

TOWN OF BROOKLINE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF BROOKLINE, MASSACHUSETTS

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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

RICHARD J. KELLIHER
Town Administrator

333 WASHINGTON STREET
BROOKLINE, MASSACHUSETTS 02445
TEL. (617) 730-2020
FAX: (617) 730-054
www.townofbrooklinemass.com

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".

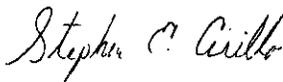
Acknowledgements.

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.

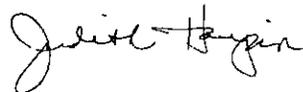
Respectfully submitted,



Richard J. Kelliher
Town Administrator

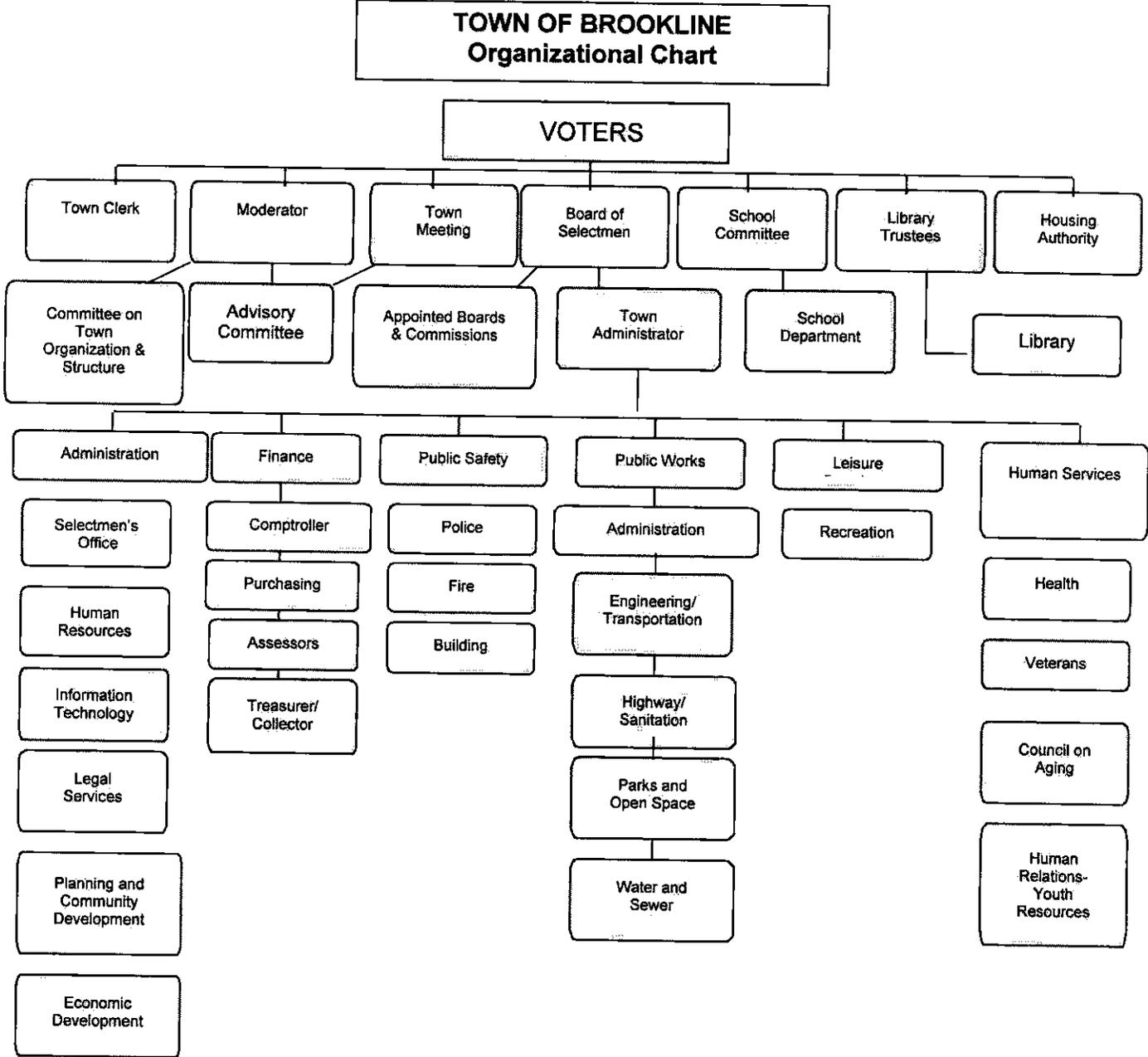


Stephen Cirillo
Finance Director



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.

October 22, 2008

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Brookline, Massachusetts, we offer readers of the Town of Brookline 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.

	FY 2008	FY 2007	FY 2006
	<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.....	<u>189,751,816</u>	<u>178,551,637</u>	<u>178,033,087</u>
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.....	<u>72,478,223</u>	<u>72,502,532</u>	<u>70,756,569</u>
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.....	<u>9,746,734</u>	<u>29,741,468</u>	<u>40,032,634</u>
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:

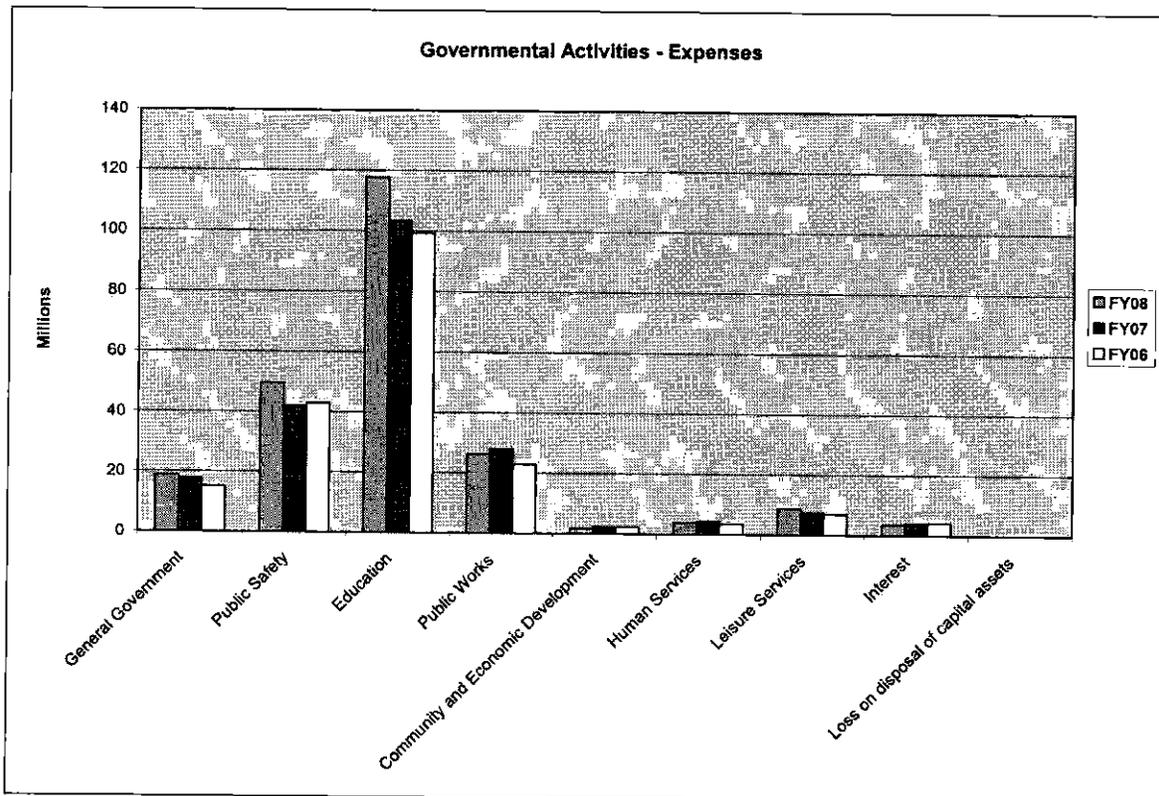
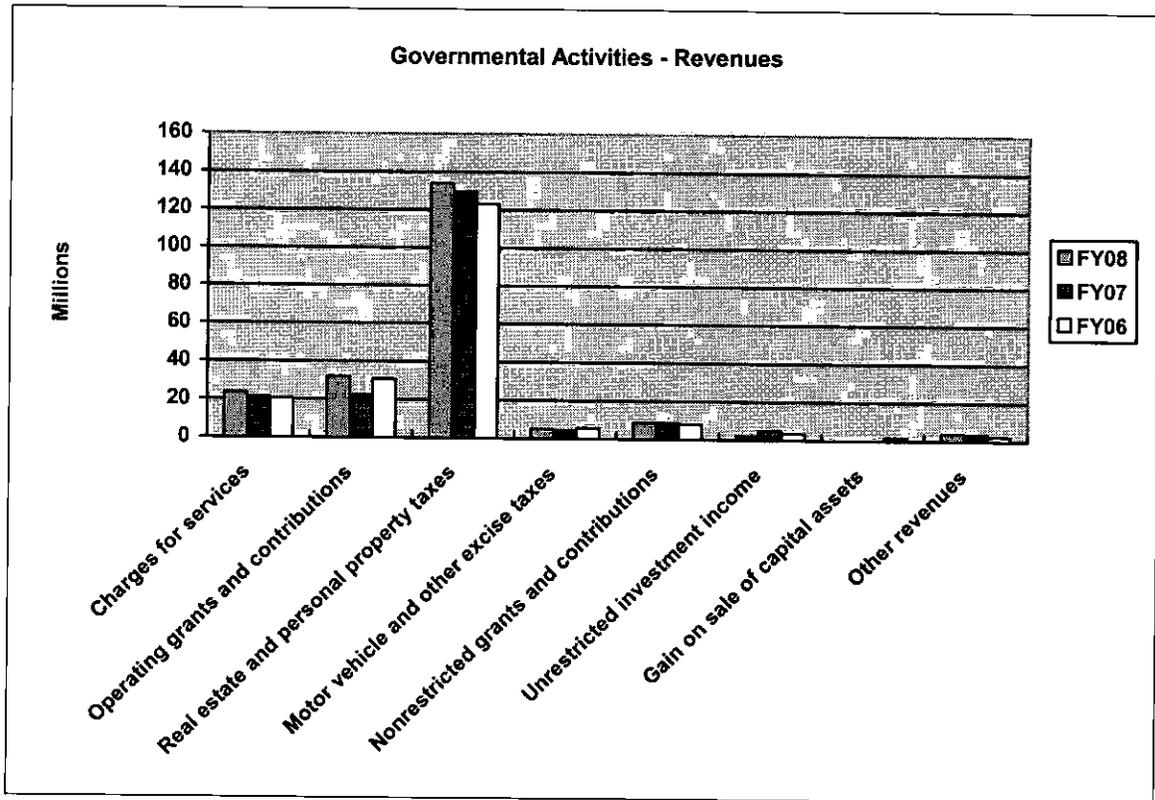
	<i>FY 2008</i> <i>Governmental</i> <i>Activities</i>	<i>FY 2007</i> <i>Governmental</i> <i>Activities</i>	<i>FY 2006</i> <i>Governmental</i> <i>Activities</i>
Program revenues:			
Charges for services.....	\$ 23,620,067	\$ 21,282,214	\$ 20,506,916
Operating grants and contributions.....	33,691,862	33,491,278	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:

	<u>FY 2008</u> <u>Business-type</u> <u>Activities</u>	<u>FY 2007</u> <u>Business-type</u> <u>Activities</u>	<u>FY 2006</u> <u>Business-type</u> <u>Activities</u>
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.....	38,734,555	39,203,435	38,596,083
Total assets.....	46,106,032	45,362,653	47,374,315
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.....	14,106,775	15,391,054	12,265,104
Total liabilities.....	17,332,692	18,096,025	20,398,482
Net Assets:			
Capital assets net of related debt.....	22,536,502	21,667,830	18,857,469
Unrestricted.....	5,886,838	5,598,798	8,118,364
Total net assets.....	28,423,340	27,266,628	26,975,833
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.....	24,235,160	23,584,790	22,113,839
Expenses:			
Golf.....	786,079	1,006,281	752,000
Water and sewer.....	20,424,357	20,029,779	17,504,969
Total expenses.....	21,210,436	21,036,060	18,256,969
Transfers In/(Out).....	(1,868,012)	(2,257,935)	(2,339,226)
Change in net assets.....	\$ 1,156,712	\$ 290,795	\$ 1,517,644

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

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.....	230,549,115	23,620,067	33,691,862	(173,237,186)
<i>Business-Type Activities:</i>				
Golf.....	786,079	1,253,066	-	466,987
Water and sewer.....	20,424,357	22,939,392	49,798	2,564,833
Total Business-Type Activities.....	21,210,436	24,192,458	49,798	3,031,820
Total Primary Government.....	\$ 251,759,551	\$ 47,812,525	\$ 33,741,660	\$ (170,205,366)

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.....	\$ <u>(173,237,186)</u>	\$ <u>3,031,820</u>	\$ <u>(170,205,366)</u>
<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>	<u>1,868,012</u>	<u>(1,868,012)</u>	<u>-</u>
Total general revenues and transfers.....	<u>155,754,898</u>	<u>(1,875,108)</u>	<u>153,879,790</u>
Change in net assets.....	(17,482,288)	1,156,712	(16,325,576)
<i>Net Assets:</i>			
Beginning of year.....	<u>190,110,020</u>	<u>27,266,628</u>	<u>217,376,648</u>
End of year.....	\$ <u><u>172,627,732</u></u>	\$ <u><u>28,423,340</u></u>	\$ <u><u>201,051,072</u></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.....	<u>(9,100,927)</u>	
Net effect of reporting long-term liabilities.....		<u>(119,434,077)</u>
Net assets of governmental activities.....		<u>\$ 172,627,732</u>

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 postbenefit 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	-
Internal balances.....	-	(350,000)	(350,000)	-
Prepaid expenses.....	2,180	132	2,312	-
Total current assets.....	7,095,181	(73,704)	7,021,477	8,292,110
NONCURRENT:				
Capital assets, net of accumulated depreciation.....	36,504,217	2,230,338	38,734,555	-
TOTAL ASSETS.....	43,599,398	2,156,634	45,756,032	8,292,110
LIABILITIES				
CURRENT:				
Warrants payable.....	12,074	7,728	19,802	52,285
Accrued liabilities.....	-	446	446	-
Accrued interest.....	163,525	6,124	169,649	-
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.....	2,906,686	210,520	3,117,206	1,275,285
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.....	13,327,191	888,295	14,215,486	493,000
TOTAL LIABILITIES.....	16,233,877	1,098,815	17,332,692	1,768,285
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.....	\$ 27,365,521	\$ 1,057,819	\$ 28,423,340	\$ 6,523,825

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	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
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
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	(1,702,633)	(165,379)	(1,868,012)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
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)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
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
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
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.....	226,678,797	4,583,216	343,973
LIABILITIES			
Warrants payable.....	89,466	-	27,252
Accrued liabilities.....	-	299,023	-
Due to other funds.....	-	-	316,721
TOTAL LIABILITIES.....	89,466	299,023	343,973
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 226,589,331	\$ 4,284,193	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

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

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Brookline, Massachusetts (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				
Overnight Repurchase Agreements (*)..	1,864,196				
Money Market Mutual Funds (*).....	374,107				
MMDT (*).....	56,089,832				
Total Investments.....	\$ 70,461,470				
(*) designates cash equivalent					
Total investments per above.....	\$ 70,461,470				
Less: cash equivalents.....	(58,328,135)				
Total Town investments.....	\$ 12,133,335				

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:

Equity Security Mutual Funds.....	\$	41,969,487
International Securities.....		48,898,172
PRIT Investments.....		89,385,897
Alternative Investments-Real Estate.....		44,497,785
Money Market Mutual Funds (*).....		<u>1,706,996</u>
 Total Investments.....	\$	<u><u>226,458,337</u></u>

(*) designates cash equivalent

Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town’s investments \$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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<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.....	225,259	-	225,259
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:

<u>Type:</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
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.....	<u>\$ 33,714,908</u>	<u>\$ 4,396,699</u>	<u>\$ 38,111,607</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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....	<u>\$ 178,551,637</u>	<u>\$ 11,248,217</u>	<u>\$ (48,038)</u>	<u>\$ 189,751,816</u>

	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.....	52,308,809	304,768	(87,517)	52,526,060
<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.....	(15,128,873)	(973,391)	80,421	(16,021,843)
Total capital assets being depreciated, net.....	\$ 37,179,936	\$ (668,623)	\$ (7,096)	\$ 36,504,217
	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.....	2,546,078	316,510	-	2,862,588
<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.....	(522,579)	(109,671)	-	(632,250)
Total capital assets being depreciated, net.....	\$ 2,023,499	\$ 206,839	\$ -	\$ 2,230,338

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.....		161,085

Total depreciation expense - governmental activities..... \$ 10,762,898

Business-Type Activities:

Water and Sewer.....	\$	973,391
Golf.....		109,671

Total depreciation expense - business-type activities..... \$ 1,083,062

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.....	165,379	-	165,379
	<u>\$ 5,404,928</u>	<u>\$ 589,428</u>	<u>\$ 5,994,356</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>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:

Fiscal Year	Principal	Interest	Total
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.....	\$ 16,198,053	\$ 3,891,684	\$ 20,089,737

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:

Purpose	Amount
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.....	\$ 13,249,065

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	-	258,518
	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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
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.