

**TOWN OF BELLINGHAM, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Bellingham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Bellingham, Massachusetts as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Bellingham, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bellingham, Massachusetts, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the Town of Bellingham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **9**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **55** through **56** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it

*R. E. Brown & Company*

January 29, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bellingham (the Town), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in this report.

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

***Government-wide Financial Statements*** - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the Town include the broad functions of general government, public safety, education, public works, sewer, human services, culture and recreation, pension benefits, employee benefits, interest and state and county charges. The business type activities include costs relating to water and sanitation activities.

***Fund Financial Statements*** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds*** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Bellingham adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

*Proprietary Funds* - *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has two enterprise funds:

- *Water Enterprise Fund* accounts for the water activity of the Town.
- *Trash (Sanitation) Enterprise Fund* accounts for the trash collection and disposal activities of the Town.

*Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* included in the government-wide financial statements because the resources of the funds are *not* available to support the Town's own functions and activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

Private-purpose trust funds and agency funds are each reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

*Notes to the basic financial statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

***Government-wide Financial Analysis:***

The chart on the following page summarizes key financial components of the Town's Statement of Net Assets.

Net assets of \$35.2 million reflect the Town's investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that remain outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities. Total net assets decreased from \$83.7 to \$82.9 million from the prior fiscal year, a decrease of \$772,157. Of this change in net assets, a decrease of \$1,377,157 was attributable to governmental activities and an increase of \$605,000 was attributable to business-type activities. A decrease in net assets means that the change in total liabilities exceeded the change in total assets. An increase in net assets means that the change in total assets exceeded the change in total liabilities.

The Town increased its total liabilities by \$1,185,396 million over the previous fiscal year. Correspondingly, the Town's total assets increased by \$413,239 thousand over the previous year.

An additional portion of the Town's net assets totaling \$5.6 million represents resources that are subject to external restrictions on how they may be used. The restricted net assets relate to government activities.

**Town of Bellingham - Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
	<b>Assets:</b>					
Current assets	\$23,671,276	\$22,000,214	\$ 1,994,029	\$ 1,366,404	\$25,665,305	\$ 23,366,618
Noncurrent assets (excluding capital)	31,115,186	33,129,684	-	-	31,115,186	33,129,684
Capital assets	66,845,648	67,226,336	13,969,569	13,459,831	80,815,217	80,686,167
<b>Total assets</b>	<u>121,632,110</u>	<u>122,356,234</u>	<u>15,963,598</u>	<u>14,826,235</u>	<u>137,595,708</u>	<u>137,182,469</u>
<b>Liabilities:</b>						
Current liabilities (excluding debt)	4,855,334	4,569,112	276,595	260,048	5,131,929	4,829,160
Noncurrent liabilities (excluding debt)	3,379,469	1,130,609	88,000	82,000	3,467,469	1,212,609
Current debt	3,057,880	3,745,049	506,973	1,755,184	3,564,853	5,500,233
Noncurrent debt	38,655,867	39,850,747	3,857,659	2,099,632	42,513,526	41,950,379
<b>Total liabilities</b>	<u>49,948,550</u>	<u>49,295,517</u>	<u>4,729,227</u>	<u>4,196,864</u>	<u>54,677,777</u>	<u>53,492,381</u>
<b>Net Assets:</b>						
Capital assets net of related debt	25,610,089	23,949,548	9,604,937	9,605,015	35,215,026	33,554,563
Restricted	5,658,890	5,012,233	-	-	5,658,890	5,012,233
Unrestricted	40,414,581	44,098,936	1,629,434	1,024,356	42,044,015	45,123,292
<b>Total net assets</b>	<u>\$ 71,683,560</u>	<u>\$ 73,060,717</u>	<u>\$ 11,234,371</u>	<u>\$ 10,629,371</u>	<u>\$ 82,917,931</u>	<u>\$ 83,690,088</u>

The remaining balance of unrestricted net assets totaling \$42.0 million – or 51% of total net assets may be used to meet the Town's on-going obligations to its citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$605,000 in net assets reported in connection with the water and sanitation business-type activities. This \$605,000 change in net assets is attributable to budgeting revenues sufficient to cover current operational costs.

The governmental activities net assets decreased by \$1,377,157 during the current fiscal year. The Town's total revenues increased by \$2.9 million or 5.0% over the prior fiscal year, which was related to both governmental and business type activities. The biggest contributors to the revenue increase were property taxes (\$894,537) and business-type activities charges for services (\$786,655). The Town's total expenses increased by \$4.5 million over the prior fiscal year or 8.2%. The largest contributors to the expense increase were employee benefits (\$3.3 million) and public works (\$0.6 million).

**Town of Bellingham - Condensed Statement of Activities**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Primary</b>	
	<b>FY 2008</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2007</b>
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 6,699,825	\$ 6,111,654	\$ 3,607,979	\$ 2,821,324	\$ 10,307,804	\$ 8,932,978
Operating grants and contributions	15,451,179	14,183,396	26,152	57,232	15,477,331	14,240,628
Capital grants and contributions	865,926	1,356,161	-	-	865,926	1,356,161
<i>General Revenues:</i>						
Real Estate and personal property taxes	27,090,483	26,195,946	-	-	27,090,483	26,195,946
Motor vehicle and other excise taxes	2,136,121	1,977,901	-	-	2,136,121	1,977,901
Nonrestricted grants and contributions	2,229,308	2,251,155	-	-	2,229,308	2,251,155
Unrestricted investment income	582,444	714,734	-	-	582,444	714,734
Other revenues	177,394	319,520	-	-	177,394	319,520
<b>Total Revenues</b>	<b>55,232,680</b>	<b>53,110,467</b>	<b>3,634,131</b>	<b>2,878,556</b>	<b>58,866,811</b>	<b>55,989,023</b>
<b>Expenses:</b>						
General Government	3,004,221	3,087,914	-	-	3,004,221	3,087,914
Public Safety	4,334,290	4,449,101	-	-	4,334,290	4,449,101
Education	27,167,188	26,633,814	-	-	27,167,188	26,633,814
Public Works	2,886,956	2,289,951	-	-	2,886,956	2,289,951
Sewer	594,839	576,013	-	-	594,839	576,013
Human Services	445,452	452,248	-	-	445,452	452,248
Culture and Recreation	675,681	789,923	-	-	675,681	789,923
Employee Benefits	14,434,619	11,127,548	-	-	14,434,619	11,127,548
State and County Assessments	824,031	669,369	-	-	824,031	669,369
Interest	2,016,089	2,092,538	-	-	2,016,089	2,092,538
Water	-	-	1,798,700	1,742,746	1,798,700	1,742,746
Sanitation	-	-	1,456,902	1,196,802	1,456,902	1,196,802
<b>Total Expenses</b>	<b>56,383,366</b>	<b>52,168,419</b>	<b>3,255,602</b>	<b>2,939,548</b>	<b>59,638,968</b>	<b>55,107,967</b>
<b>Transfers</b>	<b>(226,471)</b>	<b>(151,263)</b>	<b>226,471</b>	<b>151,263</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,377,157)</b>	<b>790,785</b>	<b>605,000</b>	<b>90,271</b>	<b>(772,157)</b>	<b>881,056</b>
<b>Net Assets - beginning</b>	<b>73,060,717</b>	<b>72,269,932</b>	<b>10,629,371</b>	<b>10,539,100</b>	<b>83,690,088</b>	<b>82,809,032</b>
<b>Net Assets - ending</b>	<b>\$ 71,683,560</b>	<b>\$ 73,060,717</b>	<b>\$ 11,234,371</b>	<b>\$ 10,629,371</b>	<b>\$ 82,917,931</b>	<b>\$ 83,690,088</b>

The water and sanitation business-type activities revenues and expenses did materially change from the previous fiscal year due to the increased revenue in charges for services.

### ***Financial Analysis of the Governmental Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$12.2 million, an increase of approximately of \$1.1 million in comparison with the prior year. Approximately \$9.4 million of this amount constitutes *undesignated fund balance*, which is available for spending at the Town's discretion.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.2 million, while the total fund balance was \$5.0 million. Unreserved fund balance represents 6.5% of total general fund expenditures.

General fund revenues for FY 2008 were \$47.7 million with property taxes (\$27.0 million) and intergovernmental (\$16.7 million) the major components of the Town's revenue sources. General Fund expenditures were \$48.7 million for FY 2008 with education (\$22.1 million), employee benefits (\$10.6 million) and debt service (\$4.9 million) the major components of spending. The fund balance of the general fund decreased by \$214,093.

The stabilization fund has accumulated a fund balance of nearly \$1.1 million which represents 2.2% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. The town has targeted \$0.3 million of stabilization funds to be used for fiscal 2009 budgetary funding. Please refer to **Note 9** for additional information.

### ***General Fund Budget Highlights***

There were no changes between the original and final revenue budget of the Town. The Town budgeted \$42.9 million of revenues. There were changes between the original and final expenditure budgets of the Town. The Town budgeted \$46.7 million in expenditures and added \$494,621 in additional expenditures, drawing on transfers and prior year surplus to finance the difference.

**Capital Asset and Debt Administration**

**Capital assets** – In conjunction with the operating budget, the Town annually prepared capital budgets for the upcoming fiscal year.

The Town’s investment in capital assets for governmental and business-type activities as of June 30, 2008, amounts to \$80.8 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure, and construction in process.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 12,106,807	\$ 3,510,300	\$ 15,617,107
Buildings and Improvements	42,990,506	15,304	43,005,810
Machinery and Equipment	2,185,633	713,231	2,898,864
Vehicles	1,445,980	120,993	1,566,973
Infrastructure	6,212,158	6,886,288	13,098,446
Construction in Progress	1,904,564	2,723,453	4,628,017
Total	<u>\$ 66,845,648</u>	<u>\$ 13,969,569</u>	<u>\$ 80,815,217</u>

**Long term debt** – Governmental activities outstanding long-term debt as of June 30, 2008, totaled \$41.7 million of which \$32.2 million (78.2%) is for school building construction, subject to an annual reimbursement from the Commonwealth of Massachusetts of 76% of principal and interest for twenty (20) years, and \$4.3 million (10.4%) is for sewer. The governmental activities (business-type activities debt is not included) long-term debt consists of the following:

Education (reimbursable)	\$ 32,200,000	77.19%
Education (non-reimbursable)	547,700	1.31%
Sewer	4,286,047	10.27%
Public Works	2,657,500	6.37%
Culture and Recreation	585,000	1.40%
Public Safety	400,000	0.96%
General Government	<u>1,037,500</u>	<u>2.49%</u>
Total	<u>\$ 41,713,747</u>	<u>100.00%</u>

### ***Economic Factors and Next Year's Budgets and Rates***

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2008 budget and tax rates including the following:

- One of the most significant financial factors was the local aid, including Chapter 70 school assistance, received from the state, which has increased slightly from the FY '03 level due to the state's general economic down cycle and a change in the education reform formula.
- The fiscal 2008 residential tax rate was set at \$9.75 and the commercial/industrial tax rate was set at \$15.31. Residential property values decreased an average of 4.0% and commercial/industrial values increased an average of 1.5%. The excess levy capacity for fiscal 2008 was \$244,522.
- The Board of Selectmen voted during their classification hearing to maintain the split tax rate for the various classes of property within the town. On a state wide ranking, the Town of Bellingham ranks 229 in the amount of tax dollars paid, with a rank of 1 being the highest bill in the state and 351 being the lowest bill in the state.
- The Board of Selectmen, as Water and Sewer Commissioners voted to increase both water and sewer rates by 5% for all customers. The water increase accomplished the goal of increasing fiscal 2008 ending net assets. The Capital Improvement committee is reviewing various long term capital plans for both the Water and Sewer Enterprise accounts.
- Fiscal 2009 and beyond will prove to be extremely challenging due to the current economic condition of both state and federal governments. Mid-year state local aid cuts for Fiscal 2009 total approximately \$205,000. This will necessitate budget adjustments 7 months into the fiscal year. Projected state local aid cuts for Fiscal 2010 totaling approximately \$415,000 may result in reduced staffing town-wide.

### **Request for Information**

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Town Hall Annex, 10 Mechanic Street, Bellingham, MA, 02019.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 15,873,350	\$ 1,585,387	\$ 17,458,737
INVESTMENTS	3,182,144	-	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	408,642	520,760
DEPARTMENTAL AND OTHER	187,303	-	187,303
INTERGOVERNMENTAL	2,689,243	-	2,689,243
SPECIAL ASSESSMENTS	86,255	-	86,255
OTHER ASSETS	63,243	-	63,243
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	30,306,132	-	30,306,132
SPECIAL ASSESSMENTS	809,054	-	809,054
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	66,845,648	13,969,569	80,815,217
TOTAL ASSETS	<u>121,632,110</u>	<u>15,963,598</u>	<u>137,595,708</u>
<b><u>LIABILITIES</u></b>			
CURRENT:			
ACCOUNTS PAYABLE	2,427,835	226,678	2,654,513
ACCRUED LIABILITIES	1,036,060	-	1,036,060
HEALTH CLAIMS PAYABLE	694,099	-	694,099
OTHER LIABILITIES	9,000	-	9,000
ACCRUED INTEREST	597,840	34,417	632,257
BONDS AND NOTES PAYABLE	3,057,880	506,973	3,564,853
LANDFILL POSTCLOSURE CARE COSTS	5,000	-	5,000
COMPENSATED ABSENCES	85,500	15,500	101,000
NONCURRENT:			
BONDS AND NOTES PAYABLE	38,655,867	3,857,659	42,513,526
LANDFILL POSTCLOSURE CARE COSTS	80,000	-	80,000
POSTEMPLOYMENT BENEFITS	2,156,089	-	2,156,089
COMPENSATED ABSENCES	1,143,380	88,000	1,231,380
TOTAL LIABILITIES	<u>49,948,550</u>	<u>4,729,227</u>	<u>54,677,777</u>
<b><u>NET ASSETS</u></b>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	25,610,089	9,604,937	35,215,026
RESTRICTED FOR:			
STREETS	123,023	-	123,023
PERMANENT FUNDS:			
EXPENDABLE	35,562	-	35,562
OTHER PURPOSES	5,500,305	-	5,500,305
UNRESTRICTED	40,414,581	1,629,434	42,044,015
TOTAL NET ASSETS	<u>\$ 71,683,560</u>	<u>\$ 11,234,371</u>	<u>\$ 82,917,931</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2008**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,004,221	\$ 176,300	\$ 514,066	\$ 3,500	\$ (2,310,355)
PUBLIC SAFETY	4,334,290	1,069,670	173,706	-	(3,090,914)
EDUCATION	27,167,188	1,752,217	10,155,313	-	(15,259,658)
PUBLIC WORKS	2,886,956	463,039	23,453	714,917	(1,685,547)
SEWER	594,839	1,259,418	-	26,304	690,883
HUMAN SERVICES	445,452	76,211	144,821	14,705	(209,715)
CULTURE & RECREATION	675,681	20,175	81,732	106,500	(467,274)
EMPLOYEE BENEFITS	14,434,619	1,882,795	4,358,088	-	(8,193,736)
STATE & COUNTY ASSESSMENTS	824,031	-	-	-	(824,031)
INTEREST	2,016,089	-	-	-	(2,016,089)
TOTAL GOVERNMENTAL ACTIVITIES	<u>56,383,366</u>	<u>6,699,825</u>	<u>15,451,179</u>	<u>865,926</u>	<u>(33,366,436)</u>
BUSINESS-TYPE ACTIVITIES:					
WATER	1,798,700	2,144,073	20,024	-	365,397
SANITATION	<u>1,456,902</u>	<u>1,463,906</u>	<u>6,128</u>	<u>-</u>	<u>13,132</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,255,602</u>	<u>3,607,979</u>	<u>26,152</u>	<u>-</u>	<u>378,529</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 59,638,968</u>	<u>\$ 10,307,804</u>	<u>\$ 15,477,331</u>	<u>\$ 865,926</u>	<u>\$ (32,987,907)</u>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF BELLINGHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET ASSETS:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (33,366,436)	\$ 378,529	\$ (32,987,907)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	26,834,712	-	26,834,712
TAX LIENS	255,771	-	255,771
MOTOR VEHICLE EXCISE TAXES	2,136,121	-	2,136,121
PENALTIES AND INTEREST ON TAXES	159,643	-	159,643
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,229,308	-	2,229,308
UNRESTRICTED INVESTMENT INCOME	582,444	-	582,444
MISCELLANEOUS	17,751	-	17,751
TRANSFERS, NET	(226,471)	226,471	-
TOTAL GENERAL REVENUES AND TRANSFERS	31,989,279	226,471	32,215,750
CHANGE IN NET ASSETS	(1,377,157)	605,000	(772,157)
<b>NET ASSETS:</b>			
<b>BEGINNING OF YEAR</b>	73,060,717	10,629,371	83,690,088
<b>END OF YEAR</b>	\$ 71,683,560	\$ 11,234,371	\$ 82,917,931

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF BELLINGHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

<u><b>ASSETS</b></u>	<u><b>GENERAL</b></u>	<u><b>STABILIZATION</b></u>	<u><b>NONMAJOR GOVERNMENTAL FUNDS</b></u>	<u><b>TOTAL GOVERNMENTAL FUNDS</b></u>
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
<b>TOTAL ASSETS</b>	<u><u>\$ 42,666,889</u></u>	<u><u>\$ 1,080,720</u></u>	<u><u>\$ 7,468,869</u></u>	<u><u>\$ 51,216,478</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 1,978,590	\$ -	\$ 449,245	\$ 2,427,835
ACCRUED LIABILITIES	891,522	-	144,538	1,036,060
OTHER LIABILITIES	9,000	-	-	9,000
DEFERRED REVENUES	34,825,280	-	738,008	35,563,288
<b>TOTAL LIABILITIES</b>	<u>37,704,392</u>	<u>-</u>	<u>1,331,791</u>	<u>39,036,183</u>
FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	1,798,360	-	-	1,798,360
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	950,385	-	-	950,385
UNDESIGNATED, REPORTED IN:				
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>	<u>4,962,497</u>	<u>1,080,720</u>	<u>6,137,078</u>	<u>12,180,295</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 42,666,889</u></u>	<u><u>\$ 1,080,720</u></u>	<u><u>\$ 7,468,869</u></u>	<u><u>\$ 51,216,478</u></u>

See accompanying notes to the basic financial statements

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

	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 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 & DONATIONS	-	-	460,192	460,192
DEPARTMENTAL	1,169,695	-	648,445	1,818,140
<b>TOTAL REVENUES</b>	<b>47,683,621</b>	<b>56,250</b>	<b>6,739,772</b>	<b>54,479,643</b>
<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 & RECREATION	603,752	-	127,875	731,627
EMPLOYEE BENEFITS	10,563,837	-	23,600	10,587,437
STATE & COUNTY ASSESSMENTS	824,031	-	-	824,031
DEBT SERVICE:				
PRINCIPAL	2,845,049	-	-	2,845,049
INTEREST	2,063,722	-	-	2,063,722
<b>TOTAL EXPENDITURES</b>	<b>48,699,208</b>	<b>-</b>	<b>6,353,970</b>	<b>55,053,178</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,015,587)</b>	<b>56,250</b>	<b>385,802</b>	<b>(573,535)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
PROCEEDS FROM BONDS AND NOTES	-	-	1,863,000	1,863,000
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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>801,494</b>	<b>(485,000)</b>	<b>1,320,035</b>	<b>1,636,529</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(214,093)</b>	<b>(428,750)</b>	<b>1,705,837</b>	<b>1,062,994</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>5,176,590</b>	<b>1,509,470</b>	<b>4,431,241</b>	<b>11,117,301</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 4,962,497</b>	<b>\$ 1,080,720</b>	<b>\$ 6,137,078</b>	<b>\$ 12,180,295</b>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS  
FISCAL YEAR ENDED JUNE 30, 2008**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 12,180,295
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		66,845,648
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		35,563,288
INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR EMPLOYEES' AND RETIREES' HEALTH INSURANCE, UNEMPLOYMENT, WORKMEN'S COMPENSATION AND BUILDING INSURANCE ACTIVITIES.		
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS		2,875,885
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(597,840)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(41,713,747)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(2,156,089)	
COMPENSATED ABSENCES	(1,228,880)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(85,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(45,183,716)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 71,683,560</u></b>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2008**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 1,062,994</b>
<p>GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.</p>		
CAPITAL OUTLAY	2,399,417	
DEPRECIATION EXPENSE	<u>(2,780,105)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(380,688)
<p>REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE</p>		
		(1,851,195)
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM BONDS AND NOTES	(1,863,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,845,049</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		982,049
<p>SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(107,771)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	5,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	47,633	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	<u>(2,156,089)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(2,211,227)
<p>INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE, UNEMPLOYMENT, WORKERS' COMPENSATION, AND BUILDING INSURANCE ACTIVITIES</p>		
THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>1,020,910</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ <u>(1,377,157)</u></b>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER (UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b><u>REVENUES:</u></b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,375,838	\$ 26,375,838	\$ 27,046,138	\$ 670,300
MOTOR VEHICLE EXCISE TAXES	1,950,000	1,950,000	2,127,333	177,333
PENALTIES & INTEREST ON TAXES	175,000	175,000	159,643	(15,357)
INTERGOVERNMENTAL	13,028,581	13,028,581	13,082,848	54,267
INVESTMENT INCOME	280,000	280,000	426,527	146,527
DEPARTMENTAL	1,145,000	1,145,000	1,169,695	24,695
<b>TOTAL REVENUES</b>	<b>42,954,419</b>	<b>42,954,419</b>	<b>44,012,184</b>	<b>1,057,765</b>
<b><u>EXPENDITURES:</u></b>				
CURRENT:				
GENERAL GOVERNMENT	3,168,750	3,232,324	2,427,553	804,771
PUBLIC SAFETY	5,047,175	5,047,175	4,592,895	454,280
EDUCATION	22,127,847	22,127,847	22,103,550	24,297
PUBLIC WORKS	2,723,342	3,208,143	2,411,818	796,325
HUMAN SERVICES	267,984	269,984	263,001	6,983
CULTURE & RECREATION	608,376	608,376	603,753	4,623
EMPLOYEE BENEFITS	6,992,532	6,992,532	6,933,408	59,124
STATE & COUNTY ASSESSMENTS	734,142	734,142	824,031	(89,889)
DEBT SERVICE:				
PRINCIPAL	2,975,013	2,919,259	2,829,356	89,903
INTEREST	2,042,516	2,042,516	2,038,406	4,110
<b>TOTAL EXPENDITURES</b>	<b>46,687,677</b>	<b>47,182,298</b>	<b>45,027,771</b>	<b>2,154,527</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,733,258)</u>	<u>(4,227,879)</u>	<u>(1,015,587)</u>	<u>3,212,292</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
OPERATING TRANSFERS IN	1,091,679	1,576,679	1,683,965	107,286
OPERATING TRANSFERS OUT	<u>(882,471)</u>	<u>(882,471)</u>	<u>(882,471)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>209,208</b>	<b>694,208</b>	<b>801,494</b>	<b>107,286</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,524,050)</b>	<b>(3,533,671)</b>	<b>(214,093)</b>	<b>3,319,578</b>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<b>5,176,590</b>	<b>5,176,590</b>	<b>5,176,590</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<b>\$ 1,652,540</b>	<b>\$ 1,642,919</b>	<b>\$ 4,962,497</b>	<b>\$ 3,319,578</b>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008**

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 1,403,572	\$ 181,815	\$ 1,585,387	\$ 3,506,741
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	254,154	154,488	408,642	-
OTHER ASSETS	-	-	-	63,243
TOTAL CURRENT ASSETS	<u>1,657,726</u>	<u>336,303</u>	<u>1,994,029</u>	<u>3,569,984</u>
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>13,969,569</u>	<u>-</u>	<u>13,969,569</u>	<u>-</u>
TOTAL ASSETS	<u>15,627,295</u>	<u>336,303</u>	<u>15,963,598</u>	<u>3,569,984</u>
 <u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	107,419	119,259	226,678	-
HEALTH CLAIMS PAYABLE	-	-	-	694,099
ACCRUED INTEREST	34,417	-	34,417	-
BONDS AND NOTES PAYABLE	506,973	-	506,973	-
COMPENSATED ABSENCES	15,500	-	15,500	-
TOTAL CURRENT LIABILITIES	<u>664,309</u>	<u>119,259</u>	<u>783,568</u>	<u>694,099</u>
NONCURRENT:				
BONDS AND NOTES PAYABLE	3,857,659	-	3,857,659	-
COMPENSATED ABSENCES	88,000	-	88,000	-
TOTAL NONCURRENT LIABILITIES	<u>3,945,659</u>	<u>-</u>	<u>3,945,659</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,609,968</u>	<u>119,259</u>	<u>4,729,227</u>	<u>694,099</u>
 <b>NET ASSETS</b>				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	9,604,937	-	9,604,937	-
	<u>1,412,390</u>	<u>217,044</u>	<u>1,629,434</u>	<u>2,875,885</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 11,017,327</u>	<u>\$ 217,044</u>	<u>\$ 11,234,371</u>	<u>\$ 2,875,885</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2008**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES -</u>
	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<b><u>OPERATING REVENUES:</u></b>				
CHARGES FOR SERVICES	\$ 2,144,073	\$ 1,463,906	\$ 3,607,979	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	5,279,100
EMPLOYEE CONTRIBUTIONS	-	-	-	1,882,795
DEPARTMENTAL & OTHER INCOME	-	-	-	672,039
TOTAL OPERATING REVENUES	<u>2,144,073</u>	<u>1,463,906</u>	<u>3,607,979</u>	<u>7,833,934</u>
<b><u>OPERATING EXPENSES:</u></b>				
GENERAL SERVICES	1,320,535	1,456,902	2,777,437	-
DEPRECIATION	310,033	-	310,033	-
EMPLOYEE BENEFITS	6,000	-	6,000	6,862,422
TOTAL OPERATING EXPENSES	<u>1,636,568</u>	<u>1,456,902</u>	<u>3,093,470</u>	<u>6,862,422</u>
OPERATING INCOME (LOSS)	<u>507,505</u>	<u>7,004</u>	<u>514,509</u>	<u>971,512</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>				
INVESTMENT INCOME	20,024	6,128	26,152	49,398
INTEREST EXPENSE	<u>(162,132)</u>	<u>-</u>	<u>(162,132)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(142,108)</u>	<u>6,128</u>	<u>(135,980)</u>	<u>49,398</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>365,397</u>	<u>13,132</u>	<u>378,529</u>	<u>1,020,910</u>
<b><u>OPERATING TRANSFERS:</u></b>				
OPERATING TRANSFERS IN	407,471	-	407,471	-
OPERATING TRANSFERS OUT	<u>(181,000)</u>	<u>-</u>	<u>(181,000)</u>	<u>-</u>
TOTAL OPERATING TRANSFERS	<u>226,471</u>	<u>-</u>	<u>226,471</u>	<u>-</u>
CHANGE IN NET ASSETS	591,868	13,132	605,000	1,020,910
NET ASSETS AT BEGINNING OF YEAR	<u>10,425,459</u>	<u>203,912</u>	<u>10,629,371</u>	<u>1,854,975</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,017,327</u>	<u>\$ 217,044</u>	<u>\$ 11,234,371</u>	<u>\$ 2,875,885</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FISCAL YEAR ENDED JUNE 30, 2008**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES -</b>
	<b>WATER</b>	<b>SANITATION</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ 5,279,100
EMPLOYEE CONTRIBUTIONS	-	-	-	1,882,795
RECEIPTS FROM CUSTOMERS AND USERS	2,078,497	1,435,921	3,514,418	802,016
PAYMENTS TO SUPPLIERS	(696,214)	(1,439,403)	(2,135,617)	(7,024,704)
PAYMENTS TO EMPLOYEES	(577,779)	(21,338)	(599,117)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>804,504</u>	<u>(24,820)</u>	<u>779,684</u>	<u>939,207</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
OPERATING TRANSFERS IN	407,471	-	407,471	-
OPERATING TRANSFERS OUT	(181,000)	-	(181,000)	-
NET CASH PROVIDED (USES) BY NONCAPITAL FINANCING ACTIVITIES	<u>226,471</u>	<u>-</u>	<u>226,471</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	900,000	-	900,000	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(390,184)	-	(390,184)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(819,771)	-	(819,771)	-
INTEREST EXPENSE	(188,287)	-	(188,287)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(498,242)</u>	<u>-</u>	<u>(498,242)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
INTEREST RECEIVED	20,024	6,128	26,152	49,398
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>20,024</u>	<u>6,128</u>	<u>26,152</u>	<u>49,398</u>
<b>NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>552,757</b>	<b>(18,692)</b>	<b>534,065</b>	<b>988,605</b>
<b>CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR</b>	<b>850,815</b>	<b>200,507</b>	<b>1,051,322</b>	<b>2,518,136</b>
<b>CASH AND SHORT-TERM INVESTMENTS - END OF YEAR</b>	<b>\$ 1,403,572</b>	<b>\$ 181,815</b>	<b>\$ 1,585,387</b>	<b>\$ 3,506,741</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>				
<b><u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>				
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 507,505</b>	<b>\$ 7,004</b>	<b>\$ 514,509</b>	<b>\$ 971,512</b>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	310,033	-	310,033	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(65,577)	(27,985)	(93,562)	129,978
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	(63,243)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	46,543	(3,839)	42,704	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	(99,040)
INCREASE (DECREASE) IN COMPENSATED ABSENCES	6,000	-	6,000	-
TOTAL ADJUSTMENTS	<u>296,999</u>	<u>(31,824)</u>	<u>265,175</u>	<u>(32,305)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 804,504</b>	<b>\$ (24,820)</b>	<b>\$ 779,684</b>	<b>\$ 939,207</b>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2008**

	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b><u>ASSETS</u></b>		
CASH AND SHORT-TERM INVESTMENTS	\$ 18,020	\$ 105,605
INVESTMENTS	541,258	387,998
TOTAL ASSETS	559,278	493,603
<b><u>LIABILITIES</u></b>		
ACCOUNTS PAYABLE	-	24,307
OTHER LIABILITIES	-	469,296
TOTAL LIABILITIES	-	493,603
<b><u>NET ASSETS</u></b>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 559,278	\$ -

**See accompanying notes to the basic financial statements**

**TOWN OF BELLINGHAM, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2008**

	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b><u>ADDITIONS:</u></b>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>\$ 33,003</u>
 <b><u>DEDUCTIONS:</u></b>	
EDUCATIONAL SCHOLARSHIPS	<u>14,600</u>
CHANGE IN NET ASSETS	18,403
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>540,875</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 559,278</u></u>

**See accompanying notes to the basic financial statements**

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

*Primary Government*

The Town is a municipal corporation that is governed by a five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government's financial reporting entity.

*Joint Venture*

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint venture:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Blackstone Valley Vocational Regional School District	To provide vocational education	65 Pleasant Street Upton, MA 01568	\$ 725,766

The Blackstone Valley Vocational Regional School District (the District) is governed by a thirteen (13) member school committee consisting of one (1) elected representative from the Town of Bellingham. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 4.90% in the joint venture.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**B. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

*Major Fund Criteria*

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

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

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

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

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

*Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

***Governmental Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, and landfill post closure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:
  - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
  - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
  - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

***Proprietary Fund Financial Statements***

*Proprietary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sanitation Enterprise fund* is used to account for the operations of the trash collection activities.

Additionally, the following proprietary fund type is reported:

- The *Internal Service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to municipal building insurance, worker's compensation, unemployment compensation, and health insurance.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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***Fiduciary Fund Financial Statements***

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

The following fiduciary fund types are reported:

- The *Private-Purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

***Government-Wide and Fund Financial Statements***

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

**D. Cash and Investments**

*Government-Wide and Fund Financial Statements*

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

**E. Accounts Receivable**

*Government-Wide and Fund Financial Statements*

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

*Real Estate, Personal Property Taxes and Tax Liens*

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

*Motor Vehicle Excise*

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

*Water and Sewer*

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

*Departmental and Other*

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

*Special Assessments*

Governmental activities special assessments consist primarily of Sewer and Title V receivables which are recorded as receivables in the fiscal year accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectible and therefore do not report an allowance for uncollectibles.

*Intergovernmental*

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**F. Inventories**

*Government-Wide and Fund Financial Statements*

Inventories of the governmental funds and the water and sanitation enterprise funds are recorded as expenditures, at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, buildings, machinery and equipment, vehicles, infrastructure (e.g., water mains, roadways, and similar items), and construction in progress are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings	40
Machinery and equipment	5-10
Vehicles	5-15
Infrastructure	50

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

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**H. Interfund Receivables and Payables**

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**I. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

*Government-Wide Financial Statements*

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

Operating transfers between and within funds are *not* eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

**J. Deferred Revenue**

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**K. Net Assets and Fund Equity**

*Government-Wide Financial Statements (Net Assets)*

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
  - *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
  - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements (Fund Balances)*

- a. *Fund balances* consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that represent tentative management plans that are subject to change.

Fund balances have been reserved for the following:

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

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2009 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated.”

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**L. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**M. Investment Income**

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

**N. Compensated Absences**

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

*Government-Wide and Proprietary Fund Financial Statements*

The total amount to be paid in future years is presented in the government-wide and proprietary fund statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

*Governmental Fund Financial Statements*

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2008 is recorded in the governmental fund financial statement.

**O. Use of Estimates**

*Government-Wide and Fund Financial Statements*

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**P. Total Column**

*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*A. Budgetary Basis of Accounting*

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Town Administrator. The School Department budget is prepared under the direction of the School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2008 approved budget authorized \$45,219,392 in current year appropriations and other amounts to be raised and \$1,468,285 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$494,621 were approved at one Special Town Meeting during fiscal year 2008.

The Chief Financial Officer has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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*B. Budgetary -GAAP Reconciliation*

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2008, is presented below:

Net change in fund balance - budgetary basis	\$ (214,093)
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	3,630,429
Increase in expenditures for on-behalf payments - MTRS	(3,630,429)
Increase in revenue for the MWPAT subsidy	41,009
Increase in expenditures for the MWPAT subsidy	<u>(41,009)</u>
Net change in fund balance - GAAP basis	<u>\$ (214,093)</u>

*C. Excess of Expenditures over Appropriations*

For the fiscal year ended June 30, 2008, actual expenditures exceeded appropriations for snow removal. This over-expenditure will be funded by available funds during fiscal year 2009.

*D. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue and capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2009.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 3 – DEPOSITS AND INVESTMENTS**

1) Deposits

a) *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits “in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2008, \$15,103,700 of the Town’s bank balances of \$20,631,893 were exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name.

2) Investments

a) *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law Chapter 44, Section 55, limits the Town’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). Presented below is the actual rating as of year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year end AAA
Certificates of Deposit	\$ 3,517,887	N/A	\$ 3,517,887	\$ -
Federal Agency Securites	577,519	N/A	-	577,519
Mutual Funds	<u>15,994</u>	N/A	-	<u>15,994</u>
Total Investments	<u>\$ 4,111,400</u>			<u>\$ 593,513</u>

b) *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the investments in debt securities listed above, the Town does not have any custodial credit risk exposure because the related securities are collateralized mortgage obligations. The Town does not have an investment policy for custodial credit risk.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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*c) Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>
		1-5
<u>Debt Securities:</u>		
Federal Agency Bonds	\$ 577,519	<u>\$ 577,519</u>
<u>Other Investments:</u>		
Mutual Funds	15,994	
Certificates of Deposit	<u>3,517,887</u>	
Total Other Investments	<u>3,533,881</u>	
Total Investments	<u>\$ 4,111,400</u>	

*d) Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Federal Agency Bonds	14%

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
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**JUNE 30, 2008**

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**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2008 for the Town’s individual major, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes	\$ 535,727	\$ (25,782)	\$ 509,945
Tax liens	743,888	-	743,888
Motor vehicles excise taxes	248,652	(24,865)	223,787
User fees	112,118	-	112,118
Departmental & other	315,989	(128,686)	187,303
Intergovernmental	32,995,375	-	32,995,375
Special assessments	895,309	-	895,309
	<u>895,309</u>	<u>-</u>	<u>895,309</u>
 Total	 <u>\$ 35,847,058</u>	 <u>\$ (179,333)</u>	 <u>\$ 35,667,725</u>

The receivables at June 30, 2008 for the enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
<i>Water</i>			
User fees	\$ 254,154	\$ -	\$ 254,154
<i>Sanitation</i>			
User fees	154,488	-	154,488
	<u>154,488</u>	<u>-</u>	<u>154,488</u>
 Total	 <u>\$ 408,642</u>	 <u>\$ -</u>	 <u>\$ 408,642</u>

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis

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Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
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	123,023	32,890,938
Special assessments	549,724	345,585	895,309
 Total	 \$ 34,825,280	 \$ 738,008	 \$ 35,563,288

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 12,091,807	\$ 15,000	\$ -	\$ 12,106,807
Construction in progress	1,647,121	1,297,716	(1,040,273)	1,904,564
Total capital assets not being depreciated	<u>13,738,928</u>	<u>1,312,716</u>	<u>(1,040,273)</u>	<u>14,011,371</u>
<u>Capital assets being depreciated:</u>				
Buildings	64,835,183	219,615	1,040,273	66,095,071
Machinery and equipment	6,258,802	110,242	-	6,369,044
Vehicles	3,241,944	581,265	-	3,823,209
Infrastructure	11,965,831	175,579	-	12,141,410
Total capital assets being depreciated	<u>86,301,760</u>	<u>1,086,701</u>	<u>1,040,273</u>	<u>88,428,734</u>
Less accumulated depreciation for:				
Buildings	(21,625,684)	(1,478,881)	-	(23,104,565)
Machinery and equipment	(3,597,847)	(585,564)	-	(4,183,411)
Vehicles	(2,115,917)	(261,312)	-	(2,377,229)
Infrastructure	(5,474,904)	(454,348)	-	(5,929,252)
Total accumulated depreciation	<u>(32,814,352)</u>	<u>(2,780,105)</u>	<u>-</u>	<u>(35,594,457)</u>
Total capital assets being depreciated, net	<u>53,487,408</u>	<u>(1,693,404)</u>	<u>1,040,273</u>	<u>52,834,277</u>
Total governmental activities capital assets, net	<u>\$ 67,226,336</u>	<u>\$ (380,688)</u>	<u>\$ -</u>	<u>\$ 66,845,648</u>

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
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<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,510,300	\$ -	\$ -	\$ 3,510,300
Construction in progress	1,968,645	773,237	(18,429)	2,723,453
Total capital assets not being depreciated	<u>5,478,945</u>	<u>773,237</u>	<u>(18,429)</u>	<u>6,233,753</u>
<u>Capital assets being depreciated:</u>				
Buildings	23,100	-	-	23,100
Machinery and equipment	1,156,428	-	-	1,156,428
Vehicles	305,077	-	-	305,077
Infrastructure	9,394,732	46,534	18,429	9,459,695
Total capital assets being depreciated	<u>10,879,337</u>	<u>46,534</u>	<u>18,429</u>	<u>10,944,300</u>
Less accumulated depreciation for:				
Buildings	(7,219)	(577)	-	(7,796)
Machinery and equipment	(343,173)	(100,024)	-	(443,197)
Vehicles	(163,746)	(20,338)	-	(184,084)
Infrastructure	(2,384,313)	(189,094)	-	(2,573,407)
Total accumulated depreciation	<u>(2,898,451)</u>	<u>(310,033)</u>	<u>-</u>	<u>(3,208,484)</u>
Total capital assets being depreciated, net	<u>7,980,886</u>	<u>(263,499)</u>	<u>18,429</u>	<u>7,735,816</u>
Total business-type activities capital assets, net	<u>\$ 13,459,831</u>	<u>\$ 509,738</u>	<u>\$ -</u>	<u>\$ 13,969,569</u>

**TOWN OF BELLINGHAM, MASSACHUSETTS  
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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 163,095
Public safety	303,342
Education	1,713,059
Public works	537,801
Human services	51,195
Culture and recreation	<u>11,613</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,780,105</u></u>
<b>Business-Type Activities:</b>	
Water	\$ 310,033
Sanitation	<u>-</u>
Total depreciation expense - business-type activities	<u><u>\$ 310,033</u></u>

**Construction Commitments**

The Town has an active construction project as of June 30, 2008. At year end the Town's commitment is as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Roadway Improvement - Hartford Ave.	<u><u>\$ 429,532</u></u>	<u><u>\$ 61,468</u></u>

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 – INTERFUND TRANSFERS**

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

	Operating Transfers In:				
Operating Transfers Out:	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Total
General Fund	\$ -	\$ 300,000	\$ 175,000	\$ 407,471	\$ 882,471 (1)
Stabilization Fund	785,000	-	-	-	785,000 (2)
Nonmajor Governmental Funds	758,965	-	-	-	758,965 (2)
Water Enterprise Fund	140,000	-	41,000	-	181,000 (2)
Total	\$ 1,683,965	\$ 300,000	\$ 216,000	\$ 407,471	\$ 2,607,436

(1) Represents budgeted transfers to the stabilization fund, various nonmajor governmental funds, and the water enterprise fund.

(2) Represents various budgeted transfers to supplement the operating budget.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – SHORT -TERM FINANCING**

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are approved to be reimbursed by the Commonwealth, through the issuance of State Aid anticipated notes (SANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2008:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2008
<u>Governmental Funds</u>							
BAN	Multi-purpose	4.00	11/15/2007	\$ 900,000	\$ -	\$ (900,000)	\$ -
BAN	Multi-purpose	4.00	6/26/2008	-	900,000	(900,000)	-
BAN	Multi-purpose	2.85	6/26/2008	-	770,000	(770,000)	-
Total Governmental Funds				<u>\$ 900,000</u>	<u>\$ 1,670,000</u>	<u>\$ (2,570,000)</u>	<u>\$ -</u>
<u>Water Enterprise Fund</u>							
BAN	Multi-purpose	4.00	11/15/2007	\$ 1,365,000	\$ -	\$ (1,365,000)	\$ -
BAN	Multi-purpose	4.00	6/26/2008	-	1,365,000	(1,365,000)	-
BAN	Standpipe Rehabilitation	2.85	6/26/2008	-	900,000	(900,000)	-
Total Water Enterprise Fund				<u>\$ 1,365,000</u>	<u>\$ 2,265,000</u>	<u>\$ (3,630,000)</u>	<u>\$ -</u>

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – LONG-TERM DEBT**

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however, require the approval of the Commonwealth’s Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Sewer Construction	4.92%	\$ 1,084,184	\$ -	\$ 229,816	\$ 854,368
School Remodeling	5.63%	150,000	-	20,000	130,000
Landfill Closure	4.76%	500,000	-	125,000	375,000
School Roof	4.76%	136,000	-	25,000	111,000
Tile V Septic	Var.%	136,772	-	10,539	126,233
Sewer	Var.%	268,832	-	64,674	204,158
School	4.76%	23,985,000	-	1,225,000	22,760,000
Senior Center	4.68%	630,000	-	45,000	585,000
Roads	4.01%	165,000	-	45,000	120,000
School Construction	4.84%	9,905,000	-	465,000	9,440,000
Ambulance	1.68%	40,000	-	40,000	-
Sewer	1.68%	2,049,200	-	267,900	1,781,300
School	1.68%	130,800	-	17,100	113,700
Tile V Septic	Var.%	160,008	-	10,020	149,988
Land Acquisition	3.96%	1,010,000	-	57,500	952,500
Town Hall Construction	3.96%	1,100,000	-	62,500	1,037,500
Roads	3.96%	960,000	-	120,000	840,000
Tile V Septic	Var.%	285,000	-	15,000	270,000
Multiple Purposes	3.74%	-	1,863,000	-	1,863,000
<b>Total</b>		<b>\$ 42,695,796</b>	<b>\$ 1,863,000</b>	<b>\$ 2,845,049</b>	<b>\$ 41,713,747</b>

**TOWN OF BELLINGHAM, MASSACHUSETTS  
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The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,057,880	\$ 1,955,270	\$ 5,013,150
2010	3,138,551	1,823,862	4,962,413
2011	3,216,843	1,688,606	4,905,449
2012	3,066,630	1,541,728	4,608,358
2013	2,920,334	1,405,668	4,326,002
2014-2018	14,827,343	4,928,512	19,755,855
2019-2023	11,026,166	1,306,235	12,332,401
2024-2028	<u>460,000</u>	<u>34,923</u>	<u>494,923</u>
<b>Total</b>	<b><u>\$ 41,713,747</u></b>	<b><u>\$ 14,684,804</u></b>	<b><u>\$ 56,398,551</u></b>

**Massachusetts School Building Authority Reimbursements**

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 76% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$2,461,783 from scheduled annual payments in FY 2008 from the MSBA for completed school construction projects.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Bonds and Notes Payable Schedule – Water Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Water Filtration	4.92%	\$ 472,532	\$ -	\$ 98,888	\$ 373,644
Water	4.92%	26,252	-	5,494	20,758
Well	4.92%	32,032	-	5,802	26,230
Well Construction	4.76%	264,000	-	50,000	214,000
Water	2.52%	405,000	-	65,000	340,000
Water	2.47%	210,000	-	35,000	175,000
Water	3.96%	1,080,000	-	130,000	950,000
Water	3.74%	-	2,265,000	-	2,265,000
<b>Total</b>		<u>\$ 2,489,816</u>	<u>\$ 2,265,000</u>	<u>\$ 390,184</u>	<u>\$ 4,364,632</u>

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2008 are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 506,973	\$ 166,571	\$ 673,544
2010	495,384	145,748	641,132
2011	473,275	126,100	599,375
2012	484,000	106,338	590,338
2013	320,000	90,987	410,987
2014-2018	840,000	337,387	1,177,387
2019-2023	700,000	193,950	893,950
2024-2028	545,000	57,887	602,887
<b>Total</b>	<u>\$ 4,364,632</u>	<u>\$ 1,224,968</u>	<u>\$ 5,589,600</u>

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Loans Authorized and Unissued**

As of June 30, 2008, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Failing Sewer Systems	5/24/1995	\$ 50,000
Remediated Sewer	5/23/2007	200,000
Keogh School Roof Replacement	10/10/2007	<u>750</u>
		<u>\$ 250,750</u>

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2008:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 42,695,796	\$ 1,863,000	\$ (2,845,049)	\$ 41,713,747	\$ 3,057,880
Compensated absences	1,121,109	107,771	-	1,228,880	85,500
Landfill postclosure care costs	90,000	-	(5,000)	85,000	5,000
OPEB (1)	<u>-</u>	<u>2,896,269</u>	<u>(740,180)</u>	<u>2,156,089</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 43,906,905</u>	<u>\$ 4,867,040</u>	<u>\$ (3,590,229)</u>	<u>\$ 45,183,716</u>	<u>\$ 3,148,380</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 2,489,816	\$ 2,265,000	\$ (390,184)	\$ 4,364,632	\$ 506,973
Compensated absences	<u>97,500</u>	<u>6,000</u>	<u>-</u>	<u>103,500</u>	<u>15,500</u>
Total business-type activities long-term liabilities	<u>\$ 2,587,316</u>	<u>\$ 2,271,000</u>	<u>\$ (390,184)</u>	<u>\$ 4,468,132</u>	<u>\$ 522,473</u>

(1) The Town elected to adopt GASB Statement 45 early. The OPEB is discussed further in **Note 11** and additional information is reported in required supplementary information.

The governmental activities long-term liabilities are generally liquidated by the general fund.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
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**Overlapping Debt**

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2008:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Norfolk County	\$ 1,100,000	2.076%	\$ 22,836
Blackstone Valley Vocational Regional School District			
School Construction Bonds	<u>6,900,000</u>	4.90%	<u>338,100</u>
	<u>\$ 8,000,000</u>		<u>\$ 360,936</u>

**NOTE 9 – STABILIZATION FUND**

At June 30, 2008, \$1,080,720 has been set aside in the stabilization fund, which is classified as a major fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes as approved by Town Meeting vote.

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$1,000 per incident. Buildings are fully insured against flood and earthquake damage, to the extent that losses exceed \$25,000 per incident.

The Town’s workers compensation program is premium-based. The policy is limited to Massachusetts Statutory Benefits.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town’s liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2008.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
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The Town has a variety of contributory health care options including self-insured and third party insured health care programs for its employees and retirees. There are 453 employees and retirees who participate in the Town's health care programs. For those 265 employees and retirees electing a Health Maintenance Organization (HMO), the town contributes 80% of the costs. For those 60 employees and retirees over 65 years old electing a Health Maintenance Organization (HMO), the town contributes 50% of the costs. For those 5 employees and retirees electing the Blue Cross and Blue Shield Master Health Plus Plan (self-insured full indemnity plan), the Town contributes either 65% or 75% of the premium costs depending on whether the employee/retiree is on the town-side or school-side. For those 120 employees and retirees over 65 years old electing the premium-based supplementary Medex insurance, the Town contributes 50% of the costs. Stop loss insurance is carried on all self-insured health care claims in excess of \$110,000 individually.

The Town's health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2008 and June 30, 2007, the only such liabilities are those related to the Town's self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2008 and 2007 were as follows:

	Healthcare	
	2008	2007
Liability at beginning of fiscal year	\$ 793,138	\$ 687,844
Claims incurred for current fiscal year and Changes in provisions for prior year	5,982,170	5,726,320
Claims payments for current fiscal year	(6,081,209)	(5,621,026)
Liability at end of fiscal year	\$ 694,099	\$ 793,138

**TOWN OF BELLINGHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

**Plan Description.** Town of Bellingham Retiree Welfare Plan (BRWP) is a single-employer defined benefit healthcare plan administered by the Town of Bellingham. BRWP provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees’ health and life insurance costs.

**Funding Policy.** The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2008, total Town premiums plus implicit costs for the retiree medical program are \$740,180.

**Annual OPEB Cost and Net OPEB Obligation.** The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation to the plan:

Annual required contribution	\$ 2,751,799
Interest on net OPEB obligation	144,470
Adjustment to annual required contribution (ARC)	<u>          -</u>
Annual OPEB cost (expense)	2,896,269
Contributions made	<u>      740,180</u>
Increase in net OPEB obligation	2,156,089
Net OPEB obligation - beginning of year	<u>          -</u>
Net OPEB obligation - end of year	<u><u>      \$ 2,156,089</u></u>

**TOWN OF BELLINGHAM, MASSACHUSETTS  
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2006	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A
6/30/2008	\$ 2,896,269	25.60%	\$ 2,156,089

**Funded Status and Funding Progress.** As of July 1, 2007, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$26.373 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.373 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.187 million, and the ratio of the UAAL to the covered payroll was 130.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 5.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11% percent initially, reduced by decrements to an ultimate rate of 5 percent after six years. Both rates included a 3.5% inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2007, was 30 years.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 12 – PENSION PLAN**

*A. Plan Descriptions*

The Town contributes to the Norfolk County Contributory Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially, all employees are members of the “System” except for public school teachers and certain school administrators who are members of the Massachusetts Teachers’ Retirement System (MTRS) to which the Town does not contribute.

The “System” and the MTRS are contributory defined benefit plans and membership in both the “System” and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The “System” and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

*B. Funding Policies*

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2008, 2007, and 2006 were \$1,379,759, \$1,374,851, and \$1,177,162, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$3,630,429 for fiscal year 2008. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town's landfill was closed in 1996 by order of the Department of Environmental Protection (DEP). The DEP approved the capping construction of the landfill in December 1996. The Town is responsible for post-closure monitoring of the site for thirty years (17 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$85,000 reported as landfill post-closure liability at June 30, 2008 is based on what it would cost to perform all post-closure care at June 30, 2008. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

**NOTE 14 – GREATER ATTLEBOROUGH TAUNTON REGIONAL TRANSIT AUTHORITY**

The Town participates in the Greater Attleborough Taunton Regional Transit Authority (GATRA) Dial-A-Ride program. The Town receives monthly reimbursements for the cost of the program net of any donations received. The following table summarizes the program revenue and expenses for the fiscal year 2008.

<u>Description</u>	<u>Amount</u>
Dial-A-Ride Program costs	\$ 82,365
Less: Donations	<u>(7,497)</u>
GATRA reimbursements received/applied for	<u><u>\$ 74,868</u></u>

**TOWN OF BELLINGHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

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

The GASB issued **Statement #43**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement did not impact the basic financial statements.

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented in Fiscal 2008. This pronouncement requires additional disclosure and does impact the basic financial statements (See **Note 11** and required supplementary information (RSI)) .

The GASB issued **Statement #48**, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* was implemented in FY2008. Since the Town does not sell or pledge receivable or future revenues, this pronouncement did not impact the basic financial statements.

The GASB issued **Statement #50**, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. was implemented in FY2008. Since the Town does not operate its' own pension plan, this pronouncement will not impact the basic financial statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #49**, *Accounting and Financial Reporting for Pollution Remediation Obligations* which is required to be implemented in FY2009. Management does not believe that there are any pollution remediation obligations that will require disclosure and this pronouncement will not have an impact on the basic financial statements.

The GASB issued **Statement #51**, *Accounting and Financial Reporting for Intangible Assets* which is required to be implemented in FY2010. Management believes this pronouncement will require additional disclosure, but will not have a material impact on the basic financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS**

**Schedules of Funding Progress and Employer Contributions**

The following schedules are presented in accordance with GASB Statement No. 45:

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2007	\$ -	\$ 26,373,114	\$ 26,373,114	0.0%	\$ 20,187,489	130.6%

Schedule of Employer Contributions (1):

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Net OPEB Obligation
2008	\$2,896,269	25.6%	\$ 2,156,089

(1) A three-year display will be shown on a go forward basis.

\* Based on expected premium payments.

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2007
Discount Rate	5.25%
Medical Trend	11% grading down to 5% in Year 2014 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	30
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF BELLINGHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS**

Turnover

<u>Years of Service</u>	<u>Male</u>	<u>Female</u>
0	15.0%	15.0%
10	5.4%	5.4%
20	2.0%	2.0%
30	0.0%	0.0%

Retirement Age

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	1.0%	1.5%
51	1.0%	1.5%
52	1.0%	2.0%
53	1.0%	2.5%
54	2.0%	2.5%
55	2.0%	5.5%
56	2.5%	6.5%
57	2.5%	6.5%
58	5.0%	6.5%
59	6.5%	6.5%
60	12.0%	5.0%
61	20.0%	13.0%
62	30.0%	15.0%
63	25.0%	12.5%
64	22.0%	18.0%
65	40.0%	15.0%
66	25.0%	20.0%
67	25.0%	20.0%
68	30.0%	25.0%
69	30.0%	20.0%
70	100.0%	100.0%

Participation

It was assumed that 80% of the employees covered under the active plan on the day before retirement would enroll in the retiree medical and dental plans upon retirement. All eligible employees were assumed to be covered under the retiree life insurance program.