump sum payment, \$745,000 revenue funds and a portion of the refunding bonds (this issue) will be used to retire the 2000 High School Bonds. The outstanding principal will be reduced by the amount of the grant and annual state aid payments in the table above will be reduced by approximately \$2,039,000 in each of the years 2010 through 2020.

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have \$38,359,065 authorized unissued debt as follows:

Putterham Golf Course	\$ 1,315,000
Muddy River Restoration	745,000
Sewers	4,124,065
Landfill	3,275,000
Runkle School	27,500,000
Carlton Street Foot Bridge	1,400,000
Total	<u>\$ 38,359,065</u>

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 6/30/09	Brookline Estimated Share(1)	Fiscal 2010 Dollar Assessment(2)
Norfolk County (2)	\$ 1,100,000	11.10 %	\$622,569
Massachusetts Water Resources Authority(4)			
Water	1,950,750,000	2.91	3,142,711
Sewer	3,867,095,000	2.80	6,007,907
Massachusetts Bay Transportation Authority(3)	5,285,906,818	1.34	4,488,424

- (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, 2009. 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:

<u>Name</u>	<u>Nature of Service</u>	<u>Contract Expires</u>	<u>Annual Cost Fiscal 2009</u>	<u>Annual Cost Fiscal 2010</u>
Whitney	Solid Waste	06/30/12	\$862,545	\$914,420
Whitney	White Goods & Metal	06/30/12	68,568	77,000
Lorusso	Yard Waste Disposal	06/30/09	112,172	85,295
Whitney	Collection of Recyclables	06/30/10	577,744	603,689
Ikon	Copier Leases	(1)	52,438	54,603
Ricoh	Copier Leases	(1)	1,197	4,490
Ikon	Copier Leases	(1)	126,113	160,635
Riso	Copier Leases	(1)	1,173	1,720
Sun Trust	DPW Equipment	10/14/11	97,191	48,315
Sun Trust	DPW Equipment	11/31/10	48,315	97,191
Kansas State Bank of Manhattan	DPW Equipment	1/5/10-1/5/12		113,523
Laidlaw (First Students)	Student Transport-Metro	08/31/10	283,100	295,444
YCN	Student Transport-Sped	08/31/10	537,190	868,204
Lease Finance Group	School Point of Sale Equip.	11/31/10	14,242	14,242
Toshiba	Copier Leases	(1)	3,516	
Municipal Services Group	DPW Equipment	10/24/09	160,063	

(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. 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.

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.

Current membership in the System consists of the following:

	<u>Number of Employees</u>
Active members:	
Fully vested	554
Non-vested	875
Inactive members	962
Retired members	<u>835</u>
Total	3,226

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

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory (1)</u>
2010 (2)	\$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
2005	9,198,000	335,000

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.
- (2) Budgeted. The Town contributed \$965,151 more than was required in FY2010 from a new meals tax revenue. The Town expects to increase the appropriation by an addition \$1.3 million in FY2011 in order to cover investment declines in 2008.

Schedule of Funding Progress (000)

As indicated below, as of January 1, 2008, the date of the latest actuarial valuation, the System's funded ratio was 63.7 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
1/1/08	\$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.

In addition to providing pension benefits, the Town provides health and life insurance coverage for retired employees and their survivors. For the fiscal year ended June 30, 2009, this expenditure was approximately \$6,793,950. There were approximately 1,523 participants eligible to receive benefits at June 30, 2009.

For additional information on the Town's retirement system, please refer to Appendix A, Audited Financial Statements as of June 30, 2009.

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
2009	\$ 9,532,102
2008	6,156,390
2007	6,380,000
2006	5,323,000
2005	4,659,000
2004	4,295,000

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:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Police	Brookline Police Association	125	6/30/11
Firefighters	International Association of Firefighters	142	6/30/09
The Town Workers	AFSCME	231	6/30/09
Library	AFSCME	32	6/30/09
Engineers	Brookline Engineers Association	11	6/30/09
School Traffic Supervisors	AFSCME	19	6/30/09
Public Safety Dispatchers	Teamsters Local 25	15	6/30/09
School:			
Teachers	Brookline Educators Association (MTA)	718	8/31/12
Custodians/Maintenance	Massachusetts Public Schools Custodians Association (AFSCME)	43	6/30/09
Secretaries	Brookline Educational Secretaries' Association	48	6/30/09
Cafeteria Workers	Massachusetts School Food Service Association	35	6/30/09
Bus Monitors	Brookline School Transportation Employees' Association	3	6/30/09
Current Coordinators	BEU	37	6/30/09
Aids	BEU	<u>300</u>	6/30/09
Total		1,759	

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. However, the Town's Special Environmental Counsel is working with the Town Counsel to address certain claims relating to the closure of the landfill. These pending environmental matters have been disclosed to the Town's Auditor. Further discussion can be found at note 12 of the Town's Financial Statements (attached as Appendix A).

The Town has successfully conducted the closure of the front landfill at the Newton Street site (\$7.89 million) along with carrying out corrective actions for contaminated soils on 16 private residential properties (\$3 million) on the southeastern perimeter of the landfill. However, additional historically deposited landfill materials have been subsequently identified on more than 25 properties on the western boundary of the landfill. Working collectively with the Massachusetts Department of Environmental Protection and the affected property owners, the Town has a plan to address this situation in 2010 and requested authorization to proceed, and for funding at the annual Town meeting in May 2009. The proposed FY10 Financial Plan includes \$4.31 million for assessment and corrective action associated with the Landfill plus an additional \$3.29 million for costs and settlement of claims associated with the Newton Street Landfill.

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

February 18, 2010

APPENDIX A

TOWN OF BROOKLINE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2009

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

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TOWN of BROOKLINE

Massachusetts

BOARD OF SELECTMEN

NANCY A. DALY, Chairman
BETST DeWITT
JESSE MERMELL
RICHARD W. BENKA
KENNETH M. GOLDSTEIN

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RICHARD J. KELLIHER
Town Administrator

Letter of Transmittal

December 4, 2009

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, 2009 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, 2009, 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, 2009 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 the 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.

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. The first year of the CIP is submitted to Town Meeting for adoption. The Board of Selectmen annually establishes financial policies that guide the preparation of The Annual Financial Plan.

The five-year forecast, submitted in the fall 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. Based upon these projections and analyses, the forecast establishes a focal point each fall for the Board of Selectmen to establish a series of revenue and expenditure policies that guide the formation of the capital and operating budgets.

The six-year capital improvement program (CIP), preliminarily submitted in the fall of each year as well, comprehensively identifies municipal infrastructure and improvement needs by detailing each project, including project description, cost, potential source(s) of funding, priority need, impact upon the operating budget, and ongoing capital maintenance costs. After public hearings by various boards and commissions, the Board of Selectmen adopts an annual funding strategy, which is predicated upon 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.

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 from the property tax, auto and hotel tax, user fee receipts, grants in 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

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Term Exp.</u>
Town Administrator	Richard J. Kelliher	Appointed - 3 years	2012
Superintendent of Schools	William Lupini	Appointed - 3 years	2012
Deputy Town Administrator	Sean Cronin	Appointed - 1 year	2010
Assistant Town Administrator	Melissa Goff	Appointed - 1 year	2010
Finance Director and Treasurer	Stephen Cirillo	Appointed - 1 year	2010
Town Comptroller	Judith Ann Haupin	Appointed - 1 year	2010

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 75% of the general fund revenues are financed by the annual taxes on property. The remaining revenues come from locally derived receipts (approximately 10%), State aid (approximately 8%), transfers from other non-general funds (approximately 4%) and other available funds (approximately 3%).

Residential property comprises 90.8% 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	\$ 10.69 per thousand
Commercial	\$ 17.32 per thousand

A combination of significant new development and a strong real estate market has contributed to a steadily growing tax base. The tax base (current market valuation of \$14.7 billion) has increased nearly 115% since FY2000 reflecting strong development and real estate appreciation. The Town's tax base is now among the six 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 and utilities. 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 has increased from \$12 million in FY 2003 to \$24 million in FY 2010. The Town has taken steps to help blunt some of the recent increases, the most recently being the implementation of plan design changes in FY 2008 that resulted in an annualized decrease of more than \$1 million in the health insurance budget.

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. These losses will require the Town to increase dramatically the annual appropriation in FY2012. The estimated range of this increase is between \$1.5 million and \$4.8 million. To offset the anticipated budget impact in FY 2012, the Town plans to ramp up to the higher appropriation over a three year period, beginning in FY 2010.

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%; and the price of vehicle fuel is 82% higher. As a result, the Town's total utility budget has doubled since FY 2003 to more than \$5.6 million.

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. The Town continues to grapple with an inequitable state revenue-sharing system. In FY2003 and FY2004, local aid was cut by close to \$3 million. In FY10, it was cut \$3.1 million. Since FY03, state aid has realized a cut of nearly 17%, even before accounting for inflation. The current fiscal climate at the state level points to decreases in state aid in fiscal 2011, 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 hotel/motel excise taxes, makes 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 several other communities in Massachusetts in August, 2009, at a special town meeting, Brookline adopted 2 local options designed to raise local revenues. The first was the adoption of a .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 will become effective on October 1, 2009, and the Town will begin receiving distributions from the Commonwealth on these new funds 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 a five-year forecast and a 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 insurance reserves; investing in technology to make our 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 has allowed the Town to shift 100% percent of the operating cost and capital improvements to the users of certain services so that no tax support goes towards 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 \$147.8 million in capital improvements needed over the next 6 years. Large components of this total include the following:

- anticipated school projects (\$97.2 million). It is important to note that the two major renovations projects planned for (Runkle School and Devotion School) assume the new School Building Authority (SBA) covers at least 40% of the costs. At the end of September, the Town was notified that the SBA 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. The Town is seeking funding at the 2009 Fall Town Meeting in November for its share of the project. The Town should be cautioned, however, that with the combination of a slowdown in the economy (which will reduce SBA 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 will be required.
- 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 (\$15.9 million). The 2008 Override (see below) 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 \$4.2 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 Gateway East project in the Brookline Village / Route 9 area (\$3 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 outside sources related to the 2 Brookline Place redevelopment.
- ✦ The closure of the rear landfill (\$4.4 million)
- ✦ Upgrades and rehabilitation of various parks/playgrounds/open spaces (\$10.9 million)

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 level of receipts) this money is transferred into our account at the Massachusetts Municipal Depository Trust (MMDT) that has offered a higher rate of return over the past year. This is the State Treasurer's pool of invested funds managed currently by Fidelity Investments. The Trust's investment policy requires that these funds be invested in short term fixed income securities (both government and corporate) with maturities not to exceed 90 days. Our funds in this account are entirely liquid.

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, 2009 for the funds maintained by the Town's Treasurer are as follows:

General Fund - Unencumbered	\$ 17,783,050
General Fund - Encumbered	5,442,871
Reserved for :	
General Fund -Revenue Funded Capital Project Funds	13,053,648
Special Revenue Funds	10,334,318
Bond Funded Capital Projects Funds	1,515,990
Enterprise Funds	2,349,619
Trust and Agency Funds	26,125,976
	<u>\$ 76,605,472</u>

Of the \$76.6 million in total cash and investments, more than \$53 million is committed to Bond Funded Capital Projects, Enterprise operations, Trust and Agency Funds and Grant funded projects, leaving approximately \$4.7 million unencumbered and not reserved for Revenue Funded Capital Projects within the General Fund.

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 sought ways to consolidate or 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:

- eliminating net 30 FTE's from the budget (exclusive of school positions)
- further utilization of contracted services
- 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

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 has been 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 the FY 2010 budget ultimately approved by Town Meeting. The recommendations of the EIC are certain to influence 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).

Other Post Employment Benefits (OPEB) Task Force

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 one 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. The Town Administrator is considering another recommendation of the Task Force, to have an employee OPEB assessment included in the annual budget of all enterprise, revolving grant and special funds of the Town and School Departments. If adopted, this would generate an additional \$26.5 million toward the un-funded OPEB liability. In the area of cost containment, the Town continues to engage employee union groups in discussions regarding joining the Massachusetts Insurance Commission (GIC).

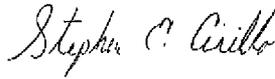
Acknowledgements.

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.

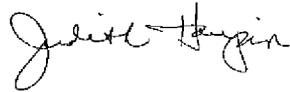
Respectfully submitted,



Richard J. Kelliher
Town Administrator

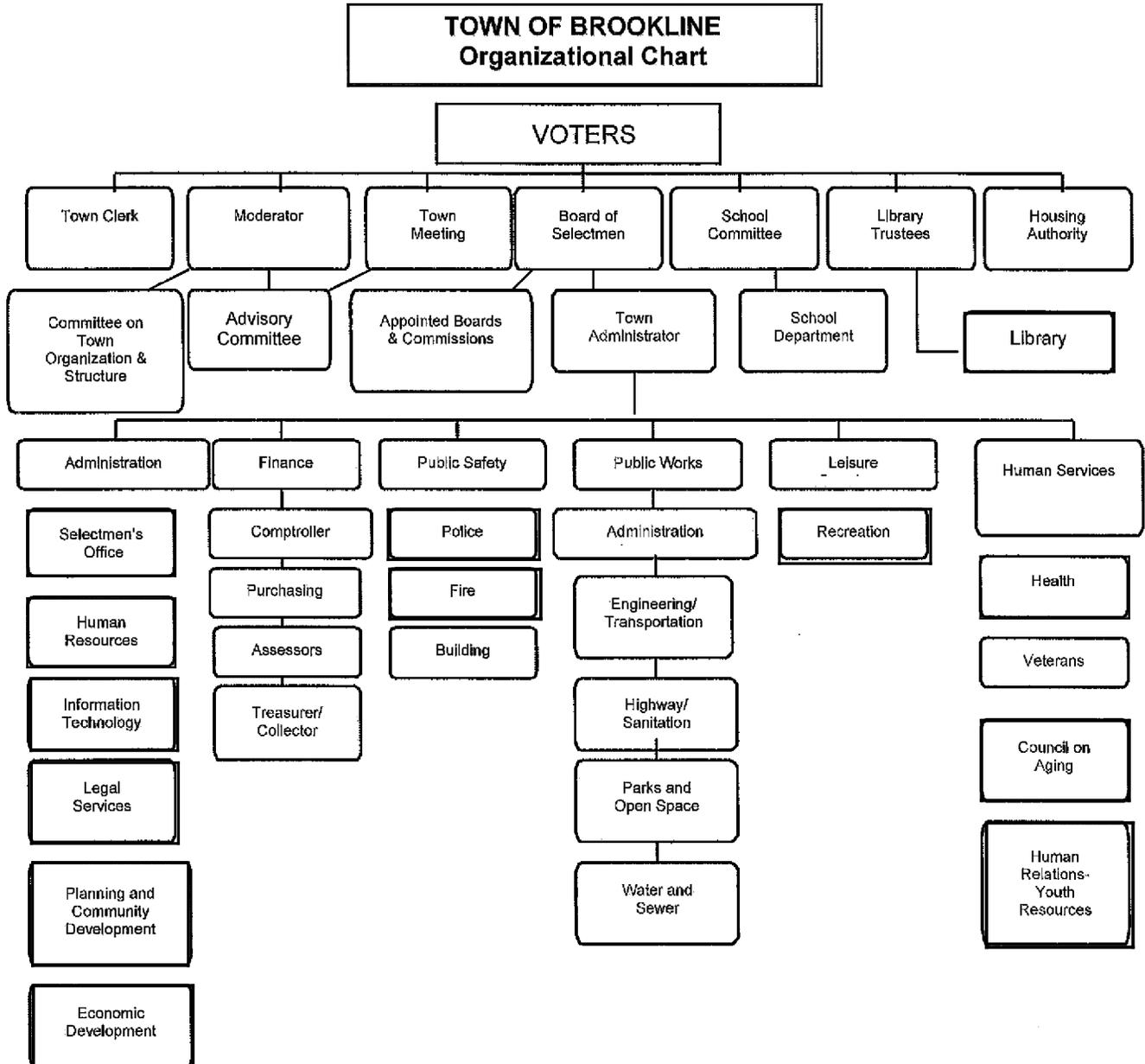


Stephen Cirillo
Finance Director



Judith A. Haupin
Town Comptroller

Organizational Charts



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

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



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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, 2009, 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.

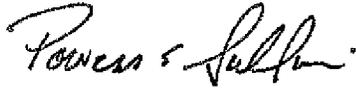
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, 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 December 4, 2009 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, the schedule of funding progress, and the 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.

A handwritten signature in cursive script, appearing to read "Powers & Sullivan".

Wakefield, Massachusetts
December 4, 2009

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 financial statements this narrative overview and analysis of the financial activities of the Town of Brookline for the fiscal year ended June 30, 2009. 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 statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for workers' compensation benefits 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 post employment 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 \$167.7 million at the close of FY2009.

For the governmental activities, net assets of \$133.9 million reflect the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. \$33.5 million represents resources that are subject to external restrictions on expenditures. The remaining balance of *unrestricted net assets* of \$254,000 may be used to meet the government's ongoing obligations to citizens and creditors.

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 \$4.4 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 all three categories of net assets. The Town's assets exceeded liabilities by \$167.7 million at the close of fiscal year 2009.

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Assets:			
Current:			
Cash and cash equivalents.....	\$ 65,868,113	\$ 71,447,187	\$ 66,892,976
Investments.....	9,250,406	9,131,581	9,746,654
Receivables, net of allowance for uncollectibles.....	14,475,980	14,023,415	13,208,653
Other current assets.....	2,816,212	2,838,603	2,766,121
Noncurrent assets (excluding capital).....	22,490,000	24,674,000	30,550,600
Capital assets.....	<u>191,449,243</u>	<u>189,751,816</u>	<u>178,551,637</u>
Total assets.....	306,349,954	311,866,582	301,716,641
Liabilities:			
Current (excluding debt):			
Warrants payable.....	2,830,241	3,438,730	1,401,911
Tax refunds payable.....	1,153,000	2,076,000	1,412,000
Compensated absences.....	5,554,883	5,509,082	5,526,658
Other current liabilities.....	5,338,050	6,897,052	6,892,561
Noncurrent (excluding debt):			
Landfill closure.....	12,030,000	14,880,000	12,590,000
Compensated absences.....	3,603,745	3,591,846	3,570,923
Postretirement benefits.....	25,306,331	14,742,618	-
Other noncurrent liabilities.....	183,000	493,000	420,000
Current debt.....	8,311,177	15,132,309	7,290,036
Noncurrent debt.....	<u>74,307,046</u>	<u>72,478,222</u>	<u>72,502,532</u>
Total liabilities.....	138,617,473	139,238,859	111,606,621
Net Assets:			
Capital assets net of related debt.....	133,933,484	132,680,074	131,241,683
Restricted.....	33,545,176	30,200,923	29,126,869
Unrestricted.....	253,821	9,746,725	29,741,468
Total net assets.....	\$ 167,732,481	\$ 172,627,722	\$ 190,110,020

Net assets from the Town's governmental activities decreased by \$4.9 million during fiscal year 2009. Key elements of the change are as follows:

	<u>FY 2009</u> <u>Governmental</u> <u>Activities</u>	<u>FY 2008</u> <u>Governmental</u> <u>Activities</u>	<u>FY 2007</u> <u>Governmental</u> <u>Activities</u>
Program revenues:			
Charges for services.....	\$ 22,629,331	\$ 23,620,058	\$ 21,282,214
Operating grants and contributions.....	35,714,779	33,691,864	33,491,278
General Revenues:			
Real estate and personal property taxes.....	147,735,896	133,903,429	129,604,095
Motor vehicle and other excise taxes.....	5,112,074	5,121,393	4,445,694
Nonrestricted grants and contributions.....	7,874,410	8,728,569	8,703,018
Unrestricted investment income.....	555,446	2,143,201	4,863,048
Gain/(loss) on sale of capital assets.....	(210,848)	(48,038)	(42,300)
Other revenues.....	2,719,047	4,038,330	3,538,332
Total revenues.....	222,130,135	211,198,807	205,885,379
Expenses:			
General Government.....	20,138,908	18,827,430	17,819,771
Public Safety.....	47,394,571	49,613,416	41,912,690
Education.....	122,207,617	117,654,924	103,383,387
Public Works.....	21,759,827	26,317,639	28,063,980
Community and Economic Development.....	1,611,922	1,843,403	2,424,921
Human Services.....	3,723,388	3,910,929	4,448,177
Leisure Services.....	8,165,314	8,713,904	7,509,536
Interest.....	4,017,530	3,667,459	4,103,759
Total expenses.....	229,019,077	230,549,109	209,666,221
Transfers In(Out).....	1,993,691	1,868,012	2,257,935
Change in net assets.....	\$ (4,895,251)	\$ (17,482,290)	\$ (1,522,907)

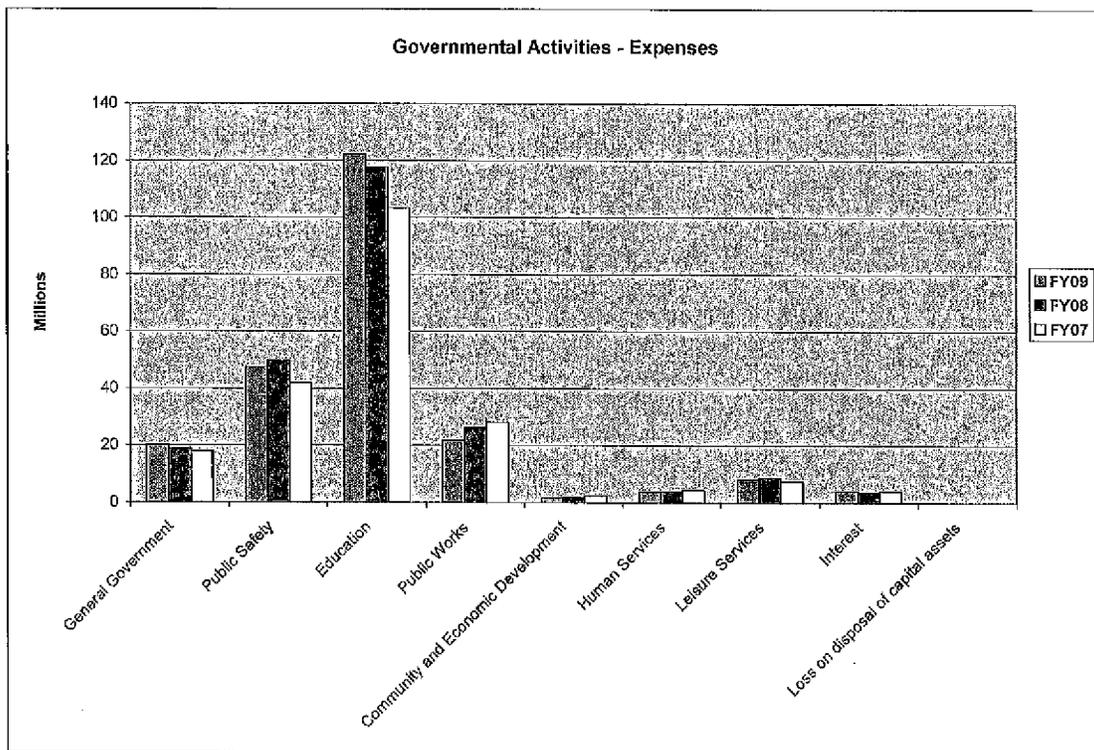
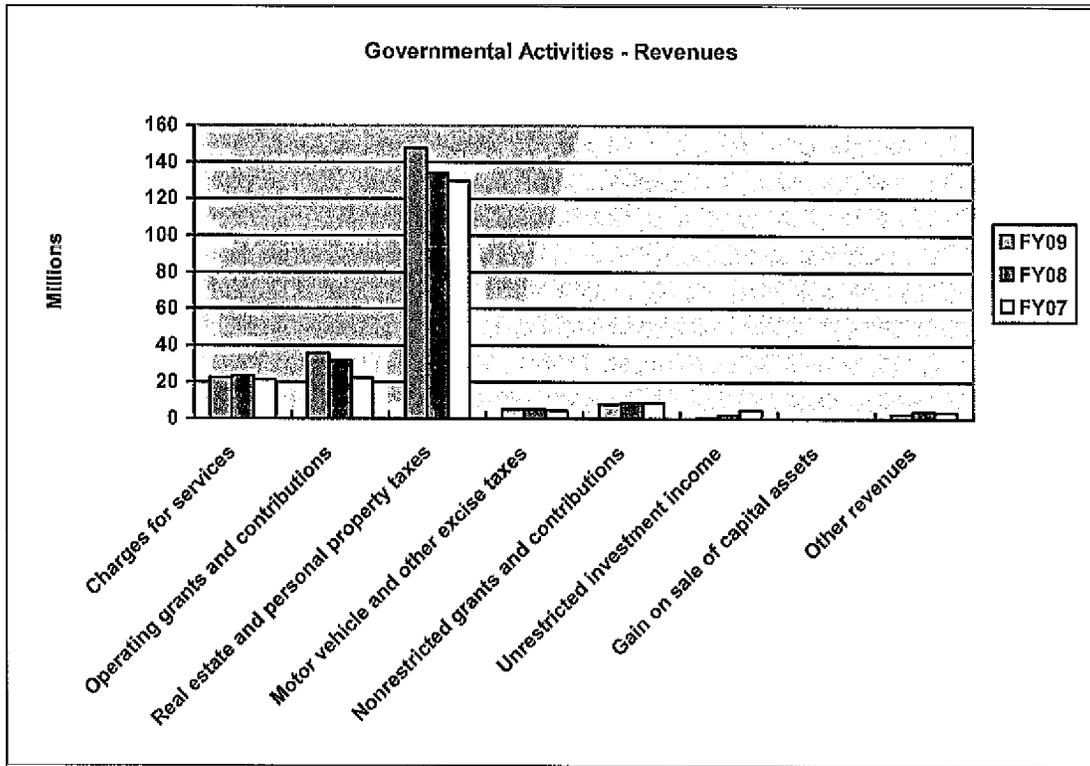
The reduction in net assets is due to several factors. The first is the increase in the liability relating to GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. In fiscal 2009 the Town, based on its actuarial valuation, reported an accrual of \$25.3 million for its portion of the liability that was not paid. This represents an increase of \$10.6 million over the prior fiscal year.

The second factor is that the landfill closure estimate was reduced by \$2.9 million to bring the total to \$12.0 million. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Total governmental debt, short-term and long-term, decreased by \$4.9 million and principal payments were less than depreciation expense by \$2.8 million.

The governmental expenses totaled \$229 million of which \$58.3 million (25.5%) was directly supported by program revenues consisting of charges for services, operating grants and contributions. General revenues totaled \$163.8 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 2009 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 \$63.5 million, of which \$34.4 million is for the general fund, \$4,827 is for the Town Hall Renovations major fund, and \$29.1 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 \$19.7 million, while total fund balance was \$34.4 million. Reservation of fund balance for Encumbrances and Continuing Appropriations totaled \$14.7 million and there was \$7.0 million designated as amounts voted to be used in fiscal 2010. Unreserved, undesignated fund balance represents 6% of total general fund expenditures, while total fund balance represents 17% of total general fund expenditures.

Fund balance of the General Fund increased by \$2.1 million during fiscal year 2009. This is primarily due to management's ability to monitor budgetary results during the year and its goal of maintaining the Town's strong financial position.

The Town Hall Renovations fund is used to account for the ongoing Town Hall renovation project. At the end of the current fiscal year the fund has a fund balance of \$4,827. This project is winding down and Town Hall offices are in use.

The State Fiscal Stabilization Grant Fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the Town's state aid was reduced by \$786,000. However, the state aid payment was replaced with a like amount of federal funds. The Town's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where an equal amount of federal revenues were also recorded.

General Fund Budgetary Highlights

There was approximately a \$268,000 change between the original and final budget. This change represented the net of an increase in education and a reduction in debt service. The Town has elected to carryforward encumbrances and appropriations of \$14.7 million

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30th state aid payment to the Town by \$786,000 and replaced it with a like amount of federal stimulus funds. The Town's general fund budget was not adjusted for the late adjustment in state funding; rather, eligible expenditures were transferred from the general fund to a state fiscal stabilization grant fund where the federal revenues were also recorded. This resulted in a revenue deficit and a corresponding under-expenditure in the applicable line items.

Business-type Activities. Business-type activities decreased by (\$747,000). Key elements of this decrease are as follows:

	<i>FY 2009 Business-type Activities</i>	<i>FY 2008 Business-type Activities</i>	<i>FY 2007 Business-type Activities</i>
Assets:			
Current:			
Cash and short-term investments.....	\$ 1,190,194	\$ 716,921	\$ 313,126
Receivables, net of allowance for uncollectibles.....	5,447,808	6,652,243	6,218,073
Other current assets.....	2,096	2,312	(371,982)
Capital assets.....	38,330,229	38,734,555	39,203,435
Total assets.....	44,970,327	46,106,032	45,362,653
Liabilities:			
Current liabilities (excluding debt).....	1,497,299	1,025,928	447,824
Noncurrent liabilities (excluding debt).....	106,702	108,711	112,596
Current debt.....	2,081,323	2,091,278	2,144,551
Noncurrent debt.....	13,275,452	14,106,775	15,391,054
Total liabilities.....	16,960,776	17,332,691	18,096,025
Net Assets:			
Capital assets net of related debt.....	22,973,454	22,536,502	21,667,830
Unrestricted.....	4,703,068	5,886,839	5,598,798
Total net assets.....	27,676,522	28,423,341	27,266,628
Program revenues:			
Charges for services.....	22,930,319	24,192,457	23,527,304
Operating grants and contributions.....	-	49,798	57,486
General Revenues:			
Unrestricted investment income.....	9,902	-	-
Gain/loss on sale of capital assets.....	(22,577)	(7,096)	-
Total revenues.....	22,917,644	24,235,159	23,584,790
Expenses:			
Golf.....	997,585	786,078	1,006,281
Water and sewer.....	20,673,186	20,424,356	20,029,779
Total expenses.....	21,670,771	21,210,434	21,036,060
Transfers In/(Out).....	(1,993,691)	(1,868,012)	(2,257,935)
Change in net assets.....	\$ (746,818)	\$ 1,156,713	\$ 290,795

The water and sewer enterprise net assets decreased by (\$772,000) during the current fiscal year. This was primarily attributable to the increase in the liability relating to GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In fiscal 2009, the water and sewer enterprise fund reported an accrual of \$946,000 which represents an increase of \$395,000 over the prior fiscal year.

The golf enterprise net assets increased by \$25,000 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. Since FY95, the Town has invested \$277 million in the CIP. Although there is 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 FY09 – FY14 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, including the policy that states an amount equivalent to 5.5% of the prior year's net revenue be dedicated to the CIP, the CIP incorporated a number of major projects along with a financing plan that includes outside funding sources and grant opportunities. The CIP called for an investment of \$141.9 million over the next six years, for an average of \$23.6 million per year.

It was a challenge to prepare a CIP that both complies with the Town's CIP financing policies and funds major facility rehabilitation projects in an environment that is best described as uncertain in terms of state assistance for school building projects. Further complicating this challenge was the need to fund new requests, most notably the need to fund expenses associated with the removal and restoration of certain soils around the Newton St. Landfill and to ensure on-going compliance with Department of Environmental Protection (DEP) guidelines with respect to restoring the effected properties. In addition, important requests were made that form the basis of a systematic, long-term plan for various needed preventative facility improvements.

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 in fiscal 2010. This was done at the request of the auditor and will bring our recording and reporting into conformity with the majority of communities in Massachusetts, and will result in a transfer of nearly \$13.5 million from the General Fund Balance account to the Revenue Funded Capital Fund Group.

The following schedule reflects the CIP expenditure activity for fiscal 2009, together with outstanding encumbrances and available budget balances, for both Debt and Revenue Funded Capital Projects.

Fiscal 2009 Schedule of Capital Improvement Plan Expenditures, Encumbrances and Available Budget

	Revenue Financed Projects			Debt Financed Projects		
	Expended in Fiscal 2009	Encumbrances	Available Budget	Expended in Fiscal 2009	Encumbrances	Available Budget
General Government Capital Projects						
General Government Projects	25,622	5,329	3,388	-	-	-
Planning Projects	43,911	181,668	1,411	-	-	-
Technology Projects	365,258	26,103	58,927	-	-	-
Building & Public Safety Projects						
General Town Building Projects	1,832,452	197,868	921,827	3,780,487	4,827	-
Public Safety Building & Equipment Projects	445,706	120,203	155,604	-	-	-
Library Building Projects	30,802	487,398	360,499	-	-	-
Recreation Building Projects	169,345	19,581	2,973	1,500	4,613	-
Health Building Projects	16,330	-	827	-	-	-
DPW Building Projects	13,520	300	40,696	-	-	-
School Building Projects	611,757	310,565	715,971	2,585,552	357,757	261,976
School Projects	149,877	-	123			
DPW Projects						
Landfill Related Projects	184,991	338,039	2,494,003	1,360,503	176,525	105,547
General DPW Projects	119,395	-	30,000	-	-	-
Highway -Traffic Related Projects	1,925,908	1,204,046	1,644,324	126,672	77,647	-
Park Related Projects	1,109,389	523,773	2,527,165	-	-	2,095,000
Recreation-Library Projects						
Library Projects	64,423	330,577	185,000	-	-	-
DPW Enterprise Related Projects	16,441		150,000	846,531	534,352	5,243,296
Golf Enterprise Projects				43,813	-	1,448,064
GRAND TOTAL	7,125,128	3,745,449	9,292,737	8,745,058	1,155,721	9,153,884

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, 2009 amount to \$229.8 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 \$1.3 million, including a \$1.7 million increase for governmental activities and a (\$404) thousand decrease for business-type activities.

The Town's major capital projects relate to school and town hall renovations.

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

- ❖ Approximately \$2.1 million was spent on water, sewer, and surface drainage system construction and replacement.
- ❖ Over \$2.3 million was spent on machinery and equipment.
- ❖ Over \$1.3 million was spent on various land improvements.
- ❖ Over \$7.2 million was spent on building renovations and improvements.

**Town of Brookline's Capital Assets
(Net of Depreciation)**

	Governmental		Business -Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	79,727	79,727	-	-	79,727	79,727
Construction In Progress	-	10,388,639	-	-	-	10,388,639
Land Improvements	12,760,937	12,281,284	989,263	988,986	13,750,200	13,270,270
Buildings	152,008,183	140,588,512	2,699,008	2,785,078	154,707,191	143,373,590
Machinery and Equipment	10,217,396	10,683,963	1,004,206	1,081,986	11,221,602	11,765,949
Infrastructure	16,383,000	15,729,691	33,637,752	33,878,505	50,020,752	49,608,196
Total	191,449,243	189,751,816	38,330,229	38,734,555	229,779,472	228,486,371

Long-term Debt. At the end of the current fiscal year, the Town of Brookline had total bonded debt outstanding of \$97,974,998. Of which \$82,618,223 is governmental debt and \$15,356,775 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 2009, the Town retired long term debt of \$10,323,587.

The Town of Brookline issued \$11,390,000 in general obligation bonds to finance several capital improvements. Included in these issues was \$6,900,000 in general obligation bonds for renovations to Town Hall, \$2,500,000 for painting and roofing the high school, \$740,000 for landfill closure costs, and \$1,250,000 for various water and sewer projects.

Please see notes 7 and 8 for further debt information.

Cash and Investments

At June 30, 2009, the Town had recorded a Cash and Investments balance of \$76,605,472. Additional adjustments for accounts not maintained by the Treasurer, but included in overall financial statement cash, were Library Cash (\$261,778) and Investment accounts (\$2,989,013) maintained by the Trustees of the Brookline Public Library; and Retirement Cash (\$1,766,503) and Investment accounts (\$157,799,983) maintained by the Brookline Retirement System. This resulted in total Cash and Investments of \$239,422,749 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.town.brookline.ma.us/>.

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 65,868,113	\$ 1,190,194	\$ 67,058,307
Investments.....	9,250,406	-	9,250,406
Receivables, net of allowance for 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
Water and sewer fees.....	-	5,447,808	5,447,808
Departmental and other.....	3,888,376	-	3,888,376
Intergovernmental.....	7,473,632	-	7,473,632
Loans.....	194,086	-	194,086
Internal balances.....	325,000	(325,000)	-
Prepaid expenses.....	2,491,212	2,096	2,493,308
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	22,490,000	-	22,490,000
Capital assets, nondepreciable.....	79,727	-	79,727
Capital assets, net of accumulated depreciation.....	191,369,516	38,330,229	229,699,745
TOTAL ASSETS.....	306,349,954	44,645,327	350,995,281
LIABILITIES			
CURRENT:			
Warrants payable.....	2,830,241	82,333	2,912,574
Accrued liabilities.....	47,997	5,350	53,347
Accrued payroll.....	1,448,460	-	1,448,460
Tax refunds payable.....	1,153,000	-	1,153,000
Accrued interest.....	696,592	157,231	1,053,823
Abandoned property.....	185,085	-	185,085
Other liabilities.....	967,811	8,029	975,840
Deferred revenue.....	591,164	-	591,164
Customer deposits payable.....	3,941	-	3,941
Compensated absences.....	5,554,863	276,594	5,831,467
Workers' compensation.....	1,197,000	-	1,197,000
Bonds and notes payable.....	8,311,177	2,081,323	10,392,500
NONCURRENT:			
Landfill closure.....	12,030,000	-	12,030,000
Compensated absences.....	3,603,745	106,702	3,710,447
Workers' compensation.....	183,000	-	183,000
Postretirement benefits.....	25,306,331	975,801	26,282,132
Bonds and notes payable.....	74,307,046	13,275,452	87,582,498
TOTAL LIABILITIES.....	138,617,473	16,868,806	155,486,278
NET ASSETS			
Invested in capital assets, net of related debt.....	133,933,484	22,973,454	156,906,938
Restricted for:			
Loans.....	184,066	-	184,066
Permanent funds:			
Expendable.....	3,718,074	-	3,718,074
Nonexpendable.....	1,176,359	-	1,176,359
Other purposes.....	28,456,677	-	28,456,677
Unrestricted.....	253,821	4,703,068	4,956,889
TOTAL NET ASSETS.....	\$ 167,732,481	\$ 27,676,522	\$ 195,409,003

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
General government.....	\$ 20,138,908	\$ 3,713,372	\$ 1,155,542	\$ (15,269,994)
Public safety.....	47,394,571	8,302,197	319,685	(38,772,689)
Education.....	122,207,617	5,729,467	27,673,492	(88,804,658)
Public works.....	21,759,827	3,273,612	2,546,314	(15,939,901)
Community and economic development....	1,611,922	-	1,562,361	(49,561)
Human services.....	3,723,388	20,725	1,121,853	(2,580,810)
Leisure services.....	8,165,314	1,589,958	179,160	(6,396,196)
Interest.....	4,017,530	-	1,156,372	(2,861,158)
Total Governmental Activities.....	229,019,077	22,629,331	35,714,779	(170,674,967)
<i>Business-Type Activities:</i>				
Golf.....	997,585	1,176,267	-	178,682
Water and sewer.....	20,673,186	21,754,052	-	1,080,866
Total Business-Type Activities.....	21,670,771	22,930,319	-	1,259,548
Total Primary Government.....	\$ 250,689,848	\$ 45,559,650	\$ 35,714,779	\$ (169,415,419)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (170,674,967)	\$ 1,259,548	\$ (169,415,419)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	147,735,896	-	147,735,896
Motor vehicle and other excise taxes.....	5,112,074	-	5,112,074
Hotel/motel tax.....	788,531	-	788,531
Penalties and interest on taxes.....	494,311	-	494,311
Payments in lieu of taxes.....	989,282	-	989,282
Grants and contributions not restricted to specific programs.....	7,874,410	-	7,874,410
Unrestricted investment income.....	555,446	9,902	565,348
Gain (loss) on disposal of capital assets.....	(210,848)	(22,577)	(233,425)
Miscellaneous.....	446,923	-	446,923
Transfers, net.....	1,993,691	(1,993,691)	-
Total general revenues and transfers.....	<u>165,779,716</u>	<u>(2,006,366)</u>	<u>163,773,350</u>
Change in net assets.....	(4,895,251)	(746,818)	(5,642,069)
<i>Net Assets:</i>			
Beginning of year.....	<u>172,627,732</u>	<u>28,423,340</u>	<u>201,051,072</u>
End of year.....	<u>\$ 167,732,481</u>	<u>\$ 27,676,522</u>	<u>\$ 195,409,003</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	<u>General</u>	<u>Town Hall Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 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
Departmental 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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	Town Hall Renovations	Federal American Recovery & Reinvestment Act	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 147,553,179 ✓	\$ -	\$ -	\$ -	\$ 147,553,179
Motor vehicle and other excise taxes.....	5,027,901 ✓	-	-	-	5,027,901
Hotel/motel tax.....	788,531 ✓	-	-	-	788,531
Charges for services.....	5,006,364 ✓	-	-	-	5,006,364
Penalties and interest on taxes.....	494,311 ✓	-	-	-	494,311
Payments in lieu of taxes.....	989,282 ✓	-	-	-	989,282
Licenses and permits.....	3,227,512 ✓	-	-	-	3,227,512
Fines and forfeitures.....	4,518,301 ✓	-	-	-	4,518,301
Intergovernmental.....	31,343,464 ✓	-	785,908	10,941,794	43,071,166
Departmental and other.....	599,320 ✓	-	-	10,358,569	10,957,909
Contributions.....	-	-	-	1,757,086	1,757,086
Investment income (loss).....	942,808	-	-	(596,513)	346,295
TOTAL REVENUES.....	200,490,973	-	785,908	22,460,956	223,737,837
EXPENDITURES:					
Current:					
General government.....	9,732,504	2,026,792	785,908	482,190	13,027,394
Public safety.....	34,348,558	-	-	566,721	34,915,279
Education.....	68,772,169	-	-	16,866,835	85,639,004
Public works.....	17,233,710	-	-	3,595,401	20,829,111
Community and economic development.....	-	-	-	1,611,922	1,611,922
Human services.....	2,283,624	-	-	354,467	2,638,091
Leisure services.....	4,683,332	-	-	1,436,118	6,119,450
Pension benefits.....	24,397,914	-	-	-	24,397,914
Fringe benefits.....	24,714,243	-	-	-	24,714,243
State and county charges.....	5,493,891	-	-	-	5,493,891
Debt service:					
Principal.....	8,232,309	-	-	-	8,232,309
Interest.....	4,035,097	-	-	-	4,035,097
TOTAL EXPENDITURES.....	203,927,351	2,026,792	785,908	24,913,654	231,653,705
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(3,436,378)	(2,026,792)	-	(2,452,698)	(7,915,668)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	6,900,000	-	3,240,000	10,140,000
Transfers in.....	5,630,070	-	-	47,554	5,677,624
Transfers out.....	(47,282)	-	-	(3,636,651)	(3,683,933)
TOTAL OTHER FINANCING SOURCES (USES).....	5,582,788	6,900,000	-	(349,097)	12,133,691
NET CHANGE IN FUND BALANCES.....	2,146,410	4,873,208	-	(2,801,796)	4,217,823
FUND BALANCES AT BEGINNING OF YEAR.....	32,246,625	(4,866,381)	-	31,923,077	59,301,321
FUND BALANCES AT END OF YEAR.....	\$ 34,393,035	\$ 4,827	\$ -	\$ 29,121,282	\$ 63,519,144

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, 2009

Net change in fund balances - total governmental funds.....	\$	4,217,823
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		12,984,330
Depreciation expense.....		<u>(11,076,055)</u>
Net effect of reporting capital assets.....		1,908,275
<p>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.....</p>		
		(210,848)
<p>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.....</p>		
		(1,606,004)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net 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.</p>		
Proceeds from bonds and notes.....		(10,140,000)
Debt service principal payments.....		<u>8,232,309</u>
Net effect of reporting long-term debt.....		(1,907,691)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(57,701)
Net change in accrued interest on long-term debt.....		17,568
Net change in postretirement benefit accrual.....		(10,563,713)
Net change in landfill accrual.....		<u>2,850,000</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....		(7,753,846)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>457,040</u>
Change in net assets of governmental activities.....	\$	<u>(4,895,251)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 928,684	\$ 261,510	\$ 1,190,194	\$ 3,102,711
Investments.....	-	-	-	5,275,173
Receivables, net of allowance for uncollectibles:				
Water and sewer fees.....	5,447,808	-	5,447,808	-
Prepaid expenses.....	2,066	30	2,096	-
Total current assets.....	<u>6,378,558</u>	<u>261,540</u>	<u>6,640,098</u>	<u>8,377,884</u>
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	<u>36,158,216</u>	<u>2,172,013</u>	<u>38,330,229</u>	<u>-</u>
TOTAL ASSETS.....	<u>42,536,774</u>	<u>2,433,553</u>	<u>44,970,327</u>	<u>8,377,884</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	40,762	41,571	82,333	17,019
Accrued liabilities.....	-	5,350	5,350	-
Accrued interest.....	151,827	5,404	157,231	-
Due to other funds.....	-	325,000	325,000	-
Other liabilities.....	-	8,029	8,029	-
Compensated absences.....	230,525	46,059	276,584	-
Workers' compensation.....	-	-	-	1,197,000
Bonds and notes payable.....	<u>1,941,323</u>	<u>140,000</u>	<u>2,081,323</u>	<u>-</u>
Total current liabilities.....	<u>2,364,437</u>	<u>571,413</u>	<u>2,935,850</u>	<u>1,214,019</u>
NONCURRENT:				
Compensated absences.....	92,232	14,470	106,702	-
Workers' compensation.....	-	-	-	183,000
Postretirement benefits.....	946,248	29,553	975,801	-
Bonds and notes payable.....	<u>12,540,462</u>	<u>735,000</u>	<u>13,275,462</u>	<u>-</u>
Total noncurrent liabilities.....	<u>13,578,932</u>	<u>779,023</u>	<u>14,357,955</u>	<u>183,000</u>
TOTAL LIABILITIES.....	<u>15,943,369</u>	<u>1,350,436</u>	<u>17,293,805</u>	<u>1,397,019</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	21,676,441	1,297,013	22,973,454	-
Unrestricted.....	<u>4,916,964</u>	<u>(213,896)</u>	<u>4,703,068</u>	<u>6,980,865</u>
TOTAL NET ASSETS.....	<u>\$ 26,593,405</u>	<u>\$ 1,083,117</u>	<u>\$ 27,676,522</u>	<u>\$ 6,980,865</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
OPERATING REVENUES:				
Employee contributions	\$ -	\$ -	\$ -	\$ 693,451
Employer contributions	-	-	-	2,640,656
Charges for services	21,754,052	1,176,267	22,930,319	-
TOTAL OPERATING REVENUES	21,754,052	1,176,267	22,930,319	3,334,107
OPERATING EXPENSES:				
Cost of services and administration	19,131,653	855,352	19,987,005	-
Depreciation.....	946,034	102,138	1,048,172	-
Building insurance.....	-	-	-	1,297,365
Employee benefits	-	-	-	1,788,853
TOTAL OPERATING EXPENSES	20,077,687	957,490	21,035,177	3,086,218
OPERATING INCOME (LOSS).....	1,676,365	218,777	1,895,142	247,889
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	9,902	9,902	209,151
Interest expense.....	(595,499)	(40,095)	(635,594)	-
Loss on disposal of capital assets.....	(22,577)	-	(22,577)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(618,076)	(30,193)	(648,269)	209,151
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	1,058,289	188,584	1,246,873	457,040
OPERATING TRANSFERS:				
Transfers in.....	47,282	-	47,282	-
Transfers out.....	(1,877,687)	(163,286)	(2,040,973)	-
TOTAL OPERATING TRANSFERS.....	(1,830,405)	(163,286)	(1,993,691)	-
CHANGE IN NET ASSETS.....	(772,116)	25,298	(746,818)	457,040
NET ASSETS AT BEGINNING OF YEAR.....	27,365,521	1,057,819	28,423,340	6,523,825
NET ASSETS AT END OF YEAR.....	\$ 26,593,405	\$ 1,083,117	\$ 27,676,522	\$ 6,980,865

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 22,958,488	\$ 1,176,267	\$ 24,134,755	\$ -
Receipts from interfund services provided.....	-	-	-	3,334,107
Payments to vendors.....	(16,645,667)	(381,575)	(17,027,242)	(3,457,484)
Payments to employees.....	(2,053,404)	(431,334)	(2,494,738)	-
NET CASH FROM OPERATING ACTIVITIES.....	4,249,417	363,356	4,612,775	(123,377)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	47,282	-	47,282	-
Transfers out.....	(1,877,887)	(163,286)	(2,040,973)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(1,830,405)	(163,286)	(1,993,691)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	1,250,000	-	1,250,000	-
Acquisition and construction of capital assets.....	(622,610)	(43,813)	(666,423)	-
Principal payments on bonds and notes.....	(1,951,278)	(140,000)	(2,091,278)	-
Interest expense.....	(607,197)	(40,815)	(648,012)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,931,085)	(224,628)	(2,155,713)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	-	-	(926,102)
Investment income.....	-	9,902	9,902	209,151
NET CASH FROM INVESTING ACTIVITIES.....	-	9,902	9,902	(716,951)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	487,927	(14,654)	473,273	(640,326)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	440,757	276,164	716,921	3,943,039
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 928,684	\$ 261,510	\$ 1,190,194	\$ 3,102,711
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 1,876,385	\$ 218,777	\$ 1,895,142	\$ 247,889
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	946,034	102,138	1,048,172	-
Changes in assets and liabilities:				
Charges for services receivable.....	1,204,436	-	1,204,436	-
Internal balances.....	-	(25,000)	(25,000)	-
Prepaid expenses.....	114	102	216	-
Warrants payable.....	28,668	33,843	62,531	(35,266)
Postretirement benefits.....	394,995	12,336	407,332	-
Accrued liabilities.....	-	4,904	4,904	-
Other liabilities.....	-	8,029	8,029	-
Accrued compensated absences.....	(1,216)	8,229	7,013	-
Workers' compensation.....	-	-	-	(336,000)
Total adjustments.....	2,573,052	144,581	2,717,633	(371,266)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,249,417	\$ 363,358	\$ 4,612,775	\$ (123,377)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,766,503	\$ 1,008,751	\$ -
Investments.....	157,799,983	2,538,799	-
Interest and dividends.....	755	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	631,229	-	530,154
Due from other funds.....	-	530,154	-
TOTAL ASSETS.....	160,198,470	4,077,704	530,154
LIABILITIES			
Warrants payable.....	901,703	91	-
Accrued liabilities.....	-	366,032	-
Due to other funds.....	-	-	530,154
TOTAL LIABILITIES.....	901,703	366,123	530,154
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 159,296,767	\$ 3,711,581	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 11,878,412	\$ -
Employee.....	5,482,877	-
Private donations.....	-	79,870
	17,361,289	79,870
Net investment income (loss):		
Net change in fair value of investments.....	(65,212,419)	-
Investment income (loss).....	2,394,157	(411,476)
	(62,818,262)	(411,476)
Less: investment expense.....		
	(831,764)	-
Net investment income (loss).....	(63,650,026)	(411,476)
Intergovernmental.....	637,566	-
Transfers from other systems.....	444,974	-
	(45,206,197)	(331,606)
DEDUCTIONS:		
Administration.....	402,103	784
Transfers to other systems.....	665,301	-
Retirement benefits and refunds.....	21,018,963	-
Educational scholarships.....	-	240,222
	22,086,367	241,006
CHANGE IN NET ASSETS.....	(67,292,564)	(572,612)
NET ASSETS AT BEGINNING OF YEAR.....	226,589,331	4,284,193
NET ASSETS AT END OF YEAR.....	\$ 159,296,767	\$ 3,711,581

See notes to basic financial statements.

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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, 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 *town hall renovations capital projects fund* is used to account for the rehabilitation project of town hall.

The *federal american recovery and reinvestment act* is used to account for federal funds received as part of the 2009 stimulus package.

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

The *special revenue fund* is used to account for 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 *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise 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, workers' compensation and municipal building insurance.

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

The following fiduciary fund types are reported:

The *pension 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 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:

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

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the 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 2010 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.

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 \$21,263,030 and the bank balance totaled \$34,863,963. Of the bank balance, \$2,046,026 was covered by Federal Depository Insurance and \$32,817,937 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$21,263,030 in deposits and \$46,804,028 in cash equivalents, totaling \$68,067,058. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts total \$67,058,307 and \$1,008,751, respectively. See investments below for amounts designated as cash equivalents.

At December 31, 2008, the carrying amount of deposits for the Retirement System totaled \$233,056 and the bank balance totaled \$527,148. The entire bank balance of \$527,148 was covered by Federal Depository Insurance.

The Retirement System's cash and cash equivalents consist of \$233,056 in deposits and \$1,533,447 in cash equivalents, totaling \$1,766,503. 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, 2009:

Investment Type	Maturity		
	<u>Fair Value</u>	<u>1-5 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities</u>			
United States Treasury.....	\$ 390,838	\$ 390,838	\$ -
Federal National Mortgage Asso.....	1,111,129	1,606	1,109,523
Federal Home Loan Mortgage Corp...	157,937	-	157,937
Governmental National Mortgage.....	<u>1,629</u>	<u>-</u>	<u>1,629</u>
Total Debt Securities.....	<u>\$ 1,661,533</u>	<u>\$ 392,444</u>	<u>\$ 1,269,089</u>
<u>Other Investments</u>			
Equity Securities.....	6,986,076		
Equity Mutual Funds.....	3,141,596		
Repurchase Agreements (*).....	9,369,878		
Money Market Mutual Funds (*).....	194,818		
MMDT (*).....	<u>37,239,332</u>		
Total Investments.....	<u>\$ 58,593,233</u>		
(*) designates cash equivalent			
Total investments per above.....	\$ 58,593,233		
Less: cash equivalents.....	<u>(46,804,028)</u>		
Total Town investments.....	<u>\$ 11,789,205</u>		

The Town's investments are reported in both the primary government and the fiduciary funds. Those amounts total \$9,250,406 and \$2,538,799, respectively.

As of December 31, 2008, the Retirement System had the following investments:

Equity Security Mutual Funds.....	\$ 34,041,289
International Securities.....	22,385,719
PRIT Investments.....	62,417,329
Alternative Investments-Real Estate...	38,955,646
Money Market Mutual Funds (*).....	<u>1,533,447</u>
 Total Investments.....	 \$ <u>159,333,430</u>

(*) 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 \$390,838 in U.S. Treasury Securities, \$1,111,129 in Federal National Mortgage Association, \$157,937 in Federal Home Loan Mortgage Corporation, \$1,629 in Governmental National Mortgage, and \$6,986,076 in Equity Securities, the Town has custodial credit risk exposure of \$8,647,609 because the related securities are uninsured, unregistered and held by the counterparty.

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

Interest Rate Risk – Town Investments

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

Credit Risk – Town Investments

The Town has adopted a formal policy related to credit risk. At June 30, 2009 the Town's debt securities were rated as follows:

<u>Quality Ratings</u>	<u>United States Treasury</u>	<u>Federal National Mortgage Asso.</u>	<u>Federal Home Loan Mortgage Corp.</u>	<u>Governmental National Mortgage Asso.</u>	<u>Totals</u>
AAA.....	\$ 390,838	\$ 1,111,129	\$ 157,937	\$ 1,629	\$ 1,661,533

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 \$22,385,719 in International Securities the Retirement System has

custodial credit risk exposure of \$22,385,719 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.

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, 2009, 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, 2008, the Retirement System does not have any investments that exceed the 5% threshold.

NOTE 3 – RECEIVABLES

At June 30, 2009, receivables for the individual major governmental funds and non-major internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,581,667	\$ -	\$ 1,581,667
Tax liens.....	1,273,607	-	1,273,607
Motor vehicle and other excise taxes.....	494,406	(368,074)	126,332
User fees.....	138,300	-	138,300
Departmental and other.....	5,830,761	(2,142,385)	3,688,376
Intergovernmental.....	29,963,632	-	29,963,632
Loans.....	194,066	-	194,066
Total.....	<u>\$ 39,476,439</u>	<u>\$ (2,510,459)</u>	<u>\$ 36,965,980</u>

At June 30, 2009, receivables for the water and sewer enterprise funds totaled \$5,447,808. 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:

Type:	General Fund	Other Governmental Funds	Total
Real estate and personal property taxes.... \$	1,278,962	\$ -	\$ 1,278,962
Tax liens.....	1,087,577	-	1,087,577
Motor vehicle and other excise taxes.....	126,332	-	126,332
User fees.....	138,300	-	138,300
Departmental and other.....	3,509,368	703,201	4,212,569
Intergovernmental.....	24,674,000	4,541,427	29,215,427
<u>Other asset type:</u>			
Due from other funds.....	325,000	-	325,000
Total.....	\$ 31,139,539	\$ 5,244,628	\$ 36,384,167

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 79,727	\$ -	\$ -	\$ 79,727
Construction in progress.....	10,388,639	-	(10,388,639)	-
Total capital assets not being depreciated...	10,468,366	-	(10,388,639)	79,727
<u>Capital assets being depreciated:</u>				
Land improvements.....	20,235,866	1,299,426	-	21,535,292
Buildings.....	220,936,436	17,619,334	(93,497)	238,462,273
Machinery and equipment.....	32,118,836	2,323,438	(3,758,190)	30,684,084
Infrastructure.....	40,800,872	2,130,771	(1,660,345)	41,271,298
Total capital assets being depreciated.....	314,092,010	23,372,969	(5,512,032)	331,952,947
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,954,582)	(819,773)	-	(8,774,355)
Buildings.....	(80,347,923)	(6,199,664)	93,497	(86,454,090)
Machinery and equipment.....	(21,434,874)	(2,579,156)	3,547,342	(20,466,688)
Infrastructure.....	(25,071,181)	(1,477,462)	1,660,345	(24,888,298)
Total accumulated depreciation.....	(134,808,560)	(11,076,055)	5,301,184	(140,583,431)
Total capital assets being depreciated, net.....	179,283,450	12,296,914	(210,848)	191,369,516
Total governmental activities capital assets, net.....	\$ 189,751,816	\$ 12,296,914	\$ (10,599,487)	\$ 191,449,243

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer Activities:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 201,230	\$ -	\$ -	\$ 201,230
Buildings.....	2,454,159	14,870	-	2,469,029
Machinery and equipment.....	2,249,437	171,992	(472,857)	1,948,572
Infrastructure.....	47,621,234	435,748	-	48,056,982
Total capital assets being depreciated.....	<u>52,526,060</u>	<u>622,610</u>	<u>(472,857)</u>	<u>52,675,813</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(39,905)	(6,708)	-	(46,613)
Buildings.....	(880,720)	(61,677)	-	(942,397)
Machinery and equipment.....	(1,358,489)	(201,148)	450,280	(1,109,357)
Infrastructure.....	(13,742,729)	(676,501)	-	(14,419,230)
Total accumulated depreciation.....	<u>(16,021,843)</u>	<u>(946,034)</u>	<u>450,280</u>	<u>(16,517,597)</u>
Total capital assets being depreciated, net.....	<u>\$ 36,504,217</u>	<u>\$ (323,424)</u>	<u>\$ (22,577)</u>	<u>\$ 36,158,216</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Activities:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 1,061,017	\$ 43,813	\$ -	\$ 1,104,830
Buildings.....	1,558,915	-	-	1,558,915
Machinery and equipment.....	242,656	-	-	242,656
Total capital assets being depreciated.....	<u>2,862,588</u>	<u>43,813</u>	<u>-</u>	<u>2,906,401</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(233,356)	(36,828)	-	(270,184)
Buildings.....	(347,276)	(39,263)	-	(386,539)
Machinery and equipment.....	(51,818)	(26,047)	-	(77,665)
Total accumulated depreciation.....	<u>(632,250)</u>	<u>(102,138)</u>	<u>-</u>	<u>(734,388)</u>
Total capital assets being depreciated, net.....	<u>\$ 2,230,338</u>	<u>\$ (58,325)</u>	<u>\$ -</u>	<u>\$ 2,172,013</u>

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

Governmental Activities:	
General government.....	\$ 525,101
Public safety.....	1,670,587
Education.....	4,525,180
Public works.....	3,431,509
Human services.....	700,169
Leisure services.....	<u>223,509</u>
Total depreciation expense - governmental activities.....	\$ <u>11,076,055</u>
Business-Type Activities:	
Water and Sewer.....	\$ 946,034
Golf.....	<u>102,138</u>
Total depreciation expense - business-type activities.....	\$ <u>1,048,172</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water & Sewer Enterprise Fund	
General Fund.....	\$ -	\$ -	47,282	\$ 47,282
Nonmajor Governmental Funds.....	3,589,097	47,554	-	3,636,651
Water & Sewer Enterprise Fund.....	1,877,687	-	-	1,877,687
Golf Enterprise Fund.....	163,286	-	-	163,286
	<u>\$ 5,630,070</u>	<u>\$ 47,554</u>	<u>\$ 47,282</u>	<u>\$ 5,724,906</u>

Transfers represent amounts voted to fund the fiscal year 2009 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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
BAN	Town Hall.....	2-2.5	04/16/09	\$ 6,900,000	\$ -	\$ 6,900,000	\$ -

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, 2009, \$1,710,000 of Governmental and \$1,980,000 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	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
<i>Inside Debt Limit</i>					
Schools.....	2.59-5.91	\$ 18,498,520	\$ 2,500,000	\$ 2,784,907	\$ 18,213,613
General Government.....	3.22-5.28	30,557,012	7,640,000	3,492,402	34,704,610
Athletic and recreational facilities.....	3.94-4.94	60,000	-	30,000	30,000
Sub-total.....		49,115,532	10,140,000	6,307,309	52,948,223
<i>Outside Debt Limit</i>					
Schools.....	5.33 - 5.35	31,595,000	-	1,925,000	29,670,000
Total Governmental bonds and Notes Payable.....		80,710,532	10,140,000	8,232,309	82,618,223
Enterprise Funds					
<i>Inside Debt Limit</i>					
Golf Course Enterprise Fund.....	3.19-3.90	1,015,000	-	140,000	875,000
Water Enterprise Fund.....	3.90-6.63	8,388,266	250,000	1,107,691	7,530,575
Sewer Enterprise Fund.....	3.90-5.28	6,794,787	1,000,000	843,587	6,951,200
Total Enterprise Bonds and Notes Payable.....		16,198,053	1,250,000	2,091,278	15,356,775
Total Bonds and Notes Payable.....		\$ 96,908,585	\$ 11,390,000	\$ 10,323,587	\$ 97,974,998

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 8,311,177	\$ 3,564,294	\$ 11,875,471
2011.....	8,034,999	3,243,330	11,278,329
2012.....	7,751,238	2,942,402	10,693,640
2013.....	7,369,633	2,643,758	10,013,391
2014.....	6,723,088	2,334,575	9,057,663
2015.....	6,277,794	2,044,823	8,322,617
2016.....	6,017,794	1,761,064	7,778,858
2017.....	5,950,000	1,479,812	7,429,812
2018.....	5,672,500	1,193,869	6,866,369
2019.....	5,535,000	927,215	6,462,215
2020.....	5,395,000	663,568	6,058,568
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.....	\$ 82,618,223	\$ 24,373,407	\$ 106,991,630

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010..... \$	2,081,323	\$ 613,847	\$ 2,695,170
2011.....	2,072,501	538,269	2,610,770
2012.....	1,833,761	465,528	2,299,289
2013.....	1,770,366	397,124	2,167,490
2014.....	1,726,912	335,541	2,062,453
2015.....	1,417,206	258,388	1,675,594
2016.....	1,417,206	198,042	1,615,248
2017.....	1,165,000	136,057	1,301,057
2018.....	812,500	83,394	895,894
2019.....	520,000	48,026	568,026
2020.....	395,000	24,724	419,724
2021.....	145,000	5,800	150,800
Totals..... \$	<u>15,356,775</u>	<u>\$ 3,104,740</u>	<u>\$ 18,461,515</u>

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, 2009, the outstanding principal amount of this loan totaled \$165,000.

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 2009, \$3,267,000 of such assistance was received for reimbursement. Approximately \$31,625,000 will be received in future fiscal years. Of this amount, \$6,951,000 represents reimbursement of long-term interest costs, and approximately \$24,674,000 represents reimbursement of approved construction costs. Accordingly, a \$24,674,000 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, 2009, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Town Hall Garage.....	\$ 1,200,000
Golf - Buildings.....	1,280,000
Golf - Grounds.....	160,000
Waste Water System.....	5,124,065
Landfill.....	4,275,000
Muddy River Project.....	745,000
Fisher Hill.....	1,350,000
High School.....	100,000
Total.....	<u>\$ 14,234,065</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

Governmental Funds

	Balance June 30, 2008	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2009	Current Portion
Long-Term Bonds and Notes.....	\$ 80,710,532	\$ 10,140,000	\$ (8,232,309)	\$ -	\$ 82,618,223	\$ 8,311,177
Other Post Employment Benefits.....	14,742,618	-	-	10,563,713	25,306,331	-
Workers' Compensation.....	1,716,000	-	-	(336,000)	1,380,000	1,197,000
Compensated Absences.....	9,100,928	-	-	57,700	9,158,628	5,554,883
Landfill Closure.....	14,880,000	-	-	(2,850,000)	12,030,000	-
Total.....	\$ 121,150,078	\$ 10,140,000	\$ (8,232,309)	\$ 7,435,413	\$ 130,493,182	\$ 15,063,060

Business-Type Activities

	Balance June 30, 2008	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2009	Current Portion
Long-Term Bonds and Notes.....	\$ 16,198,053	\$ 1,250,000	\$ (2,091,278)	\$ -	\$ 15,356,775	\$ 2,081,323
Other Post Employment Benefits.....	588,469	-	-	407,332	975,801	-
Compensated Absences.....	376,273	-	-	7,013	383,286	276,584
Total.....	\$ 17,142,795	\$ 1,250,000	\$ (2,091,278)	\$ 414,345	\$ 16,715,862	\$ 2,357,907

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, \$1,380,000 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, 2009, the amount of the liability for workers' compensation claims totaled \$1,380,000. Changes in the reported liability since July 1, 2007, 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 2008.....	\$ 1,580,000	\$ 1,364,050	\$ (1,228,050)	\$ 1,716,000
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 \$12,981,000 for the fiscal year ended June 30, 2009, 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, 2008, the Retirement System's membership consists of the following:

Active members.....	1,925
Inactive members.....	537
Disabled members.....	188
Retirees and beneficiaries currently receiving benefits.....	<u>656</u>
Total.....	<u><u>3,306</u></u>

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, 2009, 2008, and 2007 were approximately \$12,064,000, \$10,994,000, and \$9,855,000, respectively, which equaled its required contribution for each fiscal year. At June 30, 2009, 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 January 1, 2009 was 14 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 2009 totaled approximately \$265,000.

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 2009, the Town contributed \$9.5 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 2009:

Normal cost.....	\$	7,429,021
Amortization of unfunded actuarial accrued liability.....		<u>13,074,126</u>
Annual OPEB cost (expense).....		20,503,147
Contributions made.....		<u>(9,532,102)</u>
Increase/Decrease in net OPEB obligation.....		10,971,045
Net OPEB obligation - beginning of year.....		<u>15,311,087</u>
Net OPEB obligation - end of year.....	\$	<u><u>26,282,132</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$20,503,147	46.5%	\$10,971,045

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 37.2 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 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, 2008, was thirty 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.

At the Annual Town Meeting in May, the Town appropriated \$4.31million to complete the off-site corrective action that was required, in addition to the \$3.29 million for the settlement costs associated with the project.

As currently planned for in the Town's CIP plan, \$4.43 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, 2009 the outstanding loan balance was \$325,000.

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.

The School Department has entered into two agreements with Eastern Bus Company and First Student, Inc. to provide for regular transportation. The contracts bear an annual cost of approximately \$305,000 and \$295,000, respectively. The regular school transportation contracts expire on September 1, 2010.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc. and Laidlaw Transportation to provide transportation of its special needs students. These contracts bear an annual cost of approximately \$1,070,000. The special needs student transportation contracts expire on August 31, 2010.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$38,000,000 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, 2009.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

- The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. This pronouncement did not impact the basic financial statements
- The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This pronouncement did not impact the basic financial statements

Future Implementation of GASB Pronouncements:

- 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. Management does not expect this pronouncement to impact the basic financial statements.
- 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.

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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, 2009

	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.....	\$ -	\$ 145,738,009	\$ 145,738,009	\$ 145,738,009
Motor vehicle and other excise taxes.....	-	5,021,739	5,021,739	5,021,739
Hotel/motel tax.....	-	685,000	685,000	685,000
Charges for services.....	-	4,409,450	4,409,450	4,434,450
Penalties and interest on taxes.....	-	340,000	340,000	340,000
Payments in lieu of taxes.....	-	719,545	719,545	719,545
Licenses and permits.....	-	3,053,475	3,053,475	3,053,475
Fines and forfeitures.....	-	4,395,000	4,395,000	4,395,000
Intergovernmental.....	-	19,500,858	19,500,858	19,500,858
Departmental and other.....	-	577,000	577,000	577,000
Investment income.....	-	1,274,455	1,274,455	1,274,455
TOTAL REVENUES.....	-	185,714,531	185,714,531	185,739,531
EXPENDITURES:				
Current:				
General government.....	3,171,687	13,904,851	17,078,538	13,355,770
Public safety.....	1,200,879	32,297,027	33,497,906	35,545,655
Education.....	1,303,201	68,261,986	69,565,187	70,065,180
Public works.....	6,641,734	18,578,415	25,220,149	26,640,153
Human services.....	57,198	2,183,934	2,221,132	2,325,809
Leisure services.....	703,558	5,204,828	5,908,386	6,056,729
Pension benefits.....	-	11,651,618	11,651,618	11,651,618
Employee benefits.....	-	26,953,456	26,953,456	26,953,456
State and county charges.....	-	5,411,614	5,411,614	5,411,614
Debt service:				
Principal.....	-	8,367,309	8,367,309	8,232,309
Interest.....	-	4,210,185	4,210,185	4,104,338
TOTAL EXPENDITURES.....	13,078,257	197,005,223	210,083,480	210,342,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(13,078,257)	(11,290,692)	(24,368,949)	(24,603,100)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	4,821,333	4,821,333	5,630,070
Transfers out.....	-	(38,060)	(38,060)	(47,282)
TOTAL OTHER FINANCING SOURCES (USES).....	-	4,783,273	4,783,273	5,582,788
NET CHANGE IN FUND BALANCE.....	(13,078,257)	(6,507,419)	(19,585,676)	(19,020,312)
BUDGETARY FUND BALANCE, Beginning of year.....	-	34,052,027	34,052,027	34,052,027
BUDGETARY FUND BALANCE, End of year.....	\$ (13,078,257)	\$ 27,544,608	\$ 14,466,351	\$ 15,031,715

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	146,542,184	\$ -	\$ 804,175
	5,027,901	-	6,162
	788,531	-	103,531
	5,006,364	-	571,914
	494,311	-	154,311
	1,021,504	-	301,959
	3,227,512	-	174,037
	4,518,301	-	123,301
	18,362,464	-	(1,138,394)
	599,320	-	22,320
	942,808	-	(331,647)
	<u>186,531,200</u>	<u>-</u>	<u>791,669</u>
	9,730,373	2,101,536	1,523,861
	34,348,558	692,404	504,693
	68,853,358	1,189,707	22,117
	17,219,253	9,193,428	227,472
	2,283,624	11,364	30,921
	4,649,840	1,369,452	37,437
	11,416,914	-	234,704
	24,714,243	177,716	2,061,497
	5,493,891	-	(82,277)
	8,232,309	-	-
	4,020,451	-	83,887
	<u>190,962,812</u>	<u>14,735,807</u>	<u>4,644,212</u>
	<u>(4,431,612)</u>	<u>(14,735,607)</u>	<u>5,435,881</u>
	5,630,070	-	-
	(47,282)	-	-
	<u>5,582,788</u>	<u>-</u>	<u>-</u>
	1,151,176	(14,735,607)	5,435,881
	<u>34,052,027</u>	<u>-</u>	<u>-</u>
\$	<u>35,203,203</u>	<u>(14,735,607)</u>	<u>5,435,881</u>

**Other Post-Employment Benefit Plan
Schedule of Funding Progress**

June 30, 2009

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)
6/30/2006	\$ -	\$ 342,061,421	\$ 342,061,421	0%	\$ 114,641,067	33.51
6/30/2008	-	323,225,372	323,225,372	0%	120,097,413	37.16

See notes to required supplementary information.

**Other Post-Employment 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	<u>1,444</u>
Total	<u><u>2,967</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

The majority of appropriations are non-continuing which lapse at the end of each 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 2009 approved budget, including amounts carried forward from the prior fiscal years authorized approximately \$210,121,000 in appropriations and other amounts to be raised. During fiscal year 2009, Town Meeting approved appropriation increases totaling \$268,000.

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, 2009, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,151,176
<u>Basis of accounting differences:</u>	
Recognition of expenditures on modified accrual basis.....	(15,761)
Net change in recording 60-day receipts accrual.....	87,995
Tax refunds payable.....	<u>923,000</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 2,146,410</u>

C. Appropriation Deficits

During fiscal year 2009, expenditures exceeded budgeted appropriations for state & county charges. This deficit will be funded through tax levy and available funds in fiscal year 2010.

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 post-employment 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

\$18,425,000
Town of Brookline, Massachusetts
General Obligation Municipal Purpose Loan of 2010 Bonds
Dated March 1, 2010

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

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

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

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

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

income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

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

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Brookline, Massachusetts (the “Town”) in connection with the issuance of its \$18,425,000 General Obligation Municipal Purpose Loan of 2010 Bonds dated March 1, 2010 (the “Bonds”). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town 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 Town 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 Town 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 Town may be submitted when available separately from the balance of the Annual Report.

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

SECTION 4. Content of Annual Reports. The Town'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 Town's Official Statement dated _____, 2010 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, 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 Town 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 Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The Town shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
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 or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Town shall promptly file a notice of such occurrence with the MSRB.

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

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town 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 Town), 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 Town 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 Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town 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 Town to comply

with this Disclosure Certificate shall be an action for specific performance of the Town'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: _____, 2010

TOWN OF BROOKLINE,
MASSACHUSETTS

By _____
Treasurer

Selectmen

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