

OFFICIAL STATEMENT DATED MARCH 31, 2009

NEW ISSUE

Rating: **Moody's Investors Service: Aaa**

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 such interest 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 \$11,390,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS

DATED
April 15, 2009

DUE
April 15
(as shown below)

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 denominations of \$5,000 or any integral multiple thereof. (See "THE BONDS – Book-Entry-Transfer System" herein.)

Principal of the Bonds will be paid on April 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on October 15 and April 15, commencing October 15, 2009 until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Brookline, Massachusetts ("the Town"), and that the principal of and interest on the Bonds are payable from ad valorem taxes that may be levied upon all taxable property in the Town, subject to the limitations imposed by Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 1/2).

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

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS, CUSIPS

Due April 15	Principal Amount	Interest Rate	Yield	CUSIP # 113745	Due April 15	Principal Amount	Interest Rate	Yield	CUSIP # 113745
2010	\$ 815,000	3.00 %	1.00 %	J38	2020	\$ 365,000	3.50 %	3.30 %	K51
2011	815,000	2.00	1.10	J46	2021	365,000	3.50	3.50	K69
2012	815,000	2.00	1.30	J53	2022	360,000	3.50	3.60	K77
2013	815,000	2.00	1.70	J61	2023	360,000	3.75	3.80	K85
2014	815,000	2.25	2.07	J79	2024	360,000	4.00	4.00	K93
2015	815,000	2.50	2.30	J87	2025	360,000	4.00	4.10	L27
2016	815,000	5.00	2.50	J95	2026	360,000	4.125	4.17	L35
2017	815,000	3.00	2.72	K28	2027	360,000	4.25	4.27	L43
2018	810,000	3.25	2.95	K36	2028	360,000	4.25	4.35	L50
2019	810,000	3.25	3.15	K44					

(accrued interest, if any, to be added.)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, 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 with respect to the Bonds. The Bonds in definitive form are expected to be delivered to DTC on or about April 15, 2009.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

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

SUMMARY STATEMENT

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

- Date of Sale:** Tuesday, March 31, 2009, at 11:30 A.M. (Eastern Time).
- Location of Sale:** First Southwest Company, 54 Canal Street 3rd Floor, Boston, Massachusetts.
- Issuer:** Town of Brookline, Massachusetts.
- Issue:** \$11,390,000 General Obligation Municipal Purpose Loan of 2009 Bonds.
Book-Entry Bonds (See "THE BONDS - Book-Entry-Transfer System," herein.)
- Official Statement Dated:** March 31, 2009.
- Dated Date of Bonds:** April 15, 2009.
- Principal Due:** Serially on April 15, 2010 through April 15, 2029, inclusive, as detailed herein.
- Redemption:** The Bonds are subject to redemption prior to their stated dates of maturity as described herein.
- Security for the Bonds:** The Bonds will be valid general obligations of the Town of Brookline, Massachusetts, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½).
- Credit Rating:** Moody's Investors Service, Inc. has assigned a rating of Aaa to the Bonds.
- Tax Exemption:** Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
- Basis of Award:** Lowest True Interest Cost (TIC) as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$75,000.**
- Continuing Disclosure:** Refer to "THE BONDS - Continuing Disclosure" herein, and Appendix C, Proposed Form of Continuing Disclosure Certificate.
- Bank Qualification:** The Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
- Paying Agent:** U.S. Bank National Association, Boston, Massachusetts.
- Bond Counsel:** Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.
- Financial Advisor:** First Southwest Company, Boston, Massachusetts.
- Delivery and Payment:** The Bonds in definitive form will be delivered to DTC, or its custodial agent on or about April 15, 2009, against payment in federal reserve funds.
- Additional Information:** Questions concerning the Official Statement should be addressed to: Mr. Stephen E. Cirillo, Finance Director/Treasurer, Town of Brookline, Massachusetts, telephone (617) 730-2020, or Peter B. Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts, telephone (617) 619-4409.

**NOTICE OF SALE
TOWN OF BROOKLINE, MASSACHUSETTS
\$11,390,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS**

SEALED PROPOSALS will be received by the Treasurer of the Town of Brookline, Massachusetts (the "Town"), at First Southwest Company, 54 Canal Street - 3rd Floor, Boston, Massachusetts, until 11:30 A.M. (Eastern Time) on Tuesday, March 31, 2009, at which time and place all such proposals will be publicly opened and announced for the purchase of all, but not less than all, of the following described general obligation bonds of the Town:

\$11,390,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS, payable on April 15, in the years and amounts as follows:

<u>Due April 15</u>	<u>Principal Amount</u>	<u>Due April 15</u>	<u>Principal Amount</u>
2010	\$ 815,000	2020 *	\$ 365,000
2011	815,000	2021 *	365,000
2012	815,000	2022 *	360,000
2013	815,000	2023 *	360,000
2014	815,000	2024 *	360,000
2015	815,000	2025 *	360,000
2016	815,000	2026 *	360,000
2017	815,000	2027 *	360,000
2018	810,000	2028 *	360,000
2019	810,000		

*Callable maturities. May be combined into one or two Term Bonds, as provided herein.

The Bonds will be dated April 15, 2009. Principal of the Bonds will be payable on April 15 of the years in which the Bonds mature. Interest will be payable semiannually on October 15 and April 15, commencing October 15, 2009.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. 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. Principal of and semiannual interest 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 by participants of DTC will be the responsibility of such participants and other nominees of the 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 original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, Boston, Massachusetts, and their legality will be approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

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

Bonds maturing on or prior to April 15, 2019 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing after April 15, 2019 shall be subject to redemption prior to maturity, at the option of the Town, on or after April 15, 2019, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

For Bonds maturing after April 15, 2019, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

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

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 plus a premium of at least \$75,000 and accrued interest to date of delivery will be considered.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all of 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 April 15, 2009 discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Stephen E. Cirillo, Treasurer, Town of Brookline, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:30 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 March 31, 2009 (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 March 19, 2009 (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 March 19, 2009, 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 on or about April 15, 2009, against payment in federal reserve funds.

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

March 19, 2009

OFFICIAL STATEMENT

TOWN OF BROOKLINE, MASSACHUSETTS

\$11,390,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Brookline, Massachusetts (the "Town"), in connection with the sale of \$11,390,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2009 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 are being offered for sale at public bidding on Tuesday, March 31, 2009, and a Notice of Sale dated March 19, 2009 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of bidding.

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "THE BONDS – Security and Remedies," below.

THE BONDS

Description of the Bonds

The Bonds will be dated April 15, 2009 and will bear interest payable semiannually on October 15 and April 15 of each year until maturity, commencing October 15, 2009, at the rate or rates of interest determined upon their sale in accordance with the Official Notice of Sale of the Town dated March 19, 2009. The Bonds shall mature on April 15 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. 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. Principal of and semiannual interest 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 by participants of DTC will be the responsibility of such participants and other nominees of the 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.

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

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to April 15, 2019 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing after April 15, 2019 shall be subject to redemption prior to maturity, at the option of the Town, on or after April 15, 2019, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed** plus accrued interest to the redemption date.

Mandatory Redemption

If the successful bidder designates principal amounts of the Bonds to be combined into one or two Term Bonds (which may be done only for principal amounts in consecutive years and only Bonds maturing after April 15, 2019), each such Term Bond shall be subject to mandatory redemption commencing on April 15 of the first year which has been combined to form such Term Bond or Bonds and continuing on April 15 in each year thereafter until the stated maturity date of that Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule on page one of this Official Statement. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify its Direct Participants or failure on the part of DTC's Direct or Indirect Participants to notify the beneficial Owners shall not affect the validity of the redemption.

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 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 securities. 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 under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by 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 the 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 Bonds 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 DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC 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 such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Record Date

The record date for each payment of interest is the last business day of the month preceding the month in which an interest payment date occurs. 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 bondholders at least ten (10) days before the special record date.

Authorization of the Bonds and Use of Proceeds

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

This Issue	Total Authorization	Purpose	Statutory Reference	Date of Authorization
\$ 6,900,000	\$ 13,800,000	Town Hall	Ch. 44, s.7(3A)	5/29/2007
740,000	2,000,000	Landfill/Transfer Station	Ch. 44, s.8(21-24)	5/23/2006
2,500,000	2,600,000	High School Roofing/Painting	Ch. 44, s.7(3A)	5/27/2008
250,000	250,000	Singletree Tank	Ch. 44, s.8(7C)	5/29/2007
624,065	6,000,000	Sewer	Ch. 44, s. 8(15)	5/22/2001
375,935	5,500,000	Sewer	Ch. 44, s.7(1)	5/23/2006
<u>\$ 11,390,000</u>				

Principal Payments by Purpose

Fiscal Year	Town Hall	Landfill/Transfer Station	High School Roofing/Painting	Singletree Tank interior	Wastewater	Total
2010	\$ 365,000	\$ 75,000	\$ 250,000	\$ 25,000	\$ 100,000	\$ 815,000
2011	365,000	75,000	250,000	25,000	100,000	815,000
2012	365,000	75,000	250,000	25,000	100,000	815,000
2013	365,000	75,000	250,000	25,000	100,000	815,000
2014	365,000	75,000	250,000	25,000	100,000	815,000
2015	365,000	75,000	250,000	25,000	100,000	815,000
2016	365,000	75,000	250,000	25,000	100,000	815,000
2017	365,000	75,000	250,000	25,000	100,000	815,000
2018	365,000	70,000	250,000	25,000	100,000	810,000
2019	365,000	70,000	250,000	25,000	100,000	810,000
2020	365,000					365,000
2021	365,000					365,000
2022	360,000					360,000
2023	360,000					360,000
2024	360,000					360,000
2025	360,000					360,000
2026	360,000					360,000
2027	360,000					360,000
2028	360,000					360,000
Total	<u>\$ 6,900,000</u>	<u>\$ 740,000</u>	<u>\$ 2,500,000</u>	<u>\$ 250,000</u>	<u>\$ 1,000,000</u>	<u>\$ 11,390,000</u>

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Bonds will be rendered by Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts, Bond Counsel to the Town. The opinion will be dated the date of the original delivery of the Bonds and will speak only as of such date. A copy of the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP will be printed on the Bonds. The proposed form of legal opinion is set forth in Appendix B hereto.

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

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 that such interest is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Except as expressed in "Bank Eligibility" below, 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 regarding any other Massachusetts tax consequences or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Bank Eligibility

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel a deduction will be allowed to a financial institution for eighty percent of its interest expense allocable to the Bonds.

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 "INDEBTEDNESS - Types of Obligations") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

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" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. In the opinion of Edwards Angell Palmer & Dodge LLP, 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 TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. 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 “INDEBTEDNESS – 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 costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

Use of State Distributions to Pay Debt Service. 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.

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.

Rating

Moody's Investors Service, Inc. has assigned a rating of Aaa on the Bonds. Such rating reflects only their views and will be 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 participation by First Southwest Company 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
	Robert L. Allen	Elected - 3 years	2009
	Richard Benka	Elected - 3 years	2011
	Jesse Merrell	Elected - 3 years	2010
	Betsy DeWitt	Elected - 3 years	2009
Town Administrator	Richard J. Kelliher	Appointed - 3 years	2012
Finance Director/Collector/Treasurer	Stephen E. Cirillo	Appointed - 1 year	2009
Town Clerk	Patrick J. Ward	Elected - 3 years	2009
Comptroller	Judith Ann Haupin	Appointed - 1 year	2009
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			
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Pre-Kindergarten to 6	3,022	2,932	2,949	2,974	3,125	3,227	3,287	3,369	3,417	3,452
Grades 7-8	903	895	836	796	802	842	819	839	884	905
Grades 9-12	1,870	1,916	1,890	1,881	1,840	1,833	1,814	1,745	1,679	1,685
Ungraded	92	87	104	134	135	-	-	-	-	-
Total	5,887	5,830	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).

Unemployment

According to the Massachusetts Department of Employment and Training, in January 2009, the Town had a total labor force of 32,046 of whom 30,618 were employed and 1,420 or 4.5% were unemployed as compared with 6.8% for Norfolk County and 8.1% 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
Construction	388	383	403	406
Manufacturing	200	189	151	163
Trade, Transportation and Utilities	1,701	1,748	1,632	1,678
Information	343	328	325	338
Financial Activities	900	906	946	968
Professional and Business Services	2,192	2,196	2,108	2,114
Education and Health Services	5,072	4,737	4,754	4,845
Leisure and Hospitality	2,220	2,199	2,333	2,344
Other Services	797	791	798	790
Total Employment	13,813	13,477	13,450	13,646
Number of Establishments	1,634	1,587	1,565	1,582
Average Weekly Wages	\$ 758	\$ 779	\$ 783	\$ 807
Total Wages	\$ 571,348,540	\$ 573,586,641	\$ 575,654,660	\$ 598,971,993

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
NE Institute of Art	College	332
Bournewood	Hospital	272
Coolidge House	Nursing Home	265
Newbury College	College	226
Pine Manor College	College	167
Arbour HRI	Hospital	161
Brookline Health Care Center	Nursing Home	156
Park School	Private School	154
Stop & Shop	Supermarket	145
U.S.Post Office	Government Agency	135
Maimonides	Private school	132
Trader Joe's	Supermarket	122
Brookline Bank	Bank	110
Star Market	Supermarket	108
Beaver Country Day	Private school	102
Goddard House	Assisted Living	101
Brimmer & May	Private School	100
America's Test Kitchen	Magaine	99
Coldwell Banker	Real Estate	81
Holiday Inn	Hotel	77
TJ Maxx	Clothing Store	68
Courtyard by Marriott	Hotel	50
Brookline Booksmith	Book Store	35
Sovereign Bank	Bank	33
Party Favors	Retail	32

(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>
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
2003	16	0	16	21,161,000

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

Housing

	<u>Brookline</u>	<u>Norfolk County</u>	<u>Massachusetts</u>
Median Value of Occupied Non-Condominium Housing Units	\$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 fit 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 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
GROSS AMOUNT TO BE RAISED(1)					
Appropriations	\$ 214,823,409	\$ 200,046,562	\$ 194,256,443	\$ 183,950,630	\$ 181,735,102
Other Local Expenditures	147,866	145,749	142,738	1,305,287	1,207,237
State and County Charges	5,424,518	5,511,129	5,229,723	5,243,739	5,262,677
Overlay Reserve (2)	1,535,026	1,858,148	1,451,593	1,490,442	1,801,154
Total Gross Amount to be Raised:	221,930,819	207,561,588	201,080,497	191,990,098	190,006,170
LESS ESTIMATED RECEIPTS AND OTHER REVENUE:					
Estimated Receipts from State (3)	1,962,691	18,973,131	18,021,104	18,027,706	17,094,030
Estimated Receipts - Local	45,149,515	45,119,214	43,855,229	41,583,441	40,070,620
Available Funds Appropriated					
Free Cash	5,954,963	3,814,792	5,387,435	4,606,534	6,966,241
Other Available Funds	3,929,582	3,842,551	3,740,195	2,757,578	6,023,075
Total Estimated Receipts and Other Revenue	56,996,751	71,749,688	71,003,963	66,975,259	70,153,966
NET AMOUNT TO BE RAISED (TAX LEVY):	\$ 147,273,068	\$ 135,811,900	\$ 130,076,534	\$ 125,014,839	\$ 119,852,204
Property Valuation (000)	\$ 14,576,646	\$ 14,231,497	\$ 14,336,259	\$ 14,103,339	\$ 12,615,711
Tax Rate per \$1,000:					
Residential	\$ 10.69	\$ 10.18	\$ 9.73	\$ 9.55	\$ 10.23
Other (4)	\$ 17.32	\$ 16.70	\$ 15.88	\$ 15.46	\$ 16.61

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. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 percent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 percent of its share of the total taxable valuation in fiscal year 2004, 47 percent in fiscal year 2005, 49 percent in fiscal year 2006 and 50 percent thereafter. The effective rate for open space must be at least 75 percent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 percent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 percent in fiscal year 2004, 197 percent in fiscal year 2005, 190 percent in fiscal year 2006, 183 percent in fiscal year 2007, 175 percent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 percent in any of fiscal years 2004 through 2007, 170 percent in fiscal years 2009 and thereafter. Under legislation recently enacted, for fiscal years 2008 and thereafter, the share of the annual levy to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent 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 \$10 per acre.

Since 1982, the Town has classified its residential, commercial, industrial and personal property and established two tax rates (see "Tax Levy Computation," above). Legislation was enacted in 1975 to provide that, subject to limited state review, assessors may determine fair cash value by one or a combination of accepted methods, including a comparison of sales prices, capitalization of income and replacement cost less depreciation.

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
2009	\$ 14,576,646,000	\$ 132,665,180	\$ 14,709,311,180	\$ 14,826,752,900	0.99 %
2008	14,103,442,600	128,054,780	14,231,497,380	14,784,576,000	0.96
2007	14,216,745,100	119,514,350	14,336,259,450	14,784,576,000	0.97
2006	13,989,815,100	113,524,250	14,103,339,350	12,676,293,400	1.11
2005	12,495,338,000	120,372,980	12,615,710,980	12,676,293,400	1.00

(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	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 13,352,327,800	90.8 %	\$ 12,916,786,200	90.8 %	\$ 13,056,159,600	91.1 %
Commercial	1,210,911,200	8.2	1,174,959,500	8.3	1,148,982,800	8.0
Industrial	13,407,000	0.1	11,696,900	0.1	11,602,700	0.1
Personal	132,665,180	0.9	128,054,780	0.9	119,514,350	0.8
Total Real Estate	<u>\$ 14,709,311,180</u>	<u>100.0 %</u>	<u>\$ 14,231,497,380</u>	<u>100.0 %</u>	<u>\$ 14,336,259,450</u>	<u>100.0 %</u>

(1) Source: Board of Assessors.

Major Taxpayers

Following is a list of the major taxpayers based on assessed valuations for fiscal 2009, all of whom are current in their tax payments:

Name	Nature of Business	FY09 Assessed Value	FY09 Property Tax	Percent of Net Levy
Boston University Trustees	Higher Education	\$ 120,729,600	\$ 1,774,032	1.22 %
830-850 Ventures LLC	Office Building	64,749,400	1,121,460	0.77
Longwood Towers, Inc.	Apartment-Condo.	98,176,600	1,049,508	0.72
UBS Realty Investors (Dexter Park)	Apartments	87,808,000	938,668	0.64
The Country club	Private Golf Club	49,882,900	863,972	0.59
Boston Edison Co./ Nstar	Electric Utility	49,622,800	859,467	0.59
Hancock Village (Chestnut Hill Realty)	Apartments	79,512,400	849,984	0.58
Hersha Hospitality LP (Marriott)	Hotel	44,705,000	774,291	0.53
HRC A Brookline Housing	Apartments	68,844,700	750,425	0.51
Ten Brookline Place LLC	Office Building	36,769,200	636,843	0.44
Keypoint Partners LLC (1 Brookline Place)	Medical Office Bldg	36,103,300	625,309	0.43
Brookline Hospitality LLC (Holiday Inn)	Hotel	26,266,600	454,938	0.31
Pierce Building Associates	Office/Retail Bldg	21,067,700	364,893	0.25
Lawrence Kaplan Trust	Residential	32,746,100	350,056	0.24
Verizon New England	Telephone Utility	19,696,000	341,135	0.23
		<u>\$ 836,680,300</u>	<u>\$ 11,754,981</u>	<u>8.07 %</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, 2008</u>
2008	\$10.18-R 16.70-O	\$135,811,899	\$133,953,752	99.2%	99.2%
2007	9.73-R 10.36-O	130,078,303	128,626,710	99.4	99.8
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
2004	10.63-R 17.26-O	114,660,483	113,160,483	98.9	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, 2008 of each levy year.

Fiscal Year	Overlay Allowance		Abatements Granted At June 30, 2008(1)	Overlay Transfers	Overlay Excess (Deficit)
	Dollar Amount	Percent of Total Levy			
2008	\$ 1,858,148	1.37 %	\$ 586,336	\$ -	\$ 1,271,812
2007	1,451,593	1.20	1,656,216	750,000	545,377
2006	1,490,442	1.20	1,368,196	100,000	222,246
2005	1,801,154	1.50	1,229,212	-	571,942
2004	1,500,000	1.30	1,051,827	58,258	506,431

Source: Town Collector.

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

Taxes Outstanding

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right to redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed or taken by the municipality, becoming a "tax possession," which may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

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

As of June 30	Aggregate Taxes Outstanding (1)	Tax Titles	Tax Possessions
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	-
2004	1,419,265	524,391	62,656

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 59, Section 21C of the General Laws, also known as Proposition 2 ½ imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 ½ 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 7 ½ percent by majority vote of the voters, or to less than 7 ½ 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 2 ½ 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 the 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."

Proposition 2½ 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 2 ½ limits the amount required to pay specified capital outlay expenditures. 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 2 ½ 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 assessment 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) 2 ½ 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:

	2009	2008	2007	2006	2005
Primary Levy Limit (2)	\$ 323,377,616	\$ 355,787,435	\$ 358,406,486	\$ 352,583,484	\$ 315,392,775
Prior Fiscal Year Levy Limit	134,259,885	128,463,615	123,376,018	118,186,808	112,976,153
2.5% Levy Growth	3,356,497	3,211,590	3,097,914	2,956,265	2,824,404
Current Fiscal Year New Growth (3)	1,828,261	2,584,680	1,989,683	2,232,945	2,386,251
Current Fiscal Year Override	6,200,000	-	-	-	-
Growth Levy Limit	145,644,643	134,259,885	128,463,615	123,376,018	118,186,808
Current Fiscal Year Debt Exclusions	1,692,696	1,568,947	1,614,854	1,648,734	1,676,384
Current Fiscal Year Capital Expenditure Override	-	-	-	-	-
Tax Levy Limit	147,337,339	135,828,832	130,078,469	125,024,752	119,863,192
Tax Levy	147,273,068	135,811,900	130,076,534	125,014,839	119,852,204
Unused Levy Capacity (4)	64,271	16,932	1,935	9,913	21,014
Unused Primary Levy Capacity (5)	\$ 177,732,973	\$ 221,527,550	\$ 229,942,871	\$ 229,207,466	\$ 197,205,967

(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 2 ½ (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 the Town are ordinarily made at the Annual Town Meeting which generally takes place in May. Appropriations may also be voted at Special Town Meetings. Every town must have an appropriation, advisory, or finance committee. Brookline has an Advisory Committee which is required to submit a budget of proposed expenditures at the Annual Town Meeting.

Water, sewer and golf course expenditures are included in the budgets adopted by the town meeting. Under legislation enacted in 1981, any 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.

As a result of an initiative law adopted in November 1980, school committees are no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

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.

Operating Budget Trends

	FY-05 Budget	FY-06 Budget	FY-07 Budget	FY-08 Budget	FY-09 Budget
General Government	\$ 6,654,782	\$ 6,962,976	\$ 7,145,933	\$ 7,161,567	\$ 7,541,103
Public Safety	28,465,145	30,204,591	31,510,572	31,790,975	34,067,998
Public Works (1)	11,426,874	11,762,443	12,365,067	12,411,085	12,901,418
Human Services	1,940,564	2,006,483	2,100,103	2,101,715	2,216,197
Leisure Services	4,229,553	4,466,536	4,347,616	4,242,102	4,416,404
Debt Service	13,605,246	13,781,495	14,396,621	14,052,910	12,374,047
Retirement	9,533,000	9,921,963	10,165,009	11,277,159	11,651,618
Group Insurance	15,419,000	16,781,724	18,936,109	21,585,165	23,084,980
Other Personnel Benefits	3,629,061	3,348,047	4,473,017	4,203,000	4,843,528
Education	55,817,215	58,007,124	60,096,385	62,480,009	68,021,240
Non-Departmental	2,719,217	2,897,383	2,675,636	2,394,155	2,512,031
Special Appropriations	11,438,708	6,060,803	7,874,562	5,928,000	8,575,748
Salary Reserves (2)	-	-	-	2,242,804	-
Total	\$ 164,878,364	\$ 166,201,568	\$ 176,086,630	\$ 181,870,646	\$ 192,206,312

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 2009-20114, 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 \$145,066,364. 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 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Total
Property Tax	\$ 2,159,896	\$ 2,396,605	\$ 2,196,580	\$ 1,873,870	\$ 2,341,902	\$ 2,841,212	\$ 13,810,064
Free Cash	5,020,850	2,949,395	2,985,420	3,021,130	3,006,598	2,991,788	19,975,182
General Fund Bond	2,600,000	7,615,000	12,000,000	2,075,000	2,500,000	26,780,000	53,570,000
State / Federal Grants	699,353	1,899,353	12,849,353	1,299,353	3,199,353	25,699,353	45,646,118
Utility Bond	0	500,000	0	1,000,000	250,000	3,000,000	4,750,000
Community Development Block Grant (CDBG)	0	2,250,000	0	0	0	0	2,250,000
Other	170,000	4,000,000	0	100,000	0	0	4,270,000
Re-Appropriation of Funds	245,000	0	0	0	0	0	245,000
Sale of Town-owned Land Fund	550,000	0	0	0	0	0	550,000
TOTAL	\$ 11,445,099	\$ 21,610,353	\$ 30,031,353	\$ 9,369,353	\$ 11,297,853	\$ 61,312,353	\$ 145,066,364

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. None of the major local aid programs has a termination date under existing law 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.

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.

Based on most recent figures available, the Town expects to receive approximately \$18,850,000 in state aid in fiscal 2009. The Town expects to receive approximately \$17,160,000 in state aid in fiscal 2010. Following are state aid payments received by the Town for the last five fiscal years:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2008	\$19,544,682
2007	19,112,046
2006	26,309,586 (1)
2005	17,094,030
2004	17,090,425

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.

Massachusetts 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. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

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. It is expected that the Authority will continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

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. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for such projects are expected to be paid 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, shall be included in the approved costs of such projects.

The Authority began accepting grant applications for new projects after July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. 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.

The Runkle School project was one of the few on the MSBA's "Targeted Feasibility Study" list. After having in-house staff approved as the Owner's Project Manager (OPM) for the project, the Town and MSBA were at a point where funding for the schematic design portion of the project was required. At the 2008 Fall Town Meeting, \$600,000 was approved, of which 40% will be reimbursed by the MSBA. The Town and the MSBA have also come to agreement on a contract with an architect to undertake the feasibility study / schematic design phase of the project.

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

<u>Fiscal Year</u>	<u>Federal Aid Receipts</u>
2008	\$5,597,735
2007	6,969,595
2006	5,985,604
2005	6,573,684
2004	5,051,321

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>
2008	\$5,394,734
2007	4,691,252
2006	5,740,712
2005	5,314,315
2004	5,642,290

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>
2008	\$742,744
2007	799,339
2006	732,178
2005	681,126
2004	603,576

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 2007, water and sewer revenues totaled \$22,548,740, while expenditures, including \$2,732,455 of debt service, totaled \$21,865,747. In fiscal 2008, water and sewer revenues totaled \$22,537,793, while expenditures, including debt service, totaled \$22,215,083.

Annual Audits

The Town's accounts are audited annually, most recently for fiscal year ended June 30, 2008 by the firm of Powers & Sullivan P.C. The audit for fiscal year ended June 30, 2008 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, 2008, June 30, 2007 and June 30, 2006, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity (General Fund) for fiscal years 2004 through 2008. Said statements have been extracted from the Town's audited financials.

**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
GOVERNMENTAL FUNDS
JUNE 30, 2006 (1)**

ASSETS	General	Lawrence School & Longwood Playground Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 37,296,346	\$ 712,395	\$ 32,077,454	\$ 70,086,195
Investments	-	-	4,446,295	4,446,295
Receivables, net of uncollectibles:				
Real Estate and Personal Property Taxes	1,458,296	-	-	1,458,296
Tax Liens	914,555	-	-	914,555
Motor Vehicle Excise Taxes	458,236	-	-	458,236
User Fees	115,626	-	-	115,626
Department and Other	3,594,746	-	569,545	4,164,291
Intergovernmental	34,576,200	1,805,849	5,744,953	42,127,002
Loans	-	-	290,221	290,221
Due From Other Funds	400,000	-	-	400,000
Tax foreclosures	2,010	-	-	2,010
Other Assets	2,135,936	-	-	2,135,936
Prepaid expenses	-	-	759	759
TOTAL ASSETS	\$ 80,951,951	\$ 2,518,244	\$ 43,129,227	\$ 126,599,422
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Payable	\$ 1,249,752	\$ -	\$ 965,985	\$ 2,215,737
Accrued Liabilities	780,734	-	2,602	783,336
Accrued Payroll	755,446	-	636	756,082
Tax Refunds Payable	2,535,000	-	-	2,535,000
Liabilities due depositors	345,789	-	-	345,789
Payroll withholdings	439,968	-	-	439,968
Abandoned property	-	-	5,997	5,997
Other Liabilities	417,437	-	34,976	452,413
Deferred Revenues	40,448,055	1,805,849	4,628,700	46,882,604
Notes Payable	-	2,675,000	-	2,675,000
TOTAL LIABILITIES	46,972,181	4,480,849	5,638,896	57,091,926
FUND BALANCES:				
Reserved For:				
Encumbrances and Continuing Appropriations	16,498,550	-	-	16,498,550
Loans	-	-	290,221	290,221
Perpetual Permanent Funds	-	-	919,815	919,815
Unreserved:				
Designated for Subsequent Year's Expenditures	5,387,435	-	-	5,387,435
Undesignated, Reported In:				
General Fund	12,093,785	-	-	12,093,785
Special Revenue Funds	-	-	19,487,480	19,487,480
Capital projects Funds	-	(1,962,605)	12,811,021	10,848,416
Permanent Funds	-	-	3,981,794	3,981,794
TOTAL FUND BALANCES	33,979,770	(1,962,605)	37,490,331	69,507,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 80,951,951	\$ 2,518,244	\$ 43,129,227	\$ 126,599,422

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

TOWN OF BROOKLINE, MASSACHUSETTS
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
(GENERAL FUND)

	For Fiscal Year Ending June 30, (1)				
	2008	2007	2006	2005	2004
Revenues:					
Real estate and personal property taxes, net tax refunds	\$ 133,127,009	\$ 129,833,124	\$ 123,223,931	\$ 118,580,482	\$ 113,437,869
Motor vehicle and other excise taxes	5,291,912	4,407,452	5,740,712	5,314,315	5,642,290
Charges for Services	4,892,038	4,881,463	3,923,804	3,968,774	3,815,313
Payments in lieu of taxes	907,316	774,270	763,359	1,009,139	1,016,388
Licenses and permits	3,622,581	3,413,839	3,999,565	3,819,874	3,145,966
Fines and forfeitures	4,555,357	4,020,887	4,046,175	4,028,995	4,374,921
Intergovernmental	31,435,776	29,272,642	26,309,586	25,217,348	24,294,301
Departmental and other	1,536,102	578,128	1,042,146	388,493	159,613
Contributions	-	-	-	-	-
Hotel/motel tax	742,744	799,339	732,178	681,126	-
Penalties and interest on taxes	455,388	428,659	331,864	380,044	-
Investment income	1,934,480	2,782,461	2,250,854	1,236,663	737,181
Total Revenues	<u>188,500,703</u>	<u>181,192,264</u>	<u>172,364,174</u>	<u>164,625,253</u>	<u>156,623,842</u>
Expenditures:					
Current:					
General government	9,977,959	8,967,031	8,287,099	8,463,895	8,278,131
Public safety	32,575,654	35,241,481	31,558,423	33,493,825	28,230,721
Education	64,010,466	60,248,406	58,373,278	54,464,861	54,524,627
Public works	15,987,452	16,240,723	15,947,411	16,936,473	15,086,810
Community & Economic Development	-	-	-	-	-
Human services	2,154,633	2,085,448	2,016,749	1,903,444	1,943,539
Leisure services	4,848,599	4,389,318	5,120,790	4,211,930	4,655,663
Pension benefits	23,386,289	20,933,546	19,239,559	17,949,235	17,123,869
Fringe benefits	23,565,040	22,291,764	19,466,175	18,047,145	17,151,762
State & County charges	5,410,405	5,375,086	5,084,477	5,352,984	5,460,231
Debt Service	-	-	-	-	10,380,132
Principal	7,290,036	7,343,577	7,096,319	6,494,703	-
Interest	3,542,544	4,107,806	4,165,293	3,874,730	-
Total Expenditures	<u>192,749,077</u>	<u>187,224,186</u>	<u>176,355,573</u>	<u>171,193,225</u>	<u>162,835,485</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(4,248,374)	(6,031,922)	(3,991,399)	(6,567,972)	(6,211,643)
Other financing sources (uses):					
Proceeds from refunded bond escrow agent	(1,962,868)	-	-	-	-
Proceeds from refunding bonds	1,948,000	-	-	-	4,183,468
Premium from issuance of bonds	86,828	1,460	52,539	44,633	138,739
Sale of capital assets	252,300	566,855	-	-	(4,253,642)
Operating transfers in	5,404,928	4,516,647	5,196,804	4,988,571	4,906,892
Operating transfers out	(550,000)	(1,716,999)	(1,414,613)	(631,382)	(349,782)
Total other financing sources (Uses)	<u>5,179,188</u>	<u>3,367,963</u>	<u>3,834,730</u>	<u>4,401,822</u>	<u>4,625,675</u>
Net change in fund balances	930,814	(2,663,959)	(154,802)	(2,166,150)	(1,585,968)
Fund Equity, beginning of year	31,315,811	33,979,770	34,134,572	36,300,722	37,886,690
Fund Equity, end of year	<u>\$ 32,246,625</u>	<u>\$ 31,315,811</u>	<u>\$ 33,979,770</u>	<u>\$ 34,134,572</u>	<u>\$ 36,300,722</u>

(1) Extracted from audited financial statements prepared by the firm of Powers & Sullivan, P.C.

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>
2008	\$ 16,688,414
2007	13,823,065
2006	12,093,785
2005	11,601,326
2004	12,337,484

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>
2008	\$ 5,249,522
2007	5,024,267
2006	4,744,349
2005	4,512,932
2004	4,174,396

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>
2008	\$ 1,338,134
2007	1,261,092
2006	1,120,427
2005	893,071
2004	1,153,239

Investment of Town Funds

All funds of the Town, except for trust funds and funds of the Town of Brookline Employees' Retirement System, are invested in accordance with Section 55 of Chapter 44 of the Massachusetts General Laws (MGL). This section specifies that towns can invest in bank accounts and Certificates of Deposit. They can also invest in U.S. Government and agency securities with a maturity of one year or less, in repurchase agreements secured by such securities with a maturity of 90 days or less, and the Massachusetts Municipal Depository Trust (MMDT). The MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole Trustee and the funds is managed under contract by Fidelity Management Company of Boston.

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

Trust funds are invested in accordance with Section 54 of Chapter 44 of the MGL. This allows for a wider variety of investments as provided for by the State Banking Commission.

INDEBTEDNESS

General Information on Debt Authorization and Legal Limit

Serial bonds and notes, including refunding bonds and notes, are authorized by a two-thirds vote of the town council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. 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. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the town administrator.

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 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 a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

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

Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in 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, 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 five 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 term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" 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, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature in 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 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 bonds) 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. They must generally 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 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.

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 2009.

**Direct Debt Summary (1)
As of June 30, 2008 (including the Bonds)**

General Obligation Bonds:		
Inside the Debt Limit		
Sewers & Drains	\$ 6,416,200	
Schools	8,215,081	
Other Building	21,701,868	
Other	<u>2,760,000</u>	
Total Inside the Debt Limit		\$ 39,093,149
Outside the Debt Limit		
Water	\$ 7,608,267	
Schools (2)	41,728,585	
Other	<u>8,478,587</u>	
Total Outside the Debt Limit		57,815,439
The Bonds (3)		11,390,000
Total Direct Debt		<u><u>\$ 108,298,588</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, and \$43,800,000 school bonds issued April 1, 2000 (exempt from Proposition 2 ½) on which school construction grants amounting to approximately 61% of eligible project costs, including debt service. As of July 1, 2008, the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest is estimated at \$35,592,936.

(3) A portion of the Bonds will retire \$6,900,000 bond anticipation notes payable April 16, 2009.

Key Debt Ratios

	As of June 30				
	2008	2007	2006	2005	2004
Amount (1)	\$96,908,587	\$97,328,174	\$104,508,761	\$102,249,348	\$100,380,435
Per Capita (2)	\$1,696.96	\$1,761.88	\$1,891.87	\$1,899.35	\$1,786.51
Percent of Assessed Valuation (3)	0.68%	0.77%	0.85%	0.93%	0.99%
Percent of Equalized Valuation (4)	0.65%	0.66%	0.82%	0.81%	1.03%
Per Capita as a Percent of Personal Income Per Capita (2)	3.83%	3.97%	4.27%	4.15%	4.03%

- (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		Bonds issued April 15, 2009		Less School Aid	Net Debt Service	Cumulative % Principal Retired
	Principal (2)	Interest (2)	Principal	Interest			
2009	\$ 10,323,587	\$ 4,205,936	\$ -	\$ -	\$ (3,267,372)	\$ 11,262,151	9.5 %
2010	9,577,500	3,822,325	815,000	355,813	(3,145,277)	11,425,361	19.1
2011	9,292,500	3,450,236	815,000	331,363	(3,145,277)	10,743,822	28.5
2012	8,770,000	3,092,861	815,000	315,063	(3,145,277)	9,847,647	37.3
2013	8,325,000	2,742,114	815,000	298,763	(3,145,277)	9,035,599	45.8
2014	7,635,000	2,381,654	815,000	282,463	(3,145,277)	7,968,839	53.6
2015	6,885,000	2,039,083	815,000	264,125	(3,145,277)	6,857,931	60.7
2016	6,620,000	1,715,355	815,000	243,750	(2,504,768)	6,889,337	67.5
2017	6,295,000	1,412,865	815,000	203,000	(2,504,768)	6,221,097	74.1
2018	5,675,000	1,105,966	810,000	178,550	(2,504,768)	5,264,748	80.1
2019	5,245,000	830,266	810,000	152,225	(2,504,768)	4,532,723	85.7
2020	5,425,000	569,479	365,000	125,900	(2,504,768)	3,980,611	91.0
2021	1,565,000	303,454	365,000	113,125	(465,031)	1,881,548	92.8
2022	1,420,000	239,054	360,000	100,350	(465,031)	1,654,373	94.4
2023	910,000	177,129	360,000	87,750	-	1,534,879	95.6
2024	905,000	136,583	360,000	74,250	-	1,475,833	96.8
2025	905,000	95,898	360,000	59,850	-	1,420,748	98.0
2026	515,000	55,213	360,000	45,450	-	975,663	98.8
2027	310,000	31,000	360,000	30,600	-	731,600	99.4
2028	310,000	15,500	360,000	15,300	-	700,800	100.0
Total	\$ 96,908,587	\$ 28,421,969	\$ 11,390,000	\$ 3,277,688	\$ (35,592,936)	\$ 104,405,307	

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) \$34,553,585 principal and \$12,388,000 interest of which is exempt from the provisions of Proposition 2 ½.

Authorized Unissued Debt and Prospective Financing

As of the date of this Official Statement, the Town will have \$8,759,065 authorized unissued debt as follows:

Putterham Golf Course	\$ 1,440,000
Muddy River Restoration	745,000
Sewers	5,124,065
Reservoir	1,350,000
High School Renovations	100,000
Total	<u>\$ 8,759,065</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:

<u>Overlapping Entity</u>	<u>Outstanding Debt as of 6/30/08</u>	<u>Brookline Estimated Share(1)</u>	<u>Fiscal 2009 Dollar Assessment(2)</u>
Norfolk County (2)	\$ 1,100,000	11.10 %	\$604,646
Massachusetts Water Resources Authority(4)			
Water	1,894,069,000	2.91	5,198,049
Sewer	3,718,957,000	2.80	10,299,870
Massachusetts Bay Transportation Authority(3)	4,817,079,759	1.34	4,453,268

(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 Hampshire, Essex and Berkshire 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, 2008. 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

Obligations to make payments on account of municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town has general statutory 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 will be expressly subject to availability and appropriations of funds. Specific authority exists in relatively few cases for long-term contractual obligations that are not subject to annual appropriations, including contracts for refuse disposal (20 year maximum term). Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is 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.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases. The Town is currently a participant in the following long-term contracts:

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

(1) Various four or five years.

TOWN OF BROOKLINE EMPLOYEES' 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, 2028, 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.

Under recent legislation, cities and towns that accepted its provisions and that obtained certain state approvals therefor were allowed, within limits, to reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and were allowed to extend such schedule by one year, provided that in no event could such funding schedule extend beyond June 30, 2028.

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.

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

The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 are funded 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 funded by the System.

Current membership in the System consists of the following:

	<u>Number of Employees</u>
Active members:	
Fully vested	923
Non-vested	497
Inactive members	626
Retired members	<u>811</u>
Total	2,857

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>
2009 (Budgeted)	\$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
2004	8,945,000	365,000
2003	8,081,126	383,607

Source: Retirement Board.

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

Schedule of Funding Progress (000)

As indicated below, as of January 1, 2006, 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
1/1/06	\$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, 2007, this expenditure was approximately \$6.38 million. There were approximately 1,327 participants eligible to receive benefits at June 30, 2007.

For additional information on the Town's retirement system, please refer to Appendix A, Audited Financial Statements as of June 30, 2008.

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
2008	\$ 6,156,390
2007	6,380,000
2006	5,323,000
2005	4,659,000
2004	4,295,000
2003	3,225,000

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 such benefits, 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 such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although 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, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

In 2006 the firm hired an outside firm to perform an actuarial valuation of its non-pension, post-employee benefit liability. Assuming investment at capital market rate of return, the Town's unfunded liability is \$207,021,407. The unfunded liability based upon investment at a bank rate is \$325,834,939. Special legislation was adopted several years ago that created a retiree health insurance trust fund. As of September 30, 2007, the funds' balance was \$4,757,995. The Town performed an actuarial valuation of its non-pension, post-employment benefit liability in 2006.

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	138	6/30/09
Firefighters	International Association of Firefighters	158	6/30/09
The Town Workers	AFSCME	216	6/30/09
Library	AFSCME	35	6/30/09
Engineers	Brookline Engineers Association	11	6/30/09
School Traffic Supervisors	AFSCME	27	6/30/09
Public Safety Dispatchers	Teamsters Local 25	14	6/30/09
School:			
Teachers	Brookline Educators Association (MTA)	795	6/30/09
Custodians/Maintenance	Massachusetts Public Schools Custodians Association (AFSCME)	46	6/30/09
Secretaries	Brookline Educational Secretaries' Association	55	6/30/09
Cafeteria Workers	Massachusetts School Food Service Association	35	6/30/09
Bus Monitors	Brookline School Transportation Employees' Association	<u>5</u>	6/30/09
Total		1,537	

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 will request authorization to proceed, and for funding at the annual Town meeting in May 2009. The proposed FY10 Financial Plan includes \$5.1 million for assessment and corrective action associated with the Landfill plus an additional \$4.6 million for costs and settlement of claims associated with the Newton Street Landfill, \$1.32 million of which is recommended for the Liability / Catastrophe fund in order to replenish that fund for the costs incurred in FY09.

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

March 31, 2009

APPENDIX A

TOWN OF BROOKLINE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF BROOKLINE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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TOWN of BROOKLINE

Massachusetts

BOARD OF SELECTMEN

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BETSY DeWITT
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RICHARD BENKA

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Letter of Transmittal

October 22, 2008

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, 2008 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, 2008, 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, 2008 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	2009
Deputy Town Administrator	Sean Cronin	Appointed - 1 year	2009
Assistant Town Administrator	Melissa Goff	Appointed - 1 year	2009
Finance Director and Treasurer	Stephen Cirillo	Appointed - 1 year	2009

Town Comptroller	Judith Ann Haupin	Appointed - 1 year	2009
Town Clerk	Patrick J. Ward	Elected - 3 years	2009
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 74% 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 10%), transfers from other non-general funds (approximately 3 %) 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 83.4% 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	\$ 10.18 per thousand
Commercial	\$ 16.70 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 \$14.2 billion) has increased nearly 108% 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 \$ 2.4 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 \$23 million in FY 2009. 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. Utility expenses have skyrocketed since FY2003: the price of both electricity and natural gas has increased by 143%; the price of heating oil is now more than five times what it was; and the price of vehicle fuel is more than three times what it was. As a result, the Town's total utility budget has nearly doubled since FY 2003 to more than \$5 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 the lack of full restoration of local aid cuts made in FY2003 and FY2004, during which time local aid was cut by close to \$3 million. While some restoration has occurred, the Town continues to be below the FY2003 levels when accounting for inflation. The current fiscal climate at the state level

points to decreases in state aid in FY2010, 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.

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 \$ 145.1 million in capital improvements needed over the next 6 years. Large components of this total include the following:

- ✚ anticipated school projects (\$102.2 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 50% of the costs. If that does not occur, then either the projects need to be reduced in scope or debt exclusion votes are required. The Town has submitted statements of interest to apply for SBA assistance for these projects. The Runkle School is one of just a few on the SBA's "targeted feasibility study" list. The Town is working very closely with the SBA and will be seeking funding at the 2008 Fall Town Meeting for its share of the schematic design portion 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.
- ✚ upgrade and maintenance of our waste water system (\$4.8 million), which will be borne by the water and sewer rates rather than the tax levy.
- ✚ rehabilitation of the Town's streets and sidewalks (\$ 18.5 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 \$4.9 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.
- ✚ Landfill – Clean up of properties adjoining the Landfill (approximately \$8.1 million, of which \$3 million has already been appropriated). Additional costs associated with this project are yet to be determined.

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.

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 13 FTE's from the budget
- further utilization of contracted services
- implementation of plan design changes in the Town's health insurance program (see above)

Override Study Committee

The mix of expenditure controls and revenue enhancements were necessary to balance the budget. However, it became increasingly clear that these efforts would not be enough to maintain current service levels. Therefore, the Board of Selectmen appointed an Override Study Committee (OSC) that was charged with evaluating whether additional revenue capacity was required in order to maintain desired levels of services. The OSC recommended that a question be put on the ballot to increase property taxes, the first time since 1994 that the Town sought a general override. The voters ultimately approved a \$6.2 million override that went toward the following areas:

- Addressing a FY2009 budget deficit (\$2,100,000)
- Lengthening of the school day (\$1,800,000)
- Institution of an Elementary World Language program (\$800,000)
- Investment in infrastructure (\$1,500,000)

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 is expected to report its findings to the Selectmen in time for the FY2010 budget cycle.

Other Post Employment Benefits (OPEB) Task Force

At the same time that the Efficiency Initiatives Committee began its work, another committee, the Other Post Employment Benefits (OPEB) Task Force began a parallel study attempting to address the Town's unfunded Other Post-Employment Benefits (OPEB) liability. The Selectmen charged the Task Force "to undertake a complete analysis of options for reducing and / or funding the Town's OPEB liability. The Task Force was further asked to "develop a comprehensive plan to address the issue, with the overriding goal being to substantially reduce OPEB liabilities while preserving affordable, comprehensive coverage options for retirees".

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

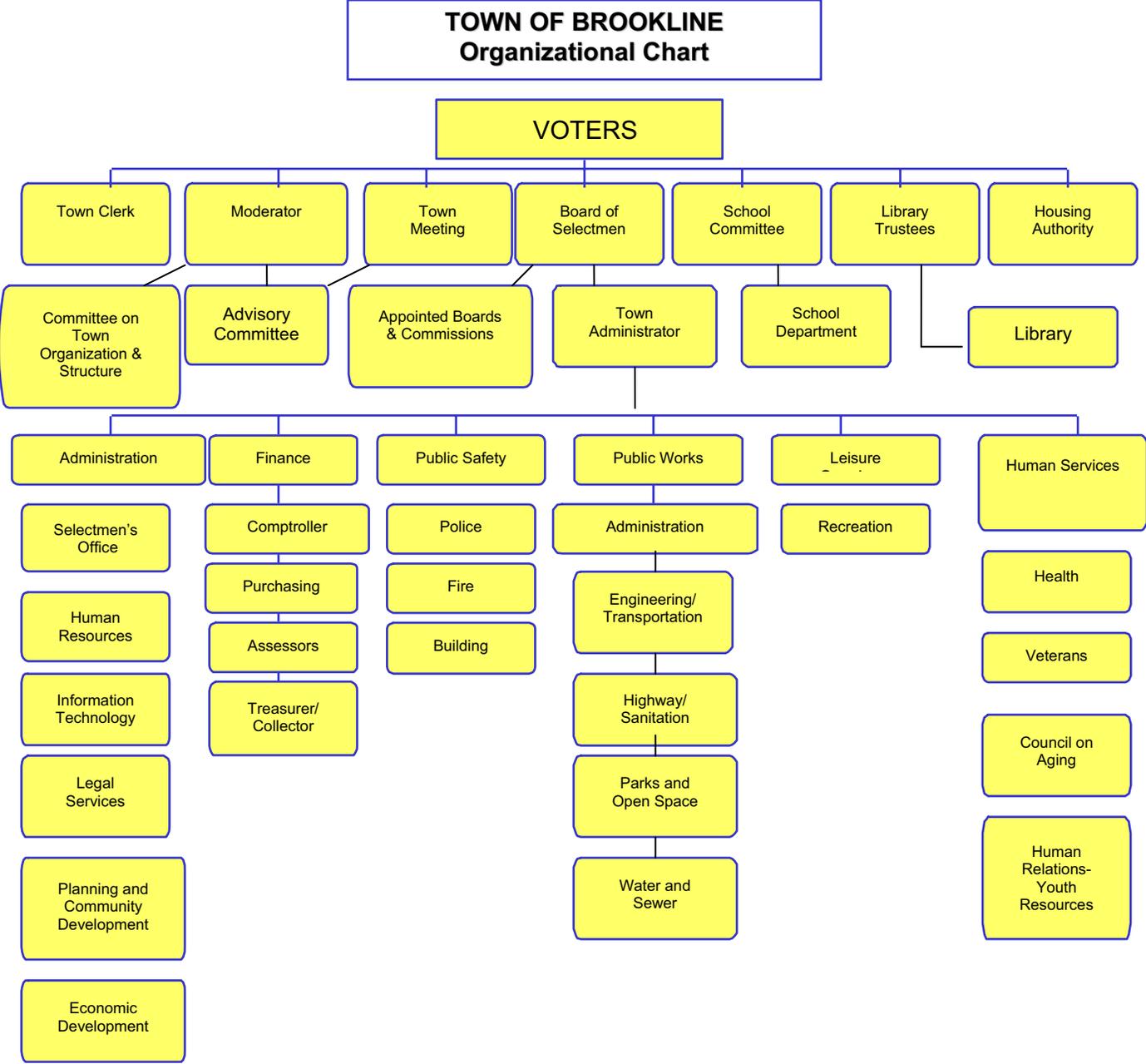


Stephen Cirillo
Finance Director



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, 2008 (except for the Brookline Contributory Retirement System which is as of and for the year ended December 31, 2007), 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.

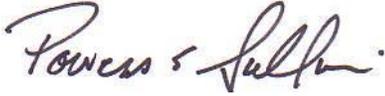
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 basic 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, 2008 (except for the Brookline Contributory Retirement System which is as of December 31, 2007), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008, 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 chart 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".

October 22, 2008

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, 2008. 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 establishing 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, pension benefits, property and liability insurance, fringe benefits, claims and judgments, interest and state and county charges. 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 \$172.6 million at the close of FY2008.

Net assets of \$132.7 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. \$30.2 million represents resources that are subject to external restrictions on expenditures. The remaining balance of *unrestricted net assets* of \$9.7 million 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 \$7.1 million, which is the amount classified as "available funds" (also known as "free cash") by the Massachusetts Department of Revenue's Division of Local Services. The remaining unrestricted net assets are either already committed for expenditure or required to be retained for other purposes.

Town of Brookline – 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 \$172.6 million at the close of fiscal year 2008.

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</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.....	\$ 71,447,187	\$ 66,892,976	\$ 73,009,756
Investments.....	9,131,561	9,746,654	8,221,769
Receivables, net of allowance for uncollectibles....	14,023,417	13,208,653	16,919,627
Other current assets.....	2,838,602	2,766,121	2,538,705
Noncurrent assets (excluding capital).....	24,674,000	30,550,600	32,608,600
Capital assets.....	189,751,816	178,551,637	178,033,087
Total assets.....	311,866,583	301,716,641	311,331,544
Liabilities:			
Current (excluding debt):			
Warrants payable.....	3,438,725	1,401,911	2,215,737
Tax refunds payable.....	2,076,000	1,412,000	2,535,000
Compensated absences.....	5,509,081	5,526,658	5,570,154
Other current liabilities.....	6,897,049	6,892,561	5,005,039
Noncurrent (excluding debt):			
Landfill closure.....	14,880,000	12,590,000	12,051,000
Compensated absences.....	3,591,846	3,570,923	3,997,555
Postretirement benefits.....	14,742,618	-	-
Other noncurrent liabilities.....	493,000	420,000	878,986
Current debt.....	15,132,309	7,290,036	16,688,577
Noncurrent debt.....	72,478,223	72,502,532	70,756,569
Total liabilities.....	139,238,851	111,606,621	119,698,617
Net Assets:			
Capital assets net of related debt.....	132,680,075	131,241,683	126,624,544
Restricted.....	30,200,923	29,126,869	24,975,749
Unrestricted.....	9,746,734	29,741,468	40,032,634
Total net assets.....	\$ 172,627,732	\$ 190,110,020	\$ 191,632,927

Net assets from the Town's governmental activities decreased by \$17,482,288 during fiscal year 2008. Key elements of the change are as follows:

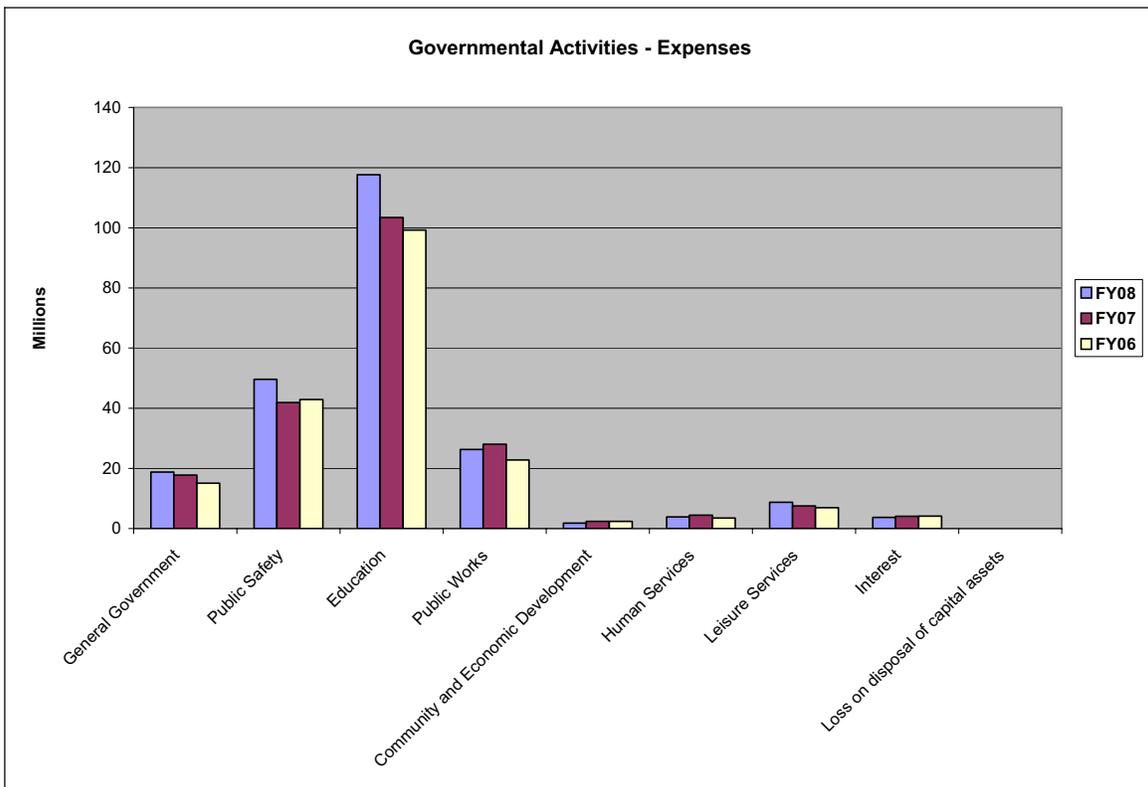
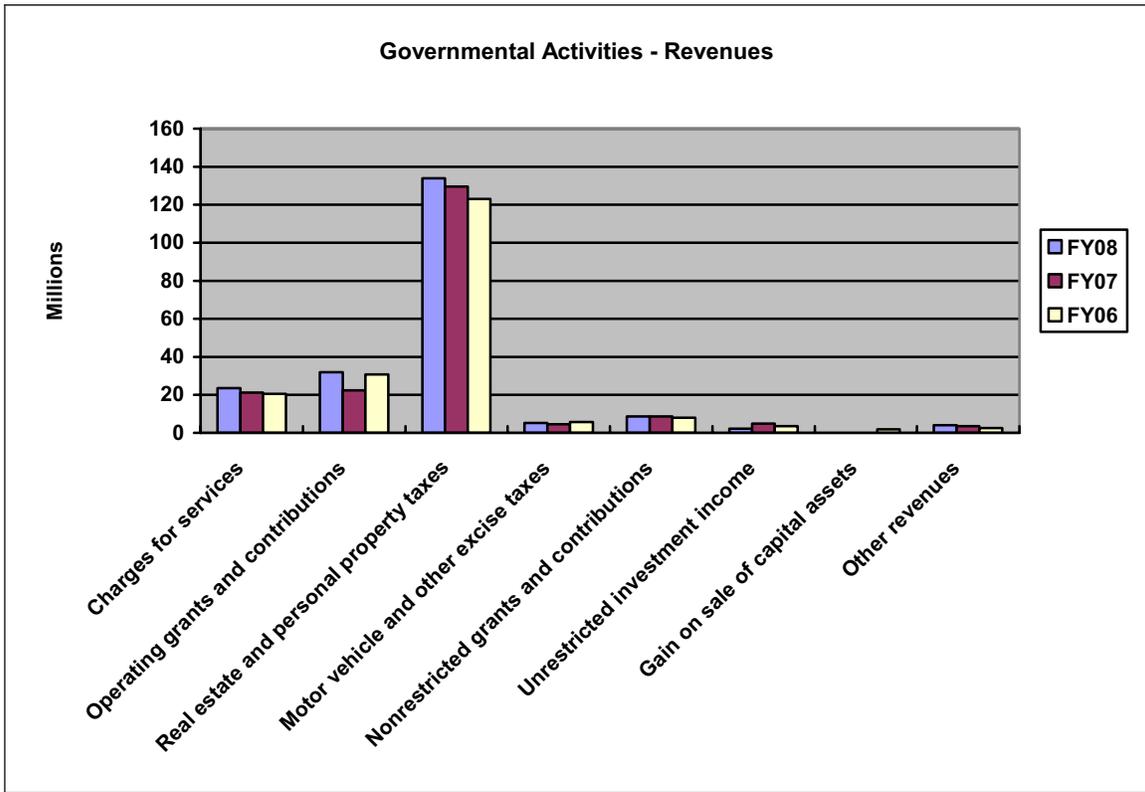
	FY 2008	FY 2007	FY 2006
	Governmental	Governmental	Governmental
	Activities	Activities	Activities
Program revenues:			
Charges for services.....	\$ 23,620,067	\$ 21,282,214	\$ 20,506,916
Operating grants and contributions.....	33,691,862	33,491,278	30,827,808
General Revenues:			
Real estate and personal property taxes.....	133,903,430	129,604,095	123,144,556
Motor vehicle and other excise taxes.....	5,121,393	4,445,694	5,619,527
Nonrestricted grants and contributions.....	8,728,569	8,703,018	8,005,995
Unrestricted investment income.....	2,143,202	4,863,048	3,484,024
Gain/(loss) on sale of capital assets.....	(48,038)	(42,300)	(821,392)
Other revenues.....	4,038,330	3,538,332	2,587,399
Total revenues.....	211,198,815	205,885,379	193,354,833
Expenses:			
General Government.....	18,827,408	17,819,771	15,082,397
Public Safety.....	49,613,419	41,912,690	42,887,709
Education.....	117,654,934	103,383,387	99,264,800
Public Works.....	26,317,648	28,063,980	22,844,858
Community and Economic Development.....	1,843,404	2,424,921	2,432,429
Human Services.....	3,910,937	4,448,177	3,524,414
Leisure Services.....	8,713,906	7,509,536	6,931,335
Interest.....	3,667,459	4,103,759	4,186,691
Total expenses.....	230,549,115	209,666,221	197,154,633
Transfers In(Out).....	1,868,012	2,257,935	2,339,226
Change in net assets.....	\$ (17,482,288)	\$ (1,522,907)	\$ (1,460,574)

The significant reduction in net assets is due to two factors. The first is the implementation of GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and (b) 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 2008 the Town, based on its actuarial valuation, recognized an accrual of \$14.7 million for its portion of the liability that was not paid.

The other factor is that the landfill closure estimate was increased by \$2.3 million to bring the total to \$14.9 million. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The governmental expenses totaled \$230.5 million of which \$57.3 million (24.9%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$153.9 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 2008 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 \$59.3 million, of which \$32.2 million is for the general fund, \$252,000 is for the Lawrence School and Longwood Playground major fund, (\$4.9) million is for the Town Hall Renovations major fund, and \$31.6 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 \$22.6 million, while total fund balance was \$32.2 million. Reservation of fund balance for Encumbrances and Continuing Appropriations totaled \$9.6 million and there was \$5.9 million designated as amounts voted to be used in fiscal 2009. Unreserved fund balance represents 11.7% of total general fund expenditures, while total fund balance represents 16.7% of total general fund expenditures.

The Lawrence School and Longwood Playground fund is used to account for the Town's ongoing school construction project to expand and upgrade school facilities and the related playground. At the end of the current fiscal year, fund balance was \$252,175.

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 an accumulated deficit of (\$4,868,381). This will be funded in future fiscal years by the issuance of long-term bonds.

General Fund Budgetary Highlights

There was approximately a \$141 thousand change between the original and final budget. This change represented the net of an increase in education and a decrease in employee benefits. The Town has elected to carryforward encumbrances and appropriations of \$9.6 million

Business-type Activities. Business-type activities had an increase of \$855,000 in net assets related to the water and sewer operations and an increase of \$302,000 related to the golf course operations, for an overall increase in net assets of \$1,157,000 for the fiscal year.

The following table identifies key elements of the enterprise operations:

	<i>FY 2008 Business-type Activities</i>	<i>FY 2007 Business-type Activities</i>	<i>FY 2006 Business-type Activities</i>
Assets:			
Current:			
Cash and short-term investments.....	\$ 716,921	\$ 313,126	\$ 2,803,438
Receivables, net of allowance for uncollectibles.....	6,652,244	6,218,073	6,372,001
Other current assets.....	2,312	(371,982)	(397,207)
Capital assets.....	<u>38,734,555</u>	<u>39,203,435</u>	<u>38,596,083</u>
Total assets.....	<u>46,106,032</u>	<u>45,362,653</u>	<u>47,374,315</u>
Liabilities:			
Current liabilities (excluding debt).....	1,025,928	447,824	544,971
Noncurrent liabilities (excluding debt).....	108,711	112,596	114,897
Current debt.....	2,091,278	2,144,551	7,473,510
Noncurrent debt.....	<u>14,106,775</u>	<u>15,391,054</u>	<u>12,265,104</u>
Total liabilities.....	<u>17,332,692</u>	<u>18,096,025</u>	<u>20,398,482</u>
Net Assets:			
Capital assets net of related debt.....	22,536,502	21,667,830	18,857,469
Unrestricted.....	<u>5,886,838</u>	<u>5,598,798</u>	<u>8,118,364</u>
Total net assets.....	<u>28,423,340</u>	<u>27,266,628</u>	<u>26,975,833</u>
Program revenues:			
Charges for services.....	24,192,458	23,527,304	21,755,205
Operating grants and contributions.....	49,798	57,486	21,134
Capital grants and contributions.....	-	-	337,500
General Revenues:			
Gain/loss on sale of capital assets.....	(7,096)	-	-
Total revenues.....	<u>24,235,160</u>	<u>23,584,790</u>	<u>22,113,839</u>
Expenses:			
Golf.....	786,079	1,006,281	752,000
Water and sewer.....	<u>20,424,357</u>	<u>20,029,779</u>	<u>17,504,969</u>
Total expenses.....	<u>21,210,436</u>	<u>21,036,060</u>	<u>18,256,969</u>
Transfers In/(Out).....	<u>(1,868,012)</u>	<u>(2,257,935)</u>	<u>(2,339,226)</u>
Change in net assets.....	<u>\$ 1,156,712</u>	<u>\$ 290,795</u>	<u>\$ 1,517,644</u>

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, 2008 amount to \$228.5 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 \$8.5 million, including a \$11,200,000 increase for governmental activities and a (\$462,000) 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 \$2.8 million was spent on water, sewer, and surface drainage system construction and replacement.
- ❖ Over \$4.7 million was spent on machinery and equipment.
- ❖ Over \$2.6 million was spent on various land improvements.
- ❖ Over \$2.3 million was spent on building renovations and improvements

Town of Brookline's Capital Assets						
(Net of Depreciation)						
	Governmental		Business –Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	79,727	79,727	-	-	79,727	79,727
Construction in Progress	10,388,639	801,778	-	-	10,388,639	801,778
Land Improvements	12,281,284	10,441,446	988,986	887,633	13,270,270	11,329,249
Buildings	140,588,512	144,050,741	2,785,078	2,882,867	143,373,590	146,933,608
Machinery and Equipment	10,683,963	8,774,142	1,081,986	954,017	11,765,949	9,728,159
Infrastructure	15,729,691	14,403,633	33,878,505	34,478,918	49,608,196	48,882,551
Total	189,751,816	178,551,637	38,734,555	39,203,435	228,486,371	217,755,072

Long-term Debt. At the end of the current fiscal year, the Town of Brookline had total bonded debt outstanding of \$96,908,585. Of which \$80,710,532 is governmental debt and \$16,198,053 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 2008, the Town retired long term debt of \$9,434,587.

The Town of Brookline issued \$8,910,000 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, \$1,260,000 for landfill closure costs, \$600,000 for various sewer projects, and \$150,000 for golf course renovations.

The Town of Brookline issued \$4,205,000 of refunding bonds which were used to defease \$4,100,000 of old general obligation bonds. The Town has decreased its aggregate debt service payments by \$177,657 and will experience an economic gain of \$116,746.

Please see notes 7 and 8 for further debt information.

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, 2008

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 71,447,187	\$ 716,921	\$ 72,164,108
Investments.....	9,131,561	-	9,131,561
Receivables, net of allowance for 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
Water and sewer fees.....	-	6,652,244	6,652,244
Departmental and other.....	4,308,574	-	4,308,574
Intergovernmental.....	6,733,098	-	6,733,098
Loans.....	225,259	-	225,259
Internal balances.....	350,000	(350,000)	-
Other assets.....	2,481,867	-	2,481,867
Prepaid expenses.....	6,735	2,312	9,047
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	24,674,000	-	24,674,000
Capital assets, nondepreciable.....	10,468,366	-	10,468,366
Capital assets, net of accumulated depreciation.....	179,283,450	38,734,555	218,018,005
TOTAL ASSETS.....	311,866,583	45,756,032	357,622,615
LIABILITIES			
CURRENT:			
Warrants payable.....	3,438,725	19,802	3,458,527
Accrued liabilities.....	1,816,457	446	1,816,903
Accrued payroll.....	1,289,477	-	1,289,477
Tax refunds payable.....	2,076,000	-	2,076,000
Accrued interest.....	914,161	169,649	1,083,810
Abandoned property.....	174,317	-	174,317
Other liabilities.....	760,937	-	760,937
Deferred revenue.....	712,599	-	712,599
Customer deposits payable.....	6,101	-	6,101
Compensated absences.....	5,509,081	267,562	5,776,643
Workers' compensation.....	1,223,000	-	1,223,000
Postretirement benefits.....	14,742,618	568,469	15,311,087
Bonds and notes payable.....	15,132,309	2,091,278	17,223,587
NONCURRENT:			
Landfill closure.....	14,880,000	-	14,880,000
Compensated absences.....	3,591,846	108,711	3,700,557
Workers' compensation.....	493,000	-	493,000
Bonds and notes payable.....	72,478,223	14,106,775	86,584,998
TOTAL LIABILITIES.....	139,238,851	17,332,692	156,571,543
NET ASSETS			
Invested in capital assets, net of related debt.....	132,680,075	22,536,502	155,216,577
Restricted for:			
Loans.....	225,259	-	225,259
Permanent funds:			
Expendable.....	4,615,981	-	4,615,981
Nonexpendable.....	1,160,019	-	1,160,019
Other purposes.....	24,199,664	-	24,199,664
Unrestricted.....	9,746,734	5,886,838	15,633,572
TOTAL NET ASSETS.....	\$ 172,627,732	\$ 28,423,340	\$ 201,051,072

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
General government.....	\$ 18,827,408	\$ 4,124,900	\$ 272,809	\$ (14,429,699)
Public safety.....	49,613,419	8,510,784	344,392	(40,758,243)
Education.....	117,654,934	5,593,668	26,874,926	(85,186,340)
Public works.....	26,317,648	3,446,996	2,312,519	(20,558,133)
Community and economic development...	1,843,404	14,673	1,700,112	(128,619)
Human services.....	3,910,937	22,550	518,900	(3,369,487)
Leisure services.....	8,713,906	1,906,496	392,019	(6,415,391)
Interest.....	3,667,459	-	1,276,185	(2,391,274)
Total Governmental Activities.....	<u>230,549,115</u>	<u>23,620,067</u>	<u>33,691,862</u>	<u>(173,237,186)</u>
<i>Business-Type Activities:</i>				
Golf.....	786,079	1,253,066	-	466,987
Water and sewer.....	<u>20,424,357</u>	<u>22,939,392</u>	<u>49,798</u>	<u>2,564,833</u>
Total Business-Type Activities.....	<u>21,210,436</u>	<u>24,192,458</u>	<u>49,798</u>	<u>3,031,820</u>
Total Primary Government.....	<u>\$ 251,759,551</u>	<u>\$ 47,812,525</u>	<u>\$ 33,741,660</u>	<u>\$ (170,205,366)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (173,237,186)	\$ 3,031,820	\$ (170,205,366)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	133,903,430	-	133,903,430
Motor vehicle and other excise taxes.....	5,121,393	-	5,121,393
Hotel/motel tax.....	742,744	-	742,744
Penalties and interest on taxes.....	455,388	-	455,388
Payments in lieu of taxes.....	907,316	-	907,316
Grants and contributions not restricted to specific programs.....	8,728,569	-	8,728,569
Unrestricted investment income.....	2,143,202	-	2,143,202
Gain/loss on sale of capital assets.....	(48,038)	(7,096)	(55,134)
Miscellaneous.....	1,932,882	-	1,932,882
<i>Transfers, net</i>	1,868,012	(1,868,012)	-
Total general revenues and transfers.....	155,754,898	(1,875,108)	153,879,790
Change in net assets.....	(17,482,288)	1,156,712	(16,325,576)
<i>Net Assets:</i>			
Beginning of year.....	190,110,020	27,266,628	217,376,648
End of year.....	\$ <u>172,627,732</u>	\$ <u>28,423,340</u>	\$ <u>201,051,072</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	General	Lawrence School & Longwood Playground Renovations	Town Hall Renovations	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 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
Departmental 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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

Total governmental fund balances.....		\$ 59,301,321
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		189,751,816
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		37,399,008
Internal service funds are used by management to account for liability, health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		6,523,825
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(914,161)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(80,710,532)	
Landfill closure.....	(14,880,000)	
Postretirement benefits.....	(14,742,618)	
Compensated absences.....	(9,100,927)	
Net effect of reporting long-term liabilities.....		(119,434,077)
Net assets of governmental activities.....		\$ 172,627,732

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Lawrence School & Longwood Playground Renovations	Town Hall Renovations	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 133,127,009	\$ -	\$ -	\$ -	\$ 133,127,009
Motor vehicle and other excise taxes.....	5,291,912	-	-	-	5,291,912
Hotel/motel tax.....	742,744	-	-	-	742,744
Charges for services.....	4,892,038	-	-	-	4,892,038
Penalties and interest on taxes.....	455,388	-	-	-	455,388
Payments in lieu of taxes.....	907,316	-	-	-	907,316
Licenses and permits.....	3,622,581	-	-	-	3,622,581
Fines and forfeitures.....	4,555,357	-	-	-	4,555,357
Intergovernmental.....	31,435,776	-	-	11,671,976	43,107,752
Departmental and other.....	1,536,102	-	-	10,515,687	12,051,789
Contributions.....	-	-	-	1,444,670	1,444,670
Investment income.....	1,934,480	-	-	121,259	2,055,739
Miscellaneous.....	-	-	-	265,949	265,949
TOTAL REVENUES.....	188,500,703	-	-	24,019,541	212,520,244
EXPENDITURES:					
Current:					
General government.....	9,977,959	-	12,207,240	338,088	22,523,287
Public safety.....	32,575,654	-	-	642,991	33,218,645
Education.....	64,010,466	118,266	-	12,504,790	76,633,522
Public works.....	15,987,452	-	-	5,927,405	21,914,857
Community and economic development.....	-	-	-	1,843,404	1,843,404
Human services.....	2,154,633	-	-	645,651	2,800,284
Leisure services.....	4,848,599	-	-	1,713,128	6,561,727
Pension benefits.....	23,386,289	-	-	-	23,386,289
Fringe benefits.....	23,565,040	-	-	-	23,565,040
State and county charges.....	5,410,405	-	-	-	5,410,405
Debt service:					
Principal.....	7,290,036	-	-	-	7,290,036
Interest.....	3,542,544	-	-	-	3,542,544
TOTAL EXPENDITURES.....	192,749,077	118,266	12,207,240	23,615,457	228,690,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(4,248,374)	(118,266)	(12,207,240)	404,084	(16,169,796)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	6,900,000	1,260,000	8,160,000
Proceeds from refunding bonds.....	1,948,000	-	-	-	1,948,000
Premium from issuance of bonds, net of expenditures..	86,828	-	-	-	86,828
Payments to refunded bond escrow agent.....	(1,962,868)	-	-	-	(1,962,868)
Sale of capital assets.....	252,300	-	-	-	252,300
Transfers in.....	5,404,928	-	-	589,428	5,994,356
Transfers out.....	(550,000)	-	-	(3,576,344)	(4,126,344)
TOTAL OTHER FINANCING SOURCES (USES).....	5,179,188	-	6,900,000	(1,726,916)	10,352,272
NET CHANGE IN FUND BALANCES.....	930,814	(118,266)	(5,307,240)	(1,322,832)	(5,817,524)
FUND BALANCES AT BEGINNING OF YEAR.....	31,315,811	370,441	438,859	32,993,734	65,118,845
FUND BALANCES AT END OF YEAR.....	\$ 32,246,625	\$ 252,175	\$ (4,868,381)	\$ 31,670,902	\$ 59,301,321

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, 2008

Net change in fund balances - total governmental funds.....		\$ (5,817,524)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	19,412,842	
Depreciation expense.....	<u>(8,212,663)</u>	
Net effect of reporting capital assets.....		11,200,179
<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>		
		(5,356,972)
<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>		
Capital lease financing.....	125,986	
Proceeds from bonds and notes.....	(8,160,000)	
Proceeds from refunding bonds.....	(1,948,000)	
Payments to refunding bond escrow agent.....	1,962,868	
Deferred charges on refunding.....	(62,868)	
Debt service principal payments.....	<u>7,290,036</u>	
Net effect of reporting long-term debt.....		(791,978)
<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.....	(3,346)	
Net change in accrued interest on long-term debt.....	(62,048)	
Net change in postretirement benefit accrual.....	(14,742,618)	
Net change in landfill accrual.....	<u>(2,290,000)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(17,098,012)
<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>382,019</u>
Change in net assets of governmental activities.....		\$ <u>(17,482,288)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 440,757	\$ 276,164	\$ 716,921	\$ 3,943,039
Investments.....	-	-	-	4,349,071
Receivables, net of allowance for uncollectibles:				
Water and sewer fees.....	6,652,244	-	6,652,244	-
Prepaid expenses.....	2,180	132	2,312	-
Total current assets.....	<u>7,095,181</u>	<u>276,296</u>	<u>7,371,477</u>	<u>8,292,110</u>
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	36,504,217	2,230,338	38,734,555	-
TOTAL ASSETS.....	<u>43,599,398</u>	<u>2,506,634</u>	<u>46,106,032</u>	<u>8,292,110</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	12,074	7,728	19,802	52,285
Accrued liabilities.....	-	446	446	-
Accrued interest.....	163,525	6,124	169,649	-
Due to other funds.....	-	350,000	350,000	-
Compensated absences.....	228,557	39,005	267,562	-
Workers' compensation.....	-	-	-	1,223,000
Postretirement benefits.....	551,252	17,217	568,469	-
Bonds and notes payable.....	1,951,278	140,000	2,091,278	-
Total current liabilities.....	<u>2,906,686</u>	<u>560,520</u>	<u>3,467,206</u>	<u>1,275,285</u>
NONCURRENT:				
Compensated absences.....	95,416	13,295	108,711	-
Workers' compensation.....	-	-	-	493,000
Bonds and notes payable.....	13,231,775	875,000	14,106,775	-
Total noncurrent liabilities.....	<u>13,327,191</u>	<u>888,295</u>	<u>14,215,486</u>	<u>493,000</u>
TOTAL LIABILITIES.....	<u>16,233,877</u>	<u>1,448,815</u>	<u>17,682,692</u>	<u>1,768,285</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	21,321,164	1,215,338	22,536,502	-
Unrestricted.....	6,044,357	(157,519)	5,886,838	6,523,825
TOTAL NET ASSETS.....	<u>\$ 27,365,521</u>	<u>\$ 1,057,819</u>	<u>\$ 28,423,340</u>	<u>\$ 6,523,825</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
OPERATING REVENUES:				
Employer contributions	\$ -	\$ -	\$ -	\$ 2,340,630
Charges for services	22,922,166	1,253,066	24,175,232	-
Intergovernmental.....	49,798	-	49,798	-
TOTAL OPERATING REVENUES	22,971,964	1,253,066	24,225,030	2,340,630
OPERATING EXPENSES:				
Cost of services and administration	18,553,724	636,304	19,190,028	-
Depreciation.....	973,391	109,671	1,083,062	-
Building insurance.....	-	-	-	240,143
Employee benefits	-	-	-	1,805,931
TOTAL OPERATING EXPENSES	19,527,115	745,975	20,273,090	2,046,074
OPERATING INCOME (LOSS).....	3,444,849	507,091	3,951,940	294,556
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	-	87,463
Interest expense.....	(880,016)	(40,104)	(920,120)	-
Loss on sale of capital assets.....	(7,096)	-	(7,096)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(887,112)	(40,104)	(927,216)	87,463
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	2,557,737	466,987	3,024,724	382,019
OPERATING TRANSFERS:				
Transfers out.....	(1,702,633)	(165,379)	(1,868,012)	-
CHANGE IN NET ASSETS.....	855,104	301,608	1,156,712	382,019
NET ASSETS AT BEGINNING OF YEAR.....	26,510,417	756,211	27,266,628	6,141,806
NET ASSETS AT END OF YEAR.....	\$ 27,365,521	\$ 1,057,819	\$ 28,423,340	\$ 6,523,825

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water & Sewer	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 22,487,995	\$ 1,253,066	\$ 23,741,061	\$ -
Receipts from interfund services provided.....	-	-	-	2,340,630
Receipts from other governments.....	49,798	-	49,798	-
Payments to vendors.....	(15,902,654)	(228,947)	(16,131,601)	(2,018,172)
Payments to employees.....	(2,120,273)	(402,250)	(2,522,523)	-
NET CASH FROM OPERATING ACTIVITIES.....	4,514,866	621,869	5,136,735	322,458
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out.....	(1,702,633)	(165,379)	(1,868,012)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	2,857,000	150,000	3,007,000	-
Acquisition and construction of capital assets.....	(304,768)	(316,510)	(621,278)	-
Principal payments on bonds and notes.....	(4,200,842)	(143,710)	(4,344,552)	-
Interest expense.....	(867,186)	(38,913)	(906,099)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,515,796)	(349,133)	(2,864,929)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	-	-	48,038
Investment income.....	-	-	-	87,463
NET CASH FROM INVESTING ACTIVITIES.....	-	-	-	135,501
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	296,437	107,357	403,794	457,959
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	144,320	168,807	313,127	3,485,080
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 440,757	\$ 276,164	\$ 716,921	\$ 3,943,039
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 3,444,849	\$ 507,091	\$ 3,951,940	\$ 294,556
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	973,391	109,671	1,083,062	-
Changes in assets and liabilities:				
Charges for services receivable.....	(434,171)	-	(434,171)	-
Internal balances.....	-	(25,000)	(25,000)	-
Prepaid expenses.....	706	-	706	-
Warrants payable.....	8,157	2,263	10,420	41,902
Postretirement benefits.....	551,252	17,217	568,469	-
Accrued liabilities.....	-	446	446	(150,000)
Accrued compensated absences.....	(29,318)	10,181	(19,137)	-
Workers' compensation.....	-	-	-	136,000
Total adjustments.....	1,070,017	114,778	1,184,795	27,902
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,514,866	\$ 621,869	\$ 5,136,735	\$ 322,458

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Pension Trust Fund (as of December 31, 2007)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,869,351	\$ 1,262,721	\$ -
Investments.....	224,751,341	3,001,774	-
Interest and dividends.....	5,921	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	52,184	2,000	343,973
Due from other funds.....	-	316,721	-
TOTAL ASSETS.....	<u>226,678,797</u>	<u>4,583,216</u>	<u>343,973</u>
LIABILITIES			
Warrants payable.....	89,466	-	27,252
Accrued liabilities.....	-	299,023	-
Due to other funds.....	-	-	316,721
TOTAL LIABILITIES.....	<u>89,466</u>	<u>299,023</u>	<u>343,973</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>226,589,331</u>	\$ <u>4,284,193</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	Pension Trust Fund (as of December 31, 2007)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 11,367,567	\$ -
Employee.....	5,120,145	-
Private donations.....	-	88,358
Total contributions.....	16,487,712	88,358
Net investment income (loss):		
Net change in fair value of investments.....	10,888,663	-
Investment income (loss).....	3,867,238	(36,879)
Total investment income (loss).....	14,755,901	(36,879)
Less: investment expense.....	(1,064,202)	-
Net investment income (loss).....	13,691,699	(36,879)
Intergovernmental.....	798,087	-
Transfers from other systems.....	505,708	-
TOTAL ADDITIONS.....	31,483,206	51,479
DEDUCTIONS:		
Administration.....	375,352	1,107
Transfers to other systems.....	617,745	-
Retirement benefits and refunds.....	20,253,925	-
Educational scholarships.....	-	150,912
TOTAL DEDUCTIONS.....	21,247,022	152,019
CHANGE IN NET ASSETS.....	10,236,184	(100,540)
NET ASSETS AT BEGINNING OF YEAR.....	216,353,147	4,384,733
NET ASSETS AT END OF YEAR.....	\$ 226,589,331	\$ 4,284,193

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was founded in 1630 as a part of Boston and was incorporated in 1705 under the Statutes of the Commonwealth of Massachusetts. The Town operates under a representative Town Meeting form of government and provides the following services to the residents of its community: administrative, public safety, public works, education, community development, water and sewer, health, elder and recreation.

The Town of Brookline is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Brookline Contributory Retirement System (Retirement System) has been included as a blended component. Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The Retirement System provides retirement benefits to Town employees, the Brookline Housing Authority employees, and their beneficiaries. The Retirement System is governed by a five-member board comprised of the Town Comptroller (ex-officio), an appointee of the Board of Selectmen, two members elected by the Retirement System's participants and one member appointed by the other four Board members. The Retirement System is presented using the accrual basis of accounting and is reported as the Pension Trust Fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The Retirement System did not issue a separate audited financial statement. The Retirement System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the Retirement System located at Brookline Town Hall.

Joint Ventures – The Town is a member of the Massachusetts Water Resources Authority (MWRA), a joint venture with other Massachusetts governmental entities that was organized to provide water and sewer services to the respective members' Cities, Towns and Districts. Complete financial statements for the MWRA can be obtained directly from their administrative office located at 100 First Avenue, Boston, Massachusetts 02189.

The Town is also a member of the Massachusetts Bay Transportation Authority (MBTA), a joint venture with other Massachusetts governmental entities that was organized to provide public transportation services to the respective members' Cities, Towns and Districts. Complete financial statements for the MBTA can be obtained directly from their administrative office located at 10 Park Plaza, Boston, Massachusetts 02116.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service funds and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, 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 *Lawrence School and Longwood Playground Renovation Fund capital projects fund* is used to account for financial resources to expand and upgrade the school facilities and related playground.

The *Town Hall Renovations capital projects fund* is used to account for the rehabilitation project of Town Hall.

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" 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 2009 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.

At fiscal year-end the Town Hall Renovations Fund has an accumulated deficit of (\$4,868,381). This deficit exists due to the fact long-term bonds have not been issued to permanently fund the expenditures. The Town expects to fund this deficit by issuing permanent debt 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 \$15,098,694 and the bank balance totaled

\$18,777,514. Of the bank balance, \$702,367 was covered by Federal Depository Insurance, \$1,864,196 was collateralized and \$16,210,951 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's cash and cash equivalents consist of \$15,098,694 in deposits and \$58,328,135 in cash equivalents, totaling \$73,426,829. These cash and cash equivalents are reported in both the primary government and the fiduciary funds. Those amounts total \$72,164,108 and \$1,262,721, respectively. See investments below for amounts designated as cash equivalents.

At December 31, 2007, the carrying amount of deposits for the Retirement System totaled \$162,355 and the bank balance totaled \$717,344. The entire bank balance of \$717,344 was covered by Federal Depository Insurance.

The Retirement System's cash and cash equivalents consist of \$162,355 in deposits and \$1,706,996 in cash equivalents, totaling \$1,869,351. 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, 2008:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities</u>					
United States Treasury.....	\$ 2,331,575	\$ 180,336	\$ 1,490,516	\$ 657,899	\$ 2,824
Federal National Mortgage Asso.....	206,684	-	97,718	-	108,966
Federal Home Loan Mortgage Corp...	313,931	84,475	-	50,000	179,456
Governmental National Mortgage.....	1,834	-	-	-	1,834
Total Debt Securities.....	\$ 2,854,024	\$ 264,811	\$ 1,588,234	\$ 707,899	\$ 293,080
<u>Other Investments</u>					
Equity Securities.....	7,462,086				
Equity Mutual Funds.....	1,817,225				
Repurchase Agreements.....	1,864,196				
Money Market Mutual Funds.....	374,107				
MMDT.....	56,089,832				
Total Investments.....	\$ 70,461,470				

The Town's investments are reported in both the primary government and the fiduciary funds. Those amounts total \$9,131,561 and \$3,001,774, respectively.

As of December 31, 2007, the Retirement System had the following investments:

(*) 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 \$2,331,575 in U.S. Treasury Securities, \$206,684 in Federal National Mortgage Association, \$313,931 in Federal Home Loan Mortgage Corporation, \$1,834 in Governmental National Mortgage, and \$7,462,086 in Equity Securities, the Town has custodial credit risk exposure of \$10,316,110 because the related securities are uninsured, unregistered and held by the counterparty.

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

Interest Rate Risk – Town Investments

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

Credit Risk – Town Investments

The Town has adopted a formal policy related to credit risk. At June 30, 2008 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.....	\$ 2,331,575	\$ 206,684	\$ 313,931	\$ 1,834	\$ 2,854,024

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 \$48,898,172 in International Securities the Retirement System has

custodial credit risk exposure of \$48,898,172 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, 2008, 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, 2007, the Retirement System does not have any investments that exceed the 5% threshold.

NOTE 3 – RECEIVABLES

At June 30, 2008, 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:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,270,810	\$ -	\$ 1,270,810
Tax liens.....	1,313,753	-	1,313,753
Motor vehicle and other excise taxes.....	423,105	(380,946)	42,159
User fees.....	129,764	-	129,764
Departmental and other.....	6,447,765	(2,139,191)	4,308,574
Intergovernmental.....	31,407,098	-	31,407,098
Loans.....	<u>225,259</u>	<u>-</u>	<u>225,259</u>
Total.....	<u>\$ 41,217,554</u>	<u>\$ (2,520,137)</u>	<u>\$ 38,697,417</u>

At June 30, 2008, receivables for the water and sewer enterprise funds totaled \$6,652,244. 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....	\$ 1,029,274	\$ -	\$ 1,029,274
Tax liens.....	1,252,724	-	1,252,724
Motor vehicle and other excise taxes.....	42,159	-	42,159
User fees.....	129,764	-	129,764
Departmental and other.....	4,125,987	797,010	4,922,997
Intergovernmental.....	26,785,000	3,599,689	30,384,689
<u>Other asset type:</u>			
Due from other funds.....	350,000	-	350,000
Total.....	\$ 33,714,908	\$ 4,396,699	\$ 38,111,607

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, 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.....	801,778	9,586,861	-	10,388,639
Total capital assets not being depreciated...	881,505	9,586,861	-	10,468,366
<u>Capital assets being depreciated:</u>				
Land improvements.....	17,624,339	2,611,941	(414)	20,235,866
Buildings.....	218,629,689	2,306,747	-	220,936,436
Machinery and equipment.....	28,374,532	4,702,290	(957,985)	32,118,837
Infrastructure.....	39,637,469	2,803,276	(1,639,874)	40,800,871
Total capital assets being depreciated.....	304,266,029	12,424,254	(2,598,273)	314,092,010
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,182,723)	(772,273)	414	(7,954,582)
Buildings.....	(74,578,948)	(5,768,976)	-	(80,347,924)
Machinery and equipment.....	(19,600,390)	(2,744,431)	909,947	(21,434,874)
Infrastructure.....	(25,233,836)	(1,477,218)	1,639,874	(25,071,180)
Total accumulated depreciation.....	(126,595,897)	(10,762,898)	2,550,235	(134,808,560)
Total capital assets being depreciated, net.....	177,670,132	1,661,356	(48,038)	179,283,450
Total governmental activities capital assets, net.....	\$ 178,551,637	\$ 11,248,217	\$ (48,038)	\$ 189,751,816

	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	-	-	2,454,159
Machinery and equipment.....	2,122,815	214,139	(87,517)	2,249,437
Infrastructure.....	47,530,605	90,629	-	47,621,234
Total capital assets being depreciated.....	<u>52,308,809</u>	<u>304,768</u>	<u>(87,517)</u>	<u>52,526,060</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(33,197)	(6,708)	-	(39,905)
Buildings.....	(822,193)	(58,527)	-	(880,720)
Machinery and equipment.....	(1,221,796)	(217,114)	80,421	(1,358,489)
Infrastructure.....	(13,051,687)	(691,042)	-	(13,742,729)
Total accumulated depreciation.....	<u>(15,128,873)</u>	<u>(973,391)</u>	<u>80,421</u>	<u>(16,021,843)</u>
Total capital assets being depreciated, net.....	<u>\$ 37,179,936</u>	<u>\$ (668,623)</u>	<u>\$ (7,096)</u>	<u>\$ 36,504,217</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Activities:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 917,588	\$ 143,429	\$ -	\$ 1,061,017
Buildings.....	1,558,915	-	-	1,558,915
Machinery and equipment.....	69,575	173,081	-	242,656
Total capital assets being depreciated.....	<u>2,546,078</u>	<u>316,510</u>	<u>-</u>	<u>2,862,588</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(197,989)	(35,367)	-	(233,356)
Buildings.....	(308,013)	(39,263)	-	(347,276)
Machinery and equipment.....	(16,577)	(35,041)	-	(51,618)
Total accumulated depreciation.....	<u>(522,579)</u>	<u>(109,671)</u>	<u>-</u>	<u>(632,250)</u>
Total capital assets being depreciated, net.....	<u>\$ 2,023,499</u>	<u>\$ 206,839</u>	<u>\$ -</u>	<u>\$ 2,230,338</u>

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

Governmental Activities:	
General government.....	\$ 278,930
Public safety.....	1,756,875
Education.....	4,298,852
Public works.....	3,571,725
Human services.....	695,431
Leisure services.....	<u>161,085</u>
 Total depreciation expense - governmental activities.....	 \$ <u><u>10,762,898</u></u>

Business-Type Activities:	
Water and Sewer.....	\$ 973,391
Golf.....	<u>109,671</u>
 Total depreciation expense - business-type activities.....	 \$ <u><u>1,083,062</u></u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	550,000	\$ 550,000
Nonmajor Governmental Funds.....	3,536,916	39,428	3,576,344
Water & Sewer Enterprise Fund.....	1,702,633	-	1,702,633
Golf Enterprise Fund.....	<u>165,379</u>	<u>-</u>	<u>165,379</u>
	 \$ <u><u>5,404,928</u></u>	 \$ <u><u>589,428</u></u>	 \$ <u><u>5,994,356</u></u>

Transfers represent amounts voted to fund the fiscal year 2008 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, 2008, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2008
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 order to take advantage of favorable interest rates the Town issued \$4,205,000 of General Obligation Refunding Bonds during fiscal year 2008. \$4,100,000 of general obligation bonds were defeased by placing the proceeds of the refunding 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. The Town has decreased its aggregate debt service payments by \$177,657 and will experience an economic gain of \$116,746. At June 30, 2008, \$1,900,000 of Governmental and \$2,200,000 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, 2007	Issued	Redeemed	Outstanding at June 30, 2008
<i>Inside Debt Limit</i>					
Schools.....	2.59-5.91	\$ 21,424,734	\$ -	\$ 2,926,214	\$ 18,498,520
General Government.....	3.22-5.28	24,802,834	10,108,000	4,353,822	30,557,012
Athletic and recreational facilities.....	3.94-4.94	145,000	-	85,000	60,000
Sub-total.....		<u>46,372,568</u>	<u>10,108,000</u>	<u>7,365,036</u>	<u>49,115,532</u>
<i>Outside Debt Limit</i>					
Schools.....	5.33 - 5.35	<u>33,420,000</u>	<u>-</u>	<u>1,825,000</u>	<u>31,595,000</u>
Total Governmental bonds and Notes Payable.....		<u>79,792,568</u>	<u>10,108,000</u>	<u>9,190,036</u>	<u>80,710,532</u>
Enterprise Funds					
<i>Inside Debt Limit</i>					
Golf Course Enterprise Fund.....	3.19-3.90	1,008,709	150,000	143,709	1,015,000
Water Enterprise Fund.....	3.90-6.63	9,484,722	1,435,800	2,532,256	8,388,266
Sewer Enterprise Fund.....	3.90-5.28	<u>7,042,174</u>	<u>1,421,200</u>	<u>1,668,587</u>	<u>6,794,787</u>
Total Enterprise Bonds and Notes Payable.....		<u>17,535,605</u>	<u>3,007,000</u>	<u>4,344,552</u>	<u>16,198,053</u>
Total Bonds and Notes Payable.....		<u>\$ 97,328,173</u>	<u>\$ 13,115,000</u>	<u>\$ 13,534,588</u>	<u>\$ 96,908,585</u>

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

Fiscal Year	Principal	Interest	Total
2009.....	\$ 8,232,309	\$ 3,645,234	\$ 11,877,543
2010.....	7,621,177	3,321,836	10,943,013
2011.....	7,344,999	3,012,072	10,357,071
2012.....	7,061,239	2,715,444	9,776,683
2013.....	6,679,633	2,420,910	9,100,543
2014.....	6,033,088	2,115,837	8,148,925
2015.....	5,587,794	1,831,873	7,419,667
2016.....	5,327,793	1,555,484	6,883,277
2017.....	5,260,000	1,298,756	6,558,756
2018.....	4,987,500	1,023,443	6,010,943
2019.....	4,850,000	779,051	5,629,051
2020.....	5,030,000	537,668	5,567,668
2021.....	1,420,000	297,652	1,717,652
2022.....	1,420,000	239,054	1,659,054
2023.....	910,000	177,128	1,087,128
2024.....	905,000	136,582	1,041,582
2025.....	905,000	95,897	1,000,897
2026.....	515,000	55,212	570,212
2027.....	310,000	31,000	341,000
2028.....	310,000	15,500	325,500
Totals.....	<u>\$ 80,710,532</u>	<u>\$ 25,305,631</u>	<u>\$ 106,016,163</u>

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>
2009..... \$	2,091,278 \$	716,936 \$	2,808,214
2010.....	1,956,323	640,147	2,596,470
2011.....	1,947,501	560,819	2,508,320
2012.....	1,708,761	483,078	2,191,839
2013.....	1,645,366	409,524	2,054,890
2014.....	1,601,912	342,791	1,944,703
2015.....	1,292,206	260,764	1,552,970
2016.....	1,292,206	195,742	1,487,948
2017.....	1,040,000	132,129	1,172,129
2018.....	687,500	75,266	762,766
2019.....	395,000	43,964	438,964
2020.....	395,000	24,724	419,724
2021.....	145,000	5,800	150,800
Totals..... \$	<u>16,198,053</u> \$	<u>3,891,684</u> \$	<u>20,089,737</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, 2008, the outstanding principal amount of these loans totaled \$378,587.

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 2008, \$3,442,794 of such assistance was received for reimbursement. Approximately \$34,892,000 will be received in future fiscal years. Of this amount, \$8,107,000 represents reimbursement of long-term interest costs, and approximately \$26,785,000 represents reimbursement of approved construction costs. Accordingly, a \$26,785,000 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, 2008, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Golf - Buildings.....	\$ 1,280,000
Golf - Grounds.....	160,000
Waste Water System.....	6,124,065
Landfill.....	740,000
Muddy River Project.....	745,000
Fisher Hill.....	1,350,000
Water Tank.....	250,000
High School.....	2,600,000
Total.....	<u>\$ 13,249,065</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

Governmental Funds

	Balance June 30, 2007	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2008	Current Portion
Long-Term Bonds and Notes.....	\$ 79,792,568	\$ 10,108,000	\$ (9,190,036)	\$ -	\$ 80,710,532	\$ 8,232,309
Workers' Compensation.....	1,580,000	-	-	136,000	1,716,000	1,223,000
Compensated Absences.....	9,097,581	-	-	3,346	9,100,927	5,509,081
Landfill Closure.....	12,590,000	-	-	2,290,000	14,880,000	-
Total.....	<u>\$ 103,060,149</u>	<u>\$ 10,108,000</u>	<u>\$ (9,190,036)</u>	<u>\$ 2,429,346</u>	<u>\$ 106,407,459</u>	<u>\$ 14,964,390</u>

Business-Type Activities

	Balance June 30, 2007	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2008	Current Portion
Long-Term Bonds and Notes.....	\$ 17,535,605	\$ 3,007,000	\$ (4,344,552)	\$ -	\$ 16,198,053	\$ 2,091,278
Compensated Absences.....	395,410	-	-	(19,137)	376,273	267,562
Total.....	<u>\$ 17,931,015</u>	<u>\$ 3,007,000</u>	<u>\$ (4,344,552)</u>	<u>\$ (19,137)</u>	<u>\$ 16,574,326</u>	<u>\$ 2,358,840</u>

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, \$1,716,000 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, 2008, the amount of the liability for workers' compensation claims totaled \$1,716,000. 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 2007.....	\$ 1,897,000	\$ 817,597	\$ (1,134,597)	\$ 1,580,000
Fiscal Year 2008.....	1,580,000	1,364,050	(1,228,050)	1,716,000

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 \$12,348,000 for the fiscal year ended June 30, 2008, 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, 2007, the Retirement System's membership consists of the following:

Active members.....	1,843
Inactive members.....	547
Disabled members.....	191
Retirees and beneficiaries currently receiving benefits.....	<u>650</u>
Total.....	<u><u>3,231</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, 2008, 2007, and 2006 were approximately \$10,994,000, \$9,855,000, and \$9,600,000, respectively, which equaled its required contribution for each fiscal year. At June 30, 2008, 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, 2008 was 15 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)
1/1/06	\$ 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%
1/1/98	121,604,190	192,305,540	70,701,350	63.2%	40,150,666	176.1%

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 2008 totaled approximately \$262,000.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2008 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

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 percent 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 percent respectively, of their premium costs.

For fiscal year 2008, the Town contributed \$6,217,209 to the plan, and total member contributions were \$2,072,403.

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 2008:

Normal cost.....	\$	7,692,272
Amortization of unfunded actuarial accrued liability.....		<u>13,836,024</u>
Annual OPEB cost (expense).....		21,528,296
Contributions made.....		<u>(6,217,209)</u>
Net OPEB obligation - end of year.....	\$	<u><u>15,311,087</u></u>

*Adjustment for timing assumes payment in the middle of the fiscal year.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$21,528,296	28.9%	\$15,311,087

Funded Status and Funding Progress - As of June 30, 2006, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$342 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$115 million, and the ratio of the UAAL to the covered payroll was 33.5 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, 2006, 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, 2006, 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. The Town has reflected \$14,880,000 as the estimate of the landfill closure liability at June 30, 2008. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2008. 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, 2008 the outstanding loan balance was \$350,000.

NOTE 14 - COMMITMENTS

The Town has entered into a long-term contract with Arthur Schofield, Inc. to direct the acceptable waste it collects to a transfer station. 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 Browning Ferris Industries to provide recycling services. The Town is charged a flat rate of \$73.10 per ton of acceptable waste collected and hauled. 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 \$297,000 and \$295,000, respectively. The regular school transportation contracts expire on September 1, 2009.

The School Department has also entered into an agreement with Y.C.N. Transportation, Inc. to provide transportation of its special needs students. The contract bears an annual cost of approximately \$915,200. The special needs student transportation contract expires on September 1, 2009.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$13,000,000 for upgrades to the waste water system and renovations of the Putterham golf course 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, 2008.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2008, the following GASB pronouncements were implemented:

- The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The basic financial statements and disclosures were impacted by this GASB. See Note #11.
- The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27. The basic financial statements were not impacted by this GASB.

Future Implementation of GASB Pronouncements:

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

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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, 2008

	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.....	\$ -	\$ 133,999,566	\$ 133,999,566	\$ 133,953,752
Motor vehicle and other excise taxes.....	-	4,940,321	4,940,321	4,940,321
Hotel/motel tax.....	-	750,000	750,000	750,000
Charges for services.....	-	4,383,500	4,383,500	4,383,500
Penalties and interest on taxes.....	-	319,000	319,000	319,000
Payments in lieu of taxes.....	-	648,800	648,800	648,800
Licenses and permits.....	-	3,139,300	3,139,300	3,139,300
Fines and forfeitures.....	-	4,125,000	4,125,000	4,125,000
Intergovernmental.....	-	18,852,382	18,852,382	18,852,382
Departmental and other.....	-	537,500	537,500	537,500
Investment income.....	-	2,400,000	2,400,000	2,400,000
TOTAL REVENUES.....	-	174,095,369	174,095,369	174,049,555
EXPENDITURES:				
Current:				
General government.....	2,152,843	14,151,092	16,303,935	14,531,995
Public safety.....	1,411,348	32,215,975	33,627,323	34,318,857
Education.....	1,745,958	63,030,009	64,775,967	65,220,815
Public works.....	7,456,325	14,516,084	21,972,409	22,839,317
Human services.....	112,523	2,101,715	2,214,238	2,277,997
Leisure services.....	796,457	4,590,102	5,386,559	5,536,304
Pension benefits.....	-	11,277,159	11,277,159	11,277,159
Employee benefits.....	2,500	25,292,795	25,295,295	24,680,113
State and county charges.....	-	5,481,951	5,481,951	5,511,129
Debt service:				
Principal.....	-	7,285,636	7,285,636	7,285,636
Interest.....	-	3,773,622	3,773,622	3,773,622
TOTAL EXPENDITURES.....	13,677,954	183,716,140	197,394,094	197,252,944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(13,677,954)	(9,620,771)	(23,298,725)	(23,203,389)
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds.....	-	-	-	-
Premium from issuance of bonds, net of expenditures.....	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	-	-
Sale of capital assets.....	-	-	-	-
Transfers in.....	-	4,759,960	4,759,960	4,759,960
TOTAL OTHER FINANCING SOURCES (USES).....	-	4,759,960	4,759,960	4,759,960
NET CHANGE IN FUND BALANCE.....	(13,677,954)	(4,860,811)	(18,538,765)	(18,443,429)
BUDGETARY FUND BALANCE, Beginning of year.....	-	32,376,246	32,376,246	32,376,246
BUDGETARY FUND BALANCE, End of year.....	\$ (13,677,954)	\$ 27,515,435	\$ 13,837,481	\$ 13,932,817

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	-		
\$	133,860,013	\$ -	\$ (93,739)
	5,291,912	-	351,591
	742,744	-	(7,256)
	4,892,038	-	508,538
	455,388	-	136,388
	907,316	-	258,516
	3,622,581	-	483,281
	4,555,357	-	430,357
	19,087,776	-	235,394
	1,536,102	-	998,602
	1,934,480	-	(465,520)
	<u>176,885,707</u>	<u>-</u>	<u>2,836,152</u>
	9,963,090	2,588,827	1,980,078
	32,575,654	1,006,893	736,310
	63,929,279	1,107,083	184,453
	15,985,179	4,392,015	2,462,123
	2,154,633	40,041	83,323
	4,816,786	468,389	251,129
	11,038,289	-	238,870
	23,565,040	-	1,115,073
	5,410,405	-	100,724
	7,290,036	-	(4,400)
	3,542,544	-	231,078
	<u>180,270,935</u>	<u>9,603,248</u>	<u>7,378,761</u>
	<u>(3,385,228)</u>	<u>(9,603,248)</u>	<u>10,214,913</u>
	1,948,000	-	1,948,000
	86,828	-	86,828
	(1,962,868)	-	(1,962,868)
	252,300	-	252,300
	4,736,749	-	(23,211)
	<u>5,061,009</u>	<u>-</u>	<u>301,049</u>
	1,675,781	(9,603,248)	10,515,962
	<u>32,376,246</u>	<u>-</u>	<u>-</u>
\$	<u>34,052,027</u>	<u>(9,603,248)</u>	<u>10,515,962</u>

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

June 30, 2008

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

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available.

See notes to required supplementary information.

**Other Post-Employment Benefit Plan
Actuarial Methods and Assumptions**

Actuarial Methods:

Valuation date	June 30, 2006
Actuarial cost method	Projected Unit Credit
Amortization method	Amortization payments increasing at 4.5%, open
Remaining amortization period	30 years as of June 30, 2006
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	1,392
Current active members	<u>1,473</u>
Total	<u><u>2,865</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 2008 approved budget, including amounts carried forward from the prior fiscal years authorized approximately \$196,375,000 in appropriations and other amounts to be raised. During fiscal year 2008, Town Meeting approved appropriation decreases totaling \$141,000.

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, 2008, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,675,781
 <u>Basis of accounting differences:</u>	
Recognition of expenditures on modified accrual basis.....	(130,142)
Net change in recording 60-day receipts accrual.....	(69,004)
Net change in recording transfers.....	118,179
Tax refunds payable.....	<u>(664,000)</u>
 Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	 \$ <u>930,814</u>

C. Appropriation Deficits

During fiscal year 2008, expenditures exceeded budgeted appropriations for principal expenditures. This deficit will be funded through tax levy and available funds in fiscal year 2009.

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. Since this is the Town’s initial year of implementation of GASB Statement 45, information for prior years is not available.

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

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

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EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

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

\$11,390,000
Town of Brookline, Massachusetts
General Obligation Municipal Purpose Loan of 2009 Bonds
Dated April 15, 2009

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

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

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

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. 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 \$11,390,000 General Obligation Municipal Purpose Loan of 2009 Bonds dated April 15, 2009 (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.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on 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.

"Repository" shall mean each National Repository and each State Depository.

"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.

"State Depository" shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agents are listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to each Repository 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 Repositories an Annual Report by the date required in subsection (a), the Town shall send a notice to each National Repository and the State Depository, if any, 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 March 31, 2009 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 have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, [4, 5] and 10 above are not applicable to the Bonds.

(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 each National Repository and the State Depository, if any.

SECTION 6. Alternative Methods for Reporting. The Town may satisfy its obligations to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

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, prior redemption 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 each Repository.

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: April __, 2009

TOWN OF BROOKLINE,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: List of National Repositories and Transmission Agents]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]