

# **Annual Report**

**TOWN OF BELLINGHAM, MASSACHUSETTS**

**For Fiscal Year Ended  
June 30, 2009**

Filing Date: March 26, 2010

TOWN OF BELLINGHAM, MASSACHUSETTS  
/s/ Marilyn Mathieu, Chief Financial Officer

# TOWN OF BELLINGHAM, MASSACHUSETTS

## General

The Town of Bellingham, which was incorporated as a town in 1719, is located in Norfolk County along the southern section of Massachusetts' new growth corridor, Interstate Route 495. It is bordered on the east by the Towns of Franklin and Wrentham, on the south by Woonsocket, Rhode Island, on the west by Blackstone, Mendon and Hopedale and on the north by Milford and Medway. Bellingham, a residential community, is located approximately 35 miles from Boston, 27 miles from Providence, and within 30 miles of Attleboro, Brockton and Worcester. The Town covers a land area of approximately 18.5 square miles and, according to the 2000 census, has a population of 15,314.

Bellingham's location 10 minutes south of the Massachusetts Turnpike (I-90) and the same distance north of Interstate 95 provides high accessibility to the entire eastern area of Massachusetts and northern Rhode Island. In addition, the Town is situated almost equidistant from Boston, Providence and Worcester, the major markets and cultural-educational-entertainment cores of southern New England.

## Local Government

The Town has a five-member Board of Selectmen and operates under an open town meeting form of government. At the Annual Town Meeting in 1993, the Town voted to adopt a charter creating the position of Town Administrator with powers to appoint various officials and direct the operations of the Town. The Charter established the position of Chief Financial Officer who directly supervises the operations of the accounting office, the Treasurer/Collector, and the office of the Board of Assessors, thereby centralizing all town financial matters. Selectmen are elected to serve three-year terms on a staggered basis.

Other elected officials include the Town Clerk and Moderator. A five-member School Committee is also elected, as is the Planning Board, Housing Authority, Library Trustees and Town Constables. Voters elect a representative to the Blackstone Valley Regional Vocational-Technical School District Committee, of which the Town is a member.

## Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Board of Selectmen	Dawn Davies, Chair	Elected	May, 2010
	Mary Chaves, Vice Chair	Elected	May, 2011
	Jerald Mayhew	Elected	May, 2011
	Skip Goodnow	Elected	May, 2012
	Michael Connor	Elected	May, 2012
Town Administrator	Denis C. Fraine	Appointed	June, 2011
Chief Financial Officer	Marilyn A. Mathieu	Appointed	June, 2011
Town Collector	Grace L. Devitt	Appointed	June, 2010
Town Treasurer	Grace L. Devitt	Appointed	June, 2010
Town Clerk	Ann Odabasian	Elected	May, 2010
Town Counsel	Jay Talerman	Appointed	June, 2010

## Municipal Services

The Town provides general governmental services for the territory within its boundaries. These services include police and fire protection, streets, water and sewer, parks and recreation, and public education in grades K through 12. The Blackstone Valley Regional Vocational-Technical School District provides vocational and technical education for grades 9 through 12.

Solid waste disposal is provided for those residents who are part of a residential curbside collection program. Participation in the program is through a user fee and is limited to residential solid waste from single family and multiple family dwellings.

Town residents are actively involved in many elected and appointed positions that also serve the Town, such as the Affordable Fair Housing Committee, an Arts Council, a Council on Aging, the Historic Commission, the Finance Committee, and a Community Development Commission.

## **Transportation**

Bellingham is conveniently located near three commercial airports: Boston (Logan International), Providence and Worcester. In addition, a private airport, Draper Airport, is five minutes from Bellingham in the adjacent Town of Hopedale.

There is no intercity or intracity bus service available in Bellingham. However, intercity carriers do serve the adjacent communities of Franklin and Milford, Massachusetts, and Woonsocket, Rhode Island. In addition, the MBTA provides weekday commuter rail service from nearby Franklin to Boston.

Rail freight service to the Bellingham area is provided by Conrail, and the Providence and Worcester Railroad has lines which extend throughout the Town.

The most important mode of transportation for Bellingham manufacturers is trucking. The Town's industrial zones are situated within a short distance of Interstate 495, and more than 30 trucking firms serve the Bellingham area. Most have terminals in the Framingham and Worcester, Massachusetts, or Providence, Rhode Island, areas. However, one firm, Truckadyne, is headquartered in Bellingham.

## **Utilities**

Phase I of the Town's Sewer Project was completed in 1990, tying the northern and central sections of Town into the Charles River Pollution Control District (CRPCD). Phase II of the Town's Sewer Project, financed by bonds dated September 15, 1994, was completed in 1994 increasing the Water and Sewer Division's operating capacity to five sewer pumping stations, sixteen miles of sewer pipes and three metering stations.

The Bellingham Water Department provides water to most Town residents and businesses. Town water is supplied from sixteen wells and is distributed to approximately 5,787 customers through a 90-mile pipe network of 6 inch to 16 inch mains. In addition, there are some 150 private wells in Bellingham.

The average daily pumping rate is 1.58 MGD, with a peak rate of 2.4 MGD. The system's storage capacity in three standpipes is 5.1 million gallons. The water supply in Bellingham is presently adequate and capacity to serve long-term growth appears to be good.

Two power companies, Boston Edison and Massachusetts Electric, supply electricity to Bellingham. The Northeast Energy Association's gas-fired co-generation plant, located in Bellingham, generates in excess of \$1,300,000 in tax revenues annually. The facility was the first new electric generation facility to be built in Massachusetts since the Pilgrim Nuclear Plant and provides approximately 10 percent of Boston Edison's current capacity. In March 2000 construction began on another gas-fired electric generation plant which was completed in 2003. The American National Power generates in excess of \$2,700,000. Tax revenues in excess of \$50 million are expected over the next 20 years from the recently completed plant. No other power plants are proposed for construction within the Town.

Bay State Gas is the provider of natural gas to the Bellingham area.

## **Education**

The Town's school system currently maintains and operates three elementary schools and a junior-senior high school, providing education from preschool through grade 12, and an educational center for students requiring special education. To meet anticipated future enrollment needs, the Town constructed a new senior high school and renovated the Middle School, at an estimated total cost of \$42.2 million. The Town believes that school capacity will be adequate for the foreseeable future. The Town is receiving state school construction grants that cover 76 percent of eligible project costs, including debt service associated with the financing of these projects.

In addition, the Town is a member of the Blackstone Valley Vocational Regional School District, which provides vocational training for students in grades 9 through 12.

## School Enrollments (1)

	Actual						Projected
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Kindergarten - 6	1,445	1,384	1,349	1,349	1,372	1,360	1,324
Grades 7 -8	432	440	442	417	386	410	426
Grades 9 -12	805	786	800	789	794	772	779
Total	<u>2,682</u>	<u>2,610</u>	<u>2,591</u>	<u>2,555</u>	<u>2,552</u>	<u>2,542</u>	<u>2,529</u>

Source: Superintendent of Schools.  
(1) As of October 1.

## Population and Income

The following table illustrates census information for the Town, the Commonwealth and the United States.

	Bellingham	Massachusetts	United States
Median Age:			
2000	36.3	36.5	35.3
1990	32.0	33.6	32.9
Median Family Income:			
2000	\$ 72,074	\$ 61,664	\$ 50,046
1990	50,681	44,367	35,225
Per Capita Income:			
2000	\$ 25,047	\$ 25,952	\$ 21,587
1990	15,869	17,224	14,420

Source: Federal Census.

## Employment by Industry

The following table presents a breakdown of the major categories of employment for the Town:

Industry	Calendar Year				
	2004	2005	2006	2007	2008
Construction	382	403	387	408	350
Manufacturing	593	619	593	582	541
Trade, Transportation & Utilities	2,314	2,436	2,741	2,614	2,568
Financial Activities	86	79	83	82	67
Professional and Business Services	213	251	254	251	263
Leisure and Hospitality	780	800	781	742	739
Other Services	221	213	203	176	160
Total Employment	<u>4,589</u>	<u>4,801</u>	<u>5,042</u>	<u>4,855</u>	<u>4,688</u>
Number of Establishments	<u>440</u>	<u>426</u>	<u>422</u>	<u>424</u>	<u>417</u>
Average Weekly Wages	<u>\$561</u>	<u>\$569</u>	<u>\$594</u>	<u>\$621</u>	<u>\$650</u>
Total Wages	<u>\$155,549,447</u>	<u>\$164,172,399</u>	<u>\$179,539,165</u>	<u>\$182,033,164</u>	<u>\$184,821,867</u>

## Major Employers

Following are the major employers in the community, excluding the Town which employs approximately 525 persons:

<u>Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Walmart	Retail	250
Dunkin Donuts	N.E. Distribution	200
Blue Linx/ABP Bellingham	Lumber Distribution	120
Home Depot	Retail	100
Market Basket	Grocery	100

Source: Chief Financial Officer.

## Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training data, in December 2009, the Town had a total labor force of 9,577 of whom 8,544 were employed and 1,033 or 10.8% were unemployed as compared to 9.1% for the Commonwealth and 7.8% for Norfolk County.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2004 through 2008 in comparison with the unemployment rates for Norfolk County, the Commonwealth and the U.S. as a whole for the same period:

<u>Calendar Year</u>	<u>Town of Bellingham</u>		<u>Unemployment Rate</u>		
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Norfolk County</u>	<u>Massachusetts</u>	<u>U.S.</u>
2008	9,632	5.7%		5.3%	5.8%
2007	9,681	4.6	3.9	4.6	4.5
2006	9,641	5.1	4.3	4.9	4.6
2005	9,514	4.5	4.1	4.8	5.2
2004	9,605	4.9	4.5	4.4	5.4

Source: Massachusetts Department of Employment and Training.

## Building Permits

<u>Calendar Year</u>	<u>Residential</u>		<u>Non-Residential</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2009	357	\$ 5,620,083	103	\$ 2,563,291	460	\$ 8,183,374
2008	412	5,706,989	122	29,552,719	534	35,259,708
2007	425	8,112,154	87	6,820,082	512	14,932,236
2006	475	15,021,344	64	4,165,816	539	19,187,150
2005	706	23,426,317	78	198,767,600(1)	784	222,193,917
2004	684	16,489,476	138	37,002,261	822	53,491,737

Source: Town of Bellingham Building Inspector.

(1) Increase due to 1,400 apartments built by JPI and a Dunkin Donuts distribution center.

## PROPERTY TAXATION

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

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

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

### Tax Levy Computation

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

	For Fiscal Year				
	2010	2009	2008	2007	2006
Gross Amount to be Raised:					
Appropriations (1)	\$ 49,871,276	\$ 50,919,770	\$ 50,131,443	\$ 49,281,806	\$ 45,940,475
Other Local Expenditures	307,557	329,083	165,494	44,504	102,113
State & County Charges	856,144	828,673	734,142	671,237	589,627
Overlay Reserve	460,610	559,401	635,368	454,888	353,996
<b>Total Gross Amount to be Raised</b>	<b>\$ 51,495,587</b>	<b>\$ 52,636,927</b>	<b>\$ 51,666,448</b>	<b>\$ 50,452,435</b>	<b>\$ 46,986,211</b>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State (2)	\$ 12,760,214	\$ 13,633,575	\$ 13,178,540	\$ 12,572,703	\$ 12,073,150
Estimated Receipts - Local	7,851,534	7,943,131	7,423,034	7,061,428	6,857,074
Available Funds Appropriated (3):					
Free Cash	951,826	476,259	1,638,400	1,350,115	1,330,036
Other Available Funds	607,211	2,395,384	2,415,267	3,150,524	2,005,932
Free Cash and Other Revenue Used to Reduce the Tax Rate	-	-	-	-	-
<b>Total Estimated Receipts &amp; Revenue</b>	<b>\$ 22,170,785</b>	<b>\$ 24,448,348</b>	<b>\$ 24,655,241</b>	<b>\$ 24,134,769</b>	<b>\$ 22,266,192</b>
<b>Net Amount to be Raised (Tax Levy)</b>	<b>\$ 29,324,802</b>	<b>\$ 28,188,579</b>	<b>\$ 27,011,207</b>	<b>\$ 26,307,666</b>	<b>\$ 24,720,018</b>
Property Valuation (000)	\$ 2,206,814	\$ 2,403,010	\$ 2,410,170	\$ 2,544,933	\$ 2,245,761
Tax Rate per \$1,000:	\$ 11.96	\$ 10.44	\$ 11.21	\$ 13.32	\$ 11.01

Source: Board of Assessors.

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

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. The Governor recently announced reductions in state local aid in fiscal 2009 and fiscal 2010. Bellingham expects to receive \$205,791 less in fiscal 2009 than when it set its tax rate and levy as shown above and \$415,637 less than the fiscal 2009 original estimate in fiscal 2010. The Town has developed plans to absorb these cuts (see "Reduction of State Aid" below).
- (3) Transfers from other available funds, including "free cash" (See "TOWN FINANCES – Free Cash"), generally made as an offset to a particular appropriation item.

## Reduction of State Aid

The Town of Bellingham has utilized various planning tools since 2007 to deal with the potential loss of state aid in fiscal 2009 through fiscal 2011. The Town Administrator and the Chief Financial Officer advised the Board of Selectmen in fiscal 2007 to adopt a policy of “non-replacement” except in critical positions or one person offices. As a result, the Town has not replaced a total of 11 employees since this policy was adopted. Most of these positions were vacated due to retirement and as a result, the Town has not had to absorb the unemployment costs as the Town is self funded.

Budgets were level-funded except for contractual obligations for fiscal 2007, fiscal 2008 and fiscal 2009. In fiscal 2010, the Town lowered the school department budget by \$600,000 and made corresponding cuts in town budgets. These cuts will result in additional employment costs as the Town is self funded as several staff positions were eliminated in the school department.

In addition, union contracts were negotiated with substantial changes to the co-pays for office visits and prescription drugs. These changes should result in savings of approximately \$300,000 for the Town’s health care costs. Several unions and all non-union personnel agreed to forgo the 3% raise for the first six months of fiscal 2010. All non-union school department personnel agreed to forgo the 3% raises for the entire fiscal 2010. These changes allowed the Town to continue operations for fiscal 2010 in spite of the state aid cuts without the use of one time revenues. The Town’s Free Cash for fiscal 2009 was used primarily for capital expenditures and to fund the snow and ice deficit. This remains the Town’s intention of the use of Free Cash for fiscal 2010.

## Assessed and Equalized Valuations

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

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

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the “equalized value”. See “DEBT LIMITS” above.

Valuation of real and personal property in Bellingham is established by the Board of Assessors. The Town underwent revaluation most recently in fiscal 2008. The 2010 assessed valuation is currently 85 percent of equalized valuation as shown below:

Fiscal Year	Assessed Valuations (1)			Official Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2010	\$1,907,972,471	\$298,841,447	\$2,206,813,918	\$2,594,856,000	85.0%
2009	2,087,507,437	315,502,242	2,403,009,679	2,594,856,000	92.6
2008	2,112,918,126	297,252,241	2,410,170,367	2,509,075,900	96.1
2007	2,156,784,841	388,148,195	2,544,933,036	2,509,075,900	101.4
2006	1,869,101,797	376,659,975	2,245,761,772	2,047,232,900	109.7

(1) Source: Board of Assessors

(2) Source: Massachusetts Department of Revenue - Equalized valuations are established as of January 1 of even-numbered years for the next two years.

## Classification of Property

The following is a breakdown by classification of the Town's assessed valuations for the following fiscal years:

	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$1,576,023,742	71.4 %	\$1,743,588,787	72.6 %	\$1,778,507,458	73.8 %
Commercial	214,819,039	9.7	230,874,073	9.6	222,389,483	9.2
Industrial	117,129,690	5.3	113,044,577	4.7	112,021,185	4.6
Personal	298,841,447	13.5	315,502,242	13.1	297,252,241	12.3
<b>Total</b>	<b>\$2,206,813,918</b>	<b>100.0 %</b>	<b>\$2,403,009,679</b>	<b>100.0 %</b>	<b>\$2,410,170,367</b>	<b>100.0 %</b>

Source: Board of Assessors

## Largest Taxpayers

Following are the largest taxpayers in the Town, based upon assessed valuations for fiscal 2010, all of whom are current in their property tax payments:

Name	Nature of Business	Fiscal 2010 Assessed Valuation	Fiscal 2010 Tax Levy	% of Net Tax Levy
American National Power (1)	Electric Generator	\$ 174,000,000	\$ 2,709,325	9.4 %
Florida Light and Power (1)	Electric Generator	77,475,000	1,318,000	4.6
151 N Main St Apt Investor LLC	Luxury Apts.	32,571,000	389,549	1.3
Charles River LLC	Shopping Center	26,458,700	444,242	1.5
Dunkin Donuts NE Dist Ctr	N.E. Distribution Center	18,797,200	315,605	1.1
Bellingham N. Main St. II LLC	Shopping Center	16,867,200	283,200	1.0
ABP MA Bellingham LLC	Lumber Distribution	16,459,000	276,347	1.0
RT Bellingham LLC	Best Buy Distribution	14,916,900	250,455	0.9
Varney Bros. Sand & Gravel	Sand and Gravel	14,129,400	218,398	0.8
Bellingham Venture LTD	Shopping Center	12,579,900	211,217	0.7
<b>Total</b>		<b>\$ 404,254,300</b>	<b>\$ 6,416,338</b>	<b>22.2 %</b>

Source: Assessors/Tax Collector.

(1) Payment in Lieu of Taxes.

## Abatements and Overlay

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

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

The following table sets forth the amount of the overlay reserve for the last five fiscal years; abatements granted during the fiscal year against that fiscal year's levy and overlay balance per fiscal year as of June 30, 2009:

<u>Fiscal Year</u>	<u>Net Tax Levy (1)</u>	<u>Overlay Reserve</u>	<u>As a % of Net Levy</u>	<u>Abatements Granted During Fiscal Year of Levy</u>
2009	\$27,629,178	\$559,401	2.0%	\$395,202
2008	26,375,838	635,368	2.5	193,785
2007	25,852,778	454,888	1.7	203,160
2006	24,366,023	353,996	1.4	182,000
2005	23,412,357	237,303	1.0	161,958

Source: Chief Financial Officer.

(1) Net of overlay reserve for abatements.

## Tax Collections

Effective for fiscal year beginning July 1, 1994, the Town of Bellingham accepted a statute providing for quarterly tax payments. Under the statute, preliminary tax payments are due on October 1 and March 1, with payments of the actual tax bill (after a credit is given for the preliminary payments) in installments on February 1 and September 1 if actual bills are mailed by December 31.

The following table sets forth the trend in the Town's tax collections:

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at FY-End (2,3)</u>
2009	\$28,188,579	\$559,401	\$27,629,178	97%
2008	27,011,207	635,368	26,375,838	97
2007	26,307,666	454,888	25,852,778	97
2006	24,720,018	353,996	24,336,023	98
2005	23,649,661	237,304	23,412,357	99

(1) Net of overlay reserve for abatements.

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

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

## Tax Titles and Possessions

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

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

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

It is the Town's practice to commence taking of real property for nonpayment of taxes within one year from the due date of the taxes.

**Taxes Outstanding**

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

<u>As of June 30</u>	<u>Aggregate Taxes Outstanding (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2009	\$576,124	\$856,059	\$254,746
2008	535,725	743,888	254,746
2007	584,852	625,352	254,746
2006	402,879	639,124	266,842
2005	373,365	627,032	204,126

Source: Chief Financial Officer.

(1) For five prior fiscal years. Excludes abated taxes; includes taxes in litigation, if any.

**Sale of Tax Receivables**

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

**Taxation to Meet Deficits**

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

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

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

**Tax Limitations**

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

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

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

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

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

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

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

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

## Unused Levy Capacity (1)

The table below sets forth the trend in the Town's primary levy limits, maximum levy limits, actual tax levies and unused levy capacity:

	For Fiscal Year				
	2010	2009	2008	2007	2006
Primary Levy Limit (2)	\$ 55,078,601	\$ 59,993,967	\$ 60,254,259	\$ 63,554,015	\$ 56,144,044
Prior Fiscal Year Levy Limit	\$ 27,179,482	\$ 26,203,421	\$ 25,255,359	\$ 23,664,737	\$ 22,541,162
2.5% Levy Growth	679,487	655,086	631,384	591,618	563,529
New Growth (3)	482,981	320,975	316,678	999,004	560,046
Overrides	-	-	-	-	-
Growth Levy Limit	28,341,950	27,179,482	26,203,421	25,255,359	23,664,737
Debt Exclusions	548,921	574,531	599,308	615,701	636,951
Capital Expenditure Exclusions	453,000	453,000	453,000	453,000	453,000
Tax Levy Limit	\$ 29,343,871	\$ 28,207,013	\$ 27,255,729	\$ 26,324,060	\$ 24,754,688
Tax Levy	29,324,802	28,188,579	27,011,207	26,307,666	24,720,018
Unused Levy Capacity (4)	\$ 19,069	\$ 18,434	\$ 244,522	\$ 16,394	\$ 34,670
Unused Primary Levy Capacity (5)	\$ 26,736,651	\$ 32,814,485	\$ 34,050,838	\$ 38,298,656	\$ 32,479,307

- (1) Source: Massachusetts Department of Revenue.  
(2) 2.5% of assessed valuation.  
(3) Allowed increase for new valuations - certified by the Department of Revenue.  
(4) Tax Levy Limit less Tax Levy.  
(5) Primary Levy Limit less Growth Levy Limit.  
(6) Other adjustments: included in Water/Sewer Revenues.

## Impact of Proposition 2 1/2

As illustrated by the table above, the Town's primary response to the fiscal constraints imposed by Proposition 2 1/2 has been to vote to exclude a significant portion of its long-term debt from Proposition 2 1/2, and to date, the Town has approved debt exclusions totaling \$18,122,000 for various purposes.

## Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislative sessions and then by the voters at a state election.

## Pledged Taxes

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

## Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAX"). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provision of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has not adopted the Community Preservation Act.

## TOWN FINANCES

### The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the Annual Town Meeting which generally takes place in May. Appropriations may also be voted at Special Town Meetings. Every town must have an appropriation, advisory, or finance committee. The Town of Bellingham's Finance Committee makes recommendations with respect to the budget of proposed expenditures which is submitted by the Board of Selectmen at the Annual Town Meeting.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

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

### Operating Budget Trends

The following table sets forth the trend in the Town's operating budgets:

	Appropriated Fiscal 2010	Appropriated Fiscal 2009	Appropriated Fiscal 2008	Appropriated Fiscal 2007	Appropriated Fiscal 2006
General Government	\$ 1,976,339	\$ 2,011,001	\$ 1,920,893	\$ 1,820,958	\$ 1,829,462
Insurance & Benefits	7,350,099	7,473,100	7,192,383	6,952,000	5,447,359
Public Safety	4,526,497	4,803,484	4,433,816	4,385,018	4,264,602
Education	22,255,030	22,708,722	22,093,252	21,656,478	20,707,917
Public Works	2,777,535	2,909,305	2,806,013	2,776,342	2,554,331
Health/Human Services	216,993	268,001	268,084	259,362	237,702
Recreation/Culture	602,367	607,367	584,071	565,800	548,642
Debt Service	5,646,113	5,699,801	5,425,000	5,425,000	5,500,000
Water/Sewer	2,814,273	2,752,575	2,337,320	2,306,650	2,119,035
Total	<u>\$ 48,165,246</u>	<u>\$ 49,233,356</u>	<u>\$ 47,060,832</u>	<u>\$ 46,147,608</u>	<u>\$ 43,209,050</u>

Source: Chief Financial Officer.

### Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. The Town has routinely exceeded its spending requirements, as mandated by the Education Reform Act.

### Capital Planning Committee

The Town has a Capital Planning Committee which reviews and updates a formalized 5-year operating and capital program on an annual basis. Upon review of the Town's needs, the Committee makes recommendations on various proposed capital projects to the Board of Selectmen based on priority.

### Revenues

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

**State Distributions:** In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate. In fiscal 2008, net distributions from the state totaled \$10,597,088. In fiscal 2009 the Town received \$9,784,204. The Town expects to receive \$10,299,052 in fiscal 2010.

In the fall of 1986, both the State Legislature (by statute, repealed as of October 15 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

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

**Reduction of State Aid:** Immediately upon learning that there would be a mid-year State Aid reduction for FY2009, the Chief Financial Officer and the Town Administrator along with the Board of Selectmen imposed a mandatory spending freeze on all departments. The spending freeze was shared equally by the general government and the school department. This action, coupled with the fact that revenue estimates for both FY2009 and FY2010 were conservative, ensured that the Town would be able to absorb the state aid loss and not experience a revenue deficit for FY2009.

The following are state aid payments received by the Town (including revenue sharing, capital project grants and education) for fiscal years 2005 through 2009 and an estimate for fiscal year 2010:

<u>Fiscal</u> <u>Year</u>	<u>State Aid</u> <u>Receipts</u>
2010(1)	\$12,760,835 (est.)
2009(1)	13,146,297
2008(1)	13,058,871
2007(2)	12,852,816
2006	12,055,875
2005	11,765,526

(1) Includes \$2,461,783 Massachusetts School Building Assistance.

(2) Includes \$267,900 Massachusetts School Building Assistance.

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

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

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

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

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

**Motor Vehicle Excise Tax:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made to decline renewal of registration and owner's operating license until excise taxes are paid. The following table presents a five-year history of motor vehicle excise tax receipts of the Town:

<u>Fiscal</u> <u>Year</u>	<u>Receipts</u>
2009	\$1,903,627
2008	2,127,333
2007	1,948,902
2006	1,987,634
2005	2,060,474

**Water and Sewer Rates and Services:** The Town provides water and sewer services to approximately 65% percent of the Town. The service is fully funded by user charges established to produce sufficient revenue to recover all costs, including debt service and administrative costs. In fiscal 2004, water and sewer were included as enterprise funds.

## **Annual Audits**

The financial statements of the Town of Bellingham are audited annually by R. E. Brown & Co., Certified Public Accountants, of Mendon, Massachusetts. For information regarding the accounting policies of the Town, please refer to the Audited Financial Statements for fiscal year ending June 30, 2009, attached hereto as Appendix A.

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

## **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007, and Statements of Revenues and Expenditures for fiscal years ended June 30, 2009, June 30, 2008, June 30, 2007, June 30, 2006 and June 30, 2005. Said statements were extracted from the audited financial statements of the Town.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2009 (1)

	General	Stabilization	Tax Stabilization	Nonmajor Governmental Funds	Totals Governmental Funds
<b>ASSETS:</b>					
Cash and short-term investments	\$ 6,053,237	\$ 893,078	\$ 83,228	\$ 4,115,929	\$ 11,145,472
Investments			1,459,328	52,642	1,511,970
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	548,985				548,985
Tax liens	856,059				856,059
Motor vehicle excise taxes	216,770				216,770
User fees				127,371	127,371
Departmental and other	41,368			233,571	274,939
Intergovernmental	30,306,132			344,826	30,650,958
Special assessments	484,824			274,383	759,207
<b>TOTAL ASSETS</b>	<b>\$38,507,375</b>	<b>\$893,078</b>	<b>\$1,542,556</b>	<b>\$5,148,722</b>	<b>\$46,091,731</b>
<b>LIABILITIES, AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,003,837			\$ 1,046	\$ 1,004,883
Accrued liabilities	908,044			144,232	1,052,276
Other liabilities	9,000				9,000
Deferred revenues	32,454,138			812,559	33,266,697
Notes payable				200,000	200,000
<b>TOTAL LIABILITIES</b>	<b>34,375,019</b>	<b>-</b>	<b>-</b>	<b>1,157,837</b>	<b>35,332,856</b>
<b>Fund Balances:</b>					
Fund Balances:					
Reserved for:					
Encumbrances and continued appropriations	1,112,295				1,112,295
Unreserved:					
Designated for subsequent year's expenditures	964,885				964,885
Undesignated, reported in:					
General fund	2,055,176				2,055,176
Special revenue funds		893,078	1,542,556	3,746,766	6,182,400
Capital projects funds				207,005	207,005
Permanent funds				37,114	37,114
<b>TOTAL FUND BALANCES</b>	<b>4,132,356</b>	<b>893,078</b>	<b>1,542,556</b>	<b>3,990,885</b>	<b>10,558,875</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 38,507,375</b>	<b>\$ 893,078</b>	<b>\$ 1,542,556</b>	<b>\$ 5,148,722</b>	<b>\$46,091,731</b>

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

**TOWN OF BELLINGHAM, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2008 (1)**

	General	Stabilization	Nonmajor Governmental Funds	Totals Governmental Funds
<b>ASSETS:</b>				
Cash and short-term investments	\$ 4,788,678	\$ 1,080,720	\$ 6,497,211	\$ 12,366,609
Investments	3,052,931	-	129,213	3,182,144
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	509,945	-	-	509,945
Tax liens	743,888	-	-	743,888
Motor vehicle excise taxes	223,787	-	-	223,787
User fees	-	-	112,118	112,118
Departmental and other	30,021	-	157,282	187,303
Intergovernmental	32,767,915	-	227,460	32,995,375
Special assessments	549,724	-	345,585	895,309
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Cash restricted	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$42,666,889</b>	<b>\$1,080,720</b>	<b>\$7,468,869</b>	<b>\$51,216,478</b>
<b>LIABILITIES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,978,590	\$ -	\$ 449,245	\$ 2,427,835
Accrued liabilities	891,522	-	144,538	1,036,060
Tax refund payable	-	-	-	-
Due to other funds	-	-	-	-
Other liabilities	9,000	-	-	9,000
Deferred revenues	34,825,280	-	738,008	35,563,288
Notes payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>37,704,392</b>	<b>-</b>	<b>1,331,791</b>	<b>39,036,183</b>
<b>Fund Balances:</b>				
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances and continued appropriations	1,798,360	-	-	1,798,360
Permanent funds	-	-	-	-
Other specific purposes	-	-	-	-
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	950,385	-	-	950,385
<b>Undesignated, reported in:</b>				
General fund	2,213,752	-	-	2,213,752
Special revenue funds	-	1,080,720	5,623,328	6,704,048
Capital projects funds	-	-	478,188	478,188
Permanent funds	-	-	35,562	35,562
<b>TOTAL FUND BALANCES</b>	<b>4,962,497</b>	<b>1,080,720</b>	<b>6,137,078</b>	<b>12,180,295</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 42,666,889</b>	<b>\$ 1,080,720</b>	<b>\$ 7,468,869</b>	<b>\$51,216,478</b>

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

**TOWN OF BELLINGHAM, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2007 (1)**

	General	Stabilization	Nonmajor Governmental Funds	Totals Governmental Funds
<b>ASSETS:</b>				
Cash and short-term investments	\$ 7,975,378	\$ 1,509,470	\$ 4,283,104	\$ 13,767,952
Investments	-	-	1,269,956	1,269,956
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	584,613	-	-	584,613
Tax liens	625,352	-	-	625,352
Motor vehicle excise taxes	214,999	-	-	214,999
User fees	-	-	88,423	88,423
Departmental and other	26,306	-	132,238	158,544
Intergovernmental	35,229,698	-	29,394	35,259,092
Special assessments	122,313	-	390,541	512,854
<b>TOTAL ASSETS</b>	<b>\$44,778,659</b>	<b>\$1,509,470</b>	<b>\$6,193,656</b>	<b>\$52,481,785</b>
<b>LIABILITIES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 738,822	\$ -	\$ 122,251	\$ 861,073
Accrued Liabilities	759,966	-	128,962	888,928
Other Liabilities	1,300,000	-	-	1,300,000
Deferred Revenue	36,803,281	-	611,202	37,414,483
Notes Payable	-	-	900,000	900,000
<b>TOTAL LIABILITIES</b>	<b>39,602,069</b>	<b>-</b>	<b>1,762,415</b>	<b>41,364,484</b>
<b>Fund Balances:</b>				
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances and continued appropriations	1,468,285	-	-	1,468,285
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	1,391,425	300,000	-	1,691,425
<b>Undesignated, reported in:</b>				
General fund	2,316,880	-	-	2,316,880
Special revenue funds	-	1,209,470	4,970,965	6,180,435
Capital projects funds	-	-	(580,992)	(580,992)
Permanent funds	-	-	33,268	33,268
<b>TOTAL FUND BALANCES</b>	<b>5,176,590</b>	<b>1,509,470</b>	<b>4,423,241</b>	<b>11,109,301</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 44,778,659</b>	<b>\$ 1,509,470</b>	<b>\$ 6,193,656</b>	<b>\$52,481,785</b>

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

**TOWN OF BELLINGHAM, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2006 (1)**

	General	Stabilization	Nonmajor Governmental Funds	Totals Governmental Funds
<b>ASSETS:</b>				
Cash and short-term investments	\$ 5,822,318	\$ 1,956,248	\$ 4,822,218	\$ 12,600,784
Investments	102,006	-	1,079,710	1,181,716
Receivables, net of allowance for uncollectibles:				-
Real estate and personal property taxes	402,879	-	-	402,879
Tax liens	639,124	-	-	639,124
Motor vehicle excise taxes	186,000	-	-	186,000
User fees	-	-	87,416	87,416
Departmental and other	20,575	-	143,753	164,328
Intergovernmental	36,970,844	-	691,032	37,661,876
Special assessments	171,110	-	343,388	514,498
<b>TOTAL ASSETS</b>	<b>\$44,314,856</b>	<b>\$1,956,248</b>	<b>\$7,167,517</b>	<b>\$53,438,621</b>
<b>LIABILITIES, EQUITY AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 612,427	\$ -	\$ 200,202	\$ 812,629
Accrued Liabilities	659,079	-	-	659,079
Deferred Revenue	38,390,532	-	1,188,067	39,578,599
<b>TOTAL LIABILITIES</b>	<b>39,662,038</b>	<b>-</b>	<b>1,388,269</b>	<b>41,050,307</b>
<b>FUND EQUITY:</b>				
Fund Balances:				
Reserved for:				
Encumbrances and continued appropriations	1,451,540	-	-	1,451,540
Unreserved:				
Designated for subsequent year's expenditures	1,056,105	1,000,000	-	2,056,105
Undesignated, reported in:				
General fund	2,145,173	-	-	2,145,173
Special revenue funds	-	956,248	4,999,116	5,955,364
Capital projects funds	-	-	749,160	749,160
Permanent funds	-	-	30,972	30,972
<b>TOTAL FUND EQUITY</b>	<b>4,652,818</b>	<b>1,956,248</b>	<b>5,779,248</b>	<b>12,388,314</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 44,314,856</b>	<b>\$ 1,956,248</b>	<b>\$ 7,167,517</b>	<b>\$53,438,621</b>

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

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2009(1)**

	General	Stabilization	Tax Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes					
Net of Tax Refunds	\$ 27,894,044				\$ 27,894,044
Motor Vehicle and Other Excise Taxes	1,903,627				1,903,627
Penalties and Interest on Taxes	164,302				164,302
Intergovernmental	16,343,142			3,107,372	19,450,514
Charges for Services				2,369,315	2,369,315
Charges for Services - Sewer				666,235	666,235
Investment Income	213,239	12,358	50,618	14,998	291,213
Contributions and Donations				151,768	151,768
Departmental	1,351,431			492,566	1,843,997
<b>Total Revenues</b>	<b><u>47,869,785</u></b>	<b><u>12,358</u></b>	<b><u>50,618</u></b>	<b><u>6,802,254</u></b>	<b><u>54,735,015</u></b>
<b>EXPENDITURES</b>					
Current:					
General Government	2,412,549			304,339	2,716,888
Public Safety	4,732,650			281,475	5,014,125
Education	22,469,280			4,082,797	26,552,077
Public Works	2,804,373			677,170	3,481,543
Sewer				719,821	719,821
Human Services	272,039			416,387	688,426
Culture and Recreation	619,042			217,519	836,561
Employee Benefits	10,046,218			500,000	10,546,218
State and County Assessments	850,467				850,467
Debt Service					
Principal	3,057,880				3,057,880
Interest	1,955,270				1,955,270
<b>Total Expenditures</b>	<b><u>49,219,768</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>7,199,508</u></b>	<b><u>56,419,276</u></b>
Excess (Deficiency) of Revenues over Expenditures	(1,349,983)	12,358	50,618	(397,254)	(1,684,261)
Other Financing Sources Uses					
Proceeds from Bonds and Notes				220,000	220,000
Transfers in	852,251			35,000	887,251
Transfers out	(332,409)	(200,000)		(512,001)	(1,044,410)
<b>Total Other Financing Sources (Uses)</b>	<b><u>519,842</u></b>	<b><u>(200,000)</u></b>	<b><u>-</u></b>	<b><u>(257,001)</u></b>	<b><u>62,841</u></b>
Net Change in Fund Balances	(830,141)	(187,642)	50,618	(654,255)	(1,621,420)
Fund Balances at Beginning of Year	4,962,497	1,080,720	1,491,938	4,645,140	12,180,295
Fund Balances at End of Year	<b><u>\$ 4,132,356</u></b>	<b><u>\$ 893,078</u></b>	<b><u>\$ 1,542,556</u></b>	<b><u>\$ 3,990,885</u></b>	<b><u>\$ 10,558,875</u></b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2008(1)**

	General	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes				
Net of Tax Refunds	\$ 27,046,138	\$ -	\$ -	\$ 27,046,138
Motor Vehicle and Other Excise Taxes	2,127,333	-	-	2,127,333
Penalties and Interest on Taxes	159,643	-	-	159,643
Intergovernmental	16,754,285	-	2,347,247	19,101,532
Charges for Services	-	-	2,469,492	2,469,492
Charges for Services - Sewer	-	-	705,415	705,415
Investment Income	426,527	56,250	108,981	591,758
Contributions and Donations	-	-	460,192	460,192
Departmental	1,169,695	-	648,445	1,818,140
Total Revenues	<u>47,683,621</u>	<u>56,250</u>	<u>6,739,772</u>	<u>54,479,643</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,427,553	-	636,563	3,064,116
Public Safety	4,592,895	-	86,071	4,678,966
Education	22,103,550	-	3,380,238	25,483,788
Public Works	2,411,818	-	1,333,528	3,745,346
Sewer	-	-	594,839	594,839
Human Services	263,001	-	171,256	434,257
Culture and Recreation	603,752	-	127,875	731,627
Employee Benefits	10,563,837	-	23,600	10,587,437
State and County Assessments	824,031	-	-	824,031
Capital Outlay	-	-	-	-
Debt Service				
Principal	2,845,049	-	-	2,845,049
Interest	2,063,722	-	-	2,063,722
Total Expenditures	<u>48,699,208</u>	<u>-</u>	<u>6,353,970</u>	<u>55,053,178</u>
Excess (Deficiency) of Revenues over Expenditures	(1,015,587)	56,250	385,802	(573,535)
Other Financing Sources Uses				
Proceeds from Bonds and Notes	-	-	1,863,000	1,863,000
Proceeds from Refunding Bonds	-	-	-	-
Premium from Issuance of Refunding Bonds	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-
Operating Transfers in	1,683,965	300,000	216,000	2,199,965
Operating Transfers out	(882,471)	(785,000)	(758,965)	(2,426,436)
Total Other financing Sources (Uses)	<u>801,494</u>	<u>(485,000)</u>	<u>1,320,035</u>	<u>1,636,529</u>
Net Change in Fund Balances	<u>(214,093)</u>	<u>(428,750)</u>	<u>1,705,837</u>	<u>1,062,994</u>
Fund Balances at Beginning of Year	5,176,590	1,509,470	4,431,241	11,117,301
Fund Balances at End of Year	<u>\$ 4,962,497</u>	<u>\$ 1,080,720</u>	<u>\$ 6,137,078</u>	<u>\$ 12,180,295</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2007 (1)**

	General	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes				
Net of Tax Refunds	\$ 26,026,975	\$ -	\$ -	\$ 26,026,975
Motor Vehicle and Other Excise Taxes	1,948,902	-	-	1,948,902
Penalties and Interest on Taxes	134,794	-	-	134,794
Intergovernmental	16,378,615	-	2,664,307	19,042,922
Charges for Services	-	-	2,242,087	2,242,087
Charges for Services - Sewer	-	-	585,507	585,507
Investment Income	558,084	54,050	115,590	727,724
Contributions and Donations	-	-	244,101	244,101
Departmental	1,625,894	-	529,188	2,155,082
<b>Total Revenues</b>	<u>46,673,264</u>	<u>54,050</u>	<u>6,380,780</u>	<u>53,108,094</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,457,226	-	782,271	3,239,497
Public Safety	4,227,450	-	145,620	4,373,070
Education	21,791,971	-	3,209,713	25,001,684
Public Works	1,995,089	-	2,155,195	4,150,284
Sewer	-	-	576,013	576,013
Human Services	250,274	-	158,910	409,184
Culture and Recreation	662,840	-	119,531	782,371
Employee Benefits	10,092,339	-	23,600	10,115,939
State and County Assessments	669,369	-	-	669,369
Debt Service				
Principal	2,789,183	-	-	2,789,183
Interest	2,121,250	-	-	2,121,250
<b>Total Expenditures</b>	<u>47,056,991</u>	<u>-</u>	<u>7,170,853</u>	<u>54,227,844</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(383,727)</b>	<b>54,050</b>	<b>(790,073)</b>	<b>(1,119,750)</b>
Other Financing Sources Uses				
Operating Transfers In	1,949,034	499,172	306,100	2,754,306
Operating Transfers out	(1,041,535)	(1,000,000)	(864,034)	(2,905,569)
<b>Total Other financing Sources (Uses)</b>	<u>907,499</u>	<u>(500,828)</u>	<u>(557,934)</u>	<u>(151,263)</u>
<b>Net Change in Fund Balances</b>	<u>523,772</u>	<u>(446,778)</u>	<u>(1,348,007)</u>	<u>(1,271,013)</u>
Fund Balances at Beginning of Year	4,652,818	1,956,248	5,779,248	12,388,314
<b>Fund Balances at End of Year</b>	<u>\$ 5,176,590</u>	<u>\$ 1,509,470</u>	<u>\$ 4,431,241</u>	<u>\$ 11,117,301</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2006 (1)**

	<u>General</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real Estate and Personal Property Taxes				
Net of Tax Refunds	\$ 24,558,779	\$ -	\$ -	\$ 24,558,779
Motor Vehicle and Other Excise Taxes	1,987,634	-	-	1,987,634
Penalties and Interest on Taxes	174,661	-	-	174,661
Intergovernmental	15,295,673	-	2,297,646	17,593,319
Charges for Services	-	-	2,307,595	2,307,595
Charges for Services - Sewer	-	-	573,195	573,195
Investment Income	480,533	70,233	58,481	609,247
Contributions and Donations	-	-	363,202	363,202
Departmental	1,249,003	-	239,586	1,488,589
Total Revenues	<u>43,746,283</u>	<u>70,233</u>	<u>5,839,705</u>	<u>49,656,221</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,306,456	-	1,877,408	4,183,864
Public Safety	4,366,498	-	91,982	4,458,480
Education	20,797,308	-	3,449,063	24,246,371
Public Works	1,936,894	-	1,111,606	3,048,500
Sewer	-	-	853,852	853,852
Human Services	241,216	-	110,696	351,912
Culture and Recreation	552,427	-	72,883	625,310
Employee Benefits	8,031,316	-	-	8,031,316
State and County Assessments	644,627	-	-	644,627
Debt Service				-
Principal	2,739,298	-	-	2,739,298
Interest	2,265,375	-	-	2,265,375
Total Expenditures	<u>43,881,415</u>	<u>-</u>	<u>7,567,490</u>	<u>51,448,905</u>
Excess (Deficiency) of Revenues over Expenditures	(135,132)	70,233	(1,727,785)	(1,792,684)
Other Financing Sources Uses				
Proceeds from Bonds and Notes	-	-	300,000	300,000
Operating Transfers In	250,117	125,000	410,461	785,578
Operating Transfers out	(855,041)	(75,000)	(90,117)	(1,020,158)
Total Other financing Sources (Uses)	<u>(604,924)</u>	<u>50,000</u>	<u>620,344</u>	<u>65,420</u>
Net Change in Fund Balances	<u>(740,056)</u>	<u>120,233</u>	<u>(1,107,441)</u>	<u>(1,727,264)</u>
Fund Balances at Beginning of Year	<u>5,392,874</u>	<u>1,836,015</u>	<u>6,886,689</u>	<u>14,115,578</u>
Fund Balances at End of Year	<u>\$ 4,652,818</u>	<u>\$ 1,956,248</u>	<u>\$ 5,779,248</u>	<u>\$ 12,388,914</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2005 (1)**

	<u>General</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real Estate and Personal Property Taxes				
Net of Tax Refunds	\$ 23,461,530	\$ -	\$ -	\$ 23,461,530
Motor Vehicle and Other Excise Taxes	2,019,624	-	-	2,019,624
Penalties and Interest on Taxes	127,987	-	-	127,987
Intergovernmental	14,582,531	-	2,475,139	17,057,670
Charges for Services	-	-	2,588,993	2,588,993
Charges for Services - Sewer	-	-	543,715	543,715
Investment Income	217,496	45,092	31,730	294,318
Contributions and Donations	-	-	343,793	343,793
Departmental	1,852,324	-	332,278	2,184,602
Total Revenues	<u>42,261,492</u>	<u>45,092</u>	<u>6,315,648</u>	<u>48,622,232</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,564,529	-	2,342,788	4,907,317
Public Safety	4,171,880	-	176,800	4,348,680
Education	20,003,031	-	3,251,978	23,255,009
Public Works	2,225,136	-	602,143	2,827,279
Sewer	-	-	505,164	505,164
Human Services	238,103	-	146,383	384,486
Culture and Recreation	539,319	-	77,351	616,670
Employee Benefits	7,345,605	-	-	7,345,605
State and County Assessments	573,829	-	-	573,829
Debt Service				-
Principal	2,609,953	-	-	2,609,953
Interest	2,238,764	-	-	2,238,764
Total Expenditures	<u>42,510,149</u>	<u>-</u>	<u>7,102,607</u>	<u>49,612,756</u>
Excess (Deficiency) of Revenues over Expenditures	(248,657)	45,092	(786,959)	(990,524)
Other Financing Sources Uses				
Proceeds from Bonds and Notes	-	-	2,438,000	2,438,000
Operating Transfers In	1,255,276	350,000	478,136	2,083,412
Operating Transfers out	(1,247,511)	(600,000)	(570,276)	(2,417,787)
Total Other financing Sources (Uses)	<u>7,765</u>	<u>(250,000)</u>	<u>2,345,860</u>	<u>2,103,625</u>
Net Change in Fund Balances	<u>(240,862)</u>	<u>(204,908)</u>	<u>1,558,903</u>	<u>1,113,133</u>
Fund Balances at Beginning of Year	<u>5,633,766</u>	<u>2,040,923</u>	<u>5,327,786</u>	<u>13,002,475</u>
Fund Balances at End of Year	<u>\$ 5,392,874</u>	<u>\$ 1,836,015</u>	<u>\$ 6,886,689</u>	<u>\$ 14,115,578</u>

(1) Extracted from the Town's audited financial statements.

## Undesignated General Fund Balances and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

The following table sets forth the undesignated general fund balances and certified free cash of the Town for the past five fiscal years:

<u>Year</u>	<u>Undesignated General Fund Balance as of June 30 (1)</u>	<u>Certified Free Cash as of July 1 (2)</u>
2009	\$2,055,176	\$1,203,914
2008	2,213,752	1,233,181
2007	2,316,880	1,735,054
2006	2,145,173	1,286,512
2005	2,122,378	1,333,490

(1) Source: Audited Financial Statements.

(2) Certified by the Massachusetts Department of Revenue. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

## Stabilization Fund

In fiscal 1994, the Town voted to create and maintain a stabilization fund which is accounted for in the Trust Funds. The Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any municipal purpose. As of June 30, 2007 and 2008, the balance in the Stabilization Fund was \$1,509,470 and \$780,720, respectively. The Stabilization Fund was \$893,078 as of June 30, 2009.

## Additional Reserve Funds

The Town maintains several additional reserve funds. The Tax Stabilization Fund, which had a balance of \$1,018,304 at June 30, 2006, \$1,300,000 at June 30, 2007, \$1,414,357 at June 30, 2008 and \$1,542,555 at June 30, 2009, was created to mitigate the impact of the decommissioning of the electric generating plants which is expected in 20 to 30 years. The Capital Investment Fund, which had a balance of \$443,428 at June 30, 2006, \$442,000 at June 30, 2007, \$478,746 at June 30, 2008 and \$484,523 at June 30, 2009, was created to fund future capital projects. The Town also maintains a Compensated Absences Fund which had a balance of \$112,772 at June 30, 2006, \$142,000 at June 30, 2007, \$49,930 at June 30, 2008 and \$189 at June 30, 2009 and a Retirement Reserve Fund which had a balance of \$259,459 at June 30, 2006, \$294,000 at June 30, 2007, \$388,774 at June 30, 2008 and \$395,088 at June 30, 2009.

## Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

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

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

The Town has a written investment policy that has been presented to and adopted by the Board of Selectmen at a public meeting.

### **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has established no such district.

## INDEBTEDNESS

### Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for some purposes require State administrative approval.

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

### Debt Limits

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

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

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

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

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

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

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

The Town of Bellingham has not borrowed against current revenue since fiscal 1994 and does not anticipate the need to do so in fiscal 2010.

**DIRECT DEBT SUMMARY (1)  
AS OF JUNE 30, 2009**

**Long Term Indebtedness (2)**

Within the General Debt Limit:		
Schools	\$ 352,600	
Sewers & Drains	1,244,205	
Other Building	1,515,000	
Street Sidewalks & Parking	1,125,000	
Departmental Equipment	585,000	
Land Acquisition	<u>1,270,000</u>	
Total Within the General Debt Limit		\$ 6,091,805
Outside the General Debt Limit:		
Sewers	\$ 1,513,400	
Schools	30,535,000	
Water	3,832,659	
Other	<u>760,662</u>	
Total Outside the General Debt Limit		\$ 36,641,721
Short Term Indebtedness		
Bond Anticipation Notes Outstanding	<u>\$ -</u>	
Total Current Indebtedness		<u>\$ 42,733,526</u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.  
(2) Based on the Town's equalized valuation of \$2,594,856,000 effective January 1, 2008, its normal general debt limit is \$129,742,800 and its double general debt limit is \$259,485,600. (See "Debt Limits," above.)

**Key Debt Ratios**

	As of June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Amount (1)	\$ 42,733,526	\$ 46,078,379	\$ 45,185,612	\$ 48,379,667	\$ 51,230,565
Per Capita (2)	\$ 2,790.49	\$ 3,008.91	\$ 2,950.61	\$ 3,065.11	\$ 3,245.73
Percent of Assessed Valuation (3)	1.78%	1.91%	1.78%	2.15%	2.51%
Percent of Equalized Valuation (4)	1.65%	1.84%	1.80%	2.36%	2.50%
Per Capita as a Percent of Personal Income Per Capita	11.14%	12.01%	11.78%	12.24%	12.96%

- (1) Excludes temporary loans, lease purchase obligations, overlapping debt and unfunded pension liability.  
(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.  
(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.  
(4) Source: Massachusetts Department of Revenue. (Equalized valuation in effect for that fiscal year.)

## Annual Debt Service as of June 30, 2009 (1)

Fiscal Year	Outstanding(2)		Less	Less	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest	State School Construction Aid	MMPAT Subsidies		
2010	\$ 3,677,935	\$ 1,969,609	\$ (2,430,318)	\$ (36,112)	\$ 3,181,114	11.9 %
2011	3,734,118	1,814,707	(2,430,318)	(33,486)	3,085,021	23.5
2012	3,594,630	1,648,066	(2,430,318)	(10,750)	2,801,628	33.9
2013	3,284,334	1,496,656	(2,430,318)	(9,680)	2,340,992	42.7
2014	3,269,582	1,351,667	(2,430,318)	(8,591)	2,182,340	50.9
2015	3,315,582	1,200,847	(2,430,318)	(7,484)	2,078,628	58.7
2016	2,940,393	1,046,440	(2,430,318)	(6,407)	1,550,107	64.5
2017	3,050,393	906,808	(2,430,318)	(5,335)	1,521,547	70.2
2018	3,135,393	760,137	(2,430,318)	(4,237)	1,460,975	75.6
2019	3,255,393	607,190	(2,430,318)	(3,140)	1,429,125	81.0
2020	3,395,393	448,366	(2,430,318)	(2,056)	1,411,385	86.3
2021	3,529,972	282,770	(2,430,318)	(1,270)	1,381,154	91.4
2022	1,220,204	109,735	(516,059)	(765)	813,115	94.5
2023	325,204	52,125	-	(255)	377,074	95.9
2024	315,000	39,450	-	-	354,450	97.2
2025	315,000	26,960	-	-	341,960	98.5
2026	175,000	14,400	-	-	189,400	99.2
2027	100,000	8,000	-	-	108,000	99.6
2028	100,000	4,000	-	-	104,000	100.0
<b>Total</b>	<b>\$ 42,733,526</b>	<b>\$ 13,787,932</b>	<b>\$ (29,679,875)</b>	<b>\$ (129,567)</b>	<b>\$ 26,712,017</b>	

(1) Excludes the refunding bonds, short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) As of June 30, 2009, principal totaling \$2,655,403 and interest totaling \$261,463 are exempt from the provisions of Proposition 2 1/2.

## Authorized Unissued Debt and Prospective Financing

The Town has \$520,750 of authorized unissued debt, as follows:

Purpose	Date Authorized	Amount
Remediated Sewers	05/14/95	\$ 50,000
Water Mains	10/12/05	270,000
Remediated Sewers	05/23/07	200,000
Keough Roof Replace	10/10/07	750
<b>Total</b>		<b>\$ 520,750</b>

## Overlapping Debt (1)

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

	Outstanding Bonded Debt as of 6/30/09	Bellingham's 2009 Total Assessment and Estimated Share	
		\$	%
Norfolk County (2)	\$1,000,000	\$102,239	2.08%
Blackstone Valley Regional Vocational-Technical School District (3)	\$6,490,000	761,236	4.90%

- (1) Dollar assessment based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: County Treasurer's Office. Debt is as of 6/30/09. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire Counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.
- (3) Source: District Treasurer's Office. The operating expenses of regional school districts, including debt service when applicable, are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993. The outstanding bonded debt of the District consists of two bond issues for which the Town is assessed at different rates, as shown above. The District has authorized \$36,000,000 Bonds for adding to and equipping the District High School.

## Contractual Obligations

Obligations to make payments on account of municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town has general statutory authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally will be expressly subject to availability and appropriations of funds. Specific authority exists in relatively few cases for long-term contractual obligations that are not subject to annual appropriations, including contracts for refuse disposal (20 year maximum term). Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

The Town presently has the following material contracts in effect:

<u>Company Name</u>	<u>Nature of Service</u>	<u>Contract Expires</u>	<u>Estimated Annual Cost Fiscal 2010</u>
B.F.I.	Solid Waste Transfer	2015	\$730,000
Semass	Solid Waste Disposal	2010	695,000
Charles River Pollution Control District	Wastewater Treatment	2018	236,650
Woonsocket Wastewater	Wastewater Treatment	2018	198,715

## RETIREMENT SYSTEM

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefor could, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and could extend such schedule by one year, provided that in no event could such funding schedule extend beyond June 30, 2028.

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

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

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

<u>Fiscal Year</u>	<u>Contributory</u>
2010	\$1,664,852 (budget)
2009	1,594,595
2008	1,379,759
2007	1,365,000
2006	1,233,359
2005	1,041,020

Source: Chief Financial Officer.

Under recent legislation, cost-of-living adjustments (COLA) for each local retirement system would be granted and funded only by the local system and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked. The Norfolk County Retirement System has voted to accept this legislation.

### **Other Post-Employment Benefits**

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

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The Town performed an actuarial valuation of its non-pension, post-employment benefit liability. As of July 1, 2008, the actuarial liability for benefits was \$28,881,000. The Town's annual required contribution is \$2,956,183 and the Town's fiscal year 2009 net pay-as you-go cost was \$4,408,887. The Town is currently exploring adopting legislation that would allow the creation of an irrevocable trust fund for OPEB benefits. The Town currently has \$478,904 in a Retirement Reserve Trust that could be transferred to the OPEB Trust Fund to being funding.

## COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Provisions for compulsory arbitration for labor disputes involving firefighters and police officers were repealed by the Proposition 2 1/2 legislation.

The Town employs approximately 778 persons on a full or part-time basis, including those in the School Department. Approximately 57 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires (1)</u>
Firefighters	International Association of Firefighters (Local 2071)	20	6/30/11
Public Works	AFSCME Council 93, Local 747	19	6/30/11
Town Hall	AFSCME Council 93, Local 747	30	6/30/11
Police Officers	Bellingham Police Federation	27	6/30/11
Town Department Heads	Bellingham Professional Association	11	6/30/11
School Department:			
Teachers	Bellingham Teachers' Association	223	6/30/11
Nurses	Bellingham Teachers' Association	6	6/30/11
Clerks, Custodians, Cafeteria	AFSCME, Local 747	62	6/30/09
Teachers Aides	AFSCME, Local 747	<u>42</u>	6/30/09
	Total	440	

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(1) Expired contracts are in negotiation.

## LITIGATION

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

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TOWN OF BELLINGHAM, MASSACHUSETTS  
/s/ Marilyn Mathieu, Chief Financial Officer

March 26, 2010