

TOWN OF BELLINGHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2007

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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, 2007, 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, 2007, 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.

As described in **Note 13**, the Town of Bellingham, Massachusetts has implemented the retroactive reporting of general infrastructure assets as required by *Governmental Accounting Standard Board Statement No.34*, which changed the beginning net assets for governmental activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, 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, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it

R. E. Brown & Company

January 22, 2008

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, 2007. 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 fund 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 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of 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 fund 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 fund 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 \$33.6 million reflect the Town's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that 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 increased from \$82.8 to \$83.7 million from the prior fiscal year, an increase of \$881,056. Of this change in net assets, an increase of \$790,785 was attributable to governmental activities and an increase of \$90,271 was attributable to business-type activities.

Additionally, the governmental activities net assets required an adjustment to the beginning capital assets due to the compliance with the infrastructure requirements of GASB 34. This compliance required an adjustment to the beginning capital assets of \$4,340,237. 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 \$759,740 thousand over the previous fiscal year. Correspondingly, the Town's total assets increased by \$1.6 million over the previous year.

An additional portion of the Town's net assets totaling \$5.0 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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Assets:						
Current assets	\$ 22,000,214	\$ 19,987,774	\$ 1,366,404	\$ 1,644,696	\$ 23,366,618	\$ 21,632,470
Noncurrent assets (excluding capital)	33,129,684	34,883,913	-	-	33,129,684	34,883,913
Capital assets	67,226,336	66,978,197	13,459,831	12,047,093	80,686,167	79,025,290
Total assets	<u>122,356,234</u>	<u>121,849,884</u>	<u>14,826,235</u>	<u>13,691,789</u>	<u>137,182,469</u>	<u>135,541,673</u>
Liabilities:						
Current liabilities (excluding debt)	4,569,112	2,919,073	260,048	178,601	4,829,160	3,097,674
Noncurrent liabilities (excluding debt)	1,130,609	1,175,900	82,000	79,400	1,212,609	1,255,300
Current debt	3,745,049	2,789,184	1,755,184	404,872	5,500,233	3,194,056
Noncurrent debt	39,850,747	42,695,795	2,099,632	2,489,816	41,950,379	45,185,611
Total liabilities	<u>49,295,517</u>	<u>49,579,952</u>	<u>4,196,864</u>	<u>3,152,689</u>	<u>53,492,381</u>	<u>52,732,641</u>
Net Assets:						
Capital assets net of related debt	23,949,548	22,242,378	9,605,015	9,273,163	33,554,563	31,515,541
Restricted	5,012,233	5,030,088	-	-	5,012,233	5,030,088
Unrestricted	44,098,936	44,997,466	1,024,356	1,265,937	45,123,292	46,263,403
Total net assets	<u>\$ 73,060,717</u>	<u>\$ 72,269,932</u>	<u>\$ 10,629,371</u>	<u>\$ 10,539,100</u>	<u>\$ 83,690,088</u>	<u>\$ 82,809,032</u>

The remaining balance of unrestricted net assets totaling \$45.1 million – or 54% 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 \$90,271 in net assets reported in connection with the water and sanitation business-type activities. This \$90,271 change in net assets is attributable to budgeting revenues sufficient to cover current operational costs.

After adjusting beginning net assets by \$4,340,237 in order to comply with the requirements of GASB 34, the governmental activities net assets increased by \$790,785 during the current fiscal year. The Town's total revenues increased by \$4.0 million or 7.8% over the prior fiscal year, which was substantially related to governmental activities. The biggest contributor to the revenue increase was property taxes (\$1.6 million). The Town's total expenses increased by \$2.2 million over the prior fiscal year or 4.1%. The largest contributors to the expense increase were employee benefits (\$0.9 million) and education (\$0.8 million).

Town of Bellingham - Condensed Statement of Activities

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 6,111,654	\$ 5,629,677	\$ 2,821,324	\$ 2,919,163	\$ 8,932,978	\$ 8,548,840
Operating grants and contributions	14,183,396	13,214,238	57,232	84,897	14,240,628	13,299,135
Capital grants and contributions	1,356,161	491,455	-	-	1,356,161	491,455
<i>General Revenues:</i>						
Real Estate and personal property taxes	26,195,946	24,585,376	-	-	26,195,946	24,585,376
Motor vehicle and other excise taxes	1,977,901	1,979,146	-	-	1,977,901	1,979,146
Nonrestricted grants and contributions	2,251,155	2,240,569	-	-	2,251,155	2,240,569
Unrestricted investment income	714,734	590,080	-	-	714,734	590,080
Other revenues	319,520	207,316	-	-	319,520	207,316
Total Revenues	<u>53,110,467</u>	<u>48,937,857</u>	<u>2,878,556</u>	<u>3,004,060</u>	<u>55,989,023</u>	<u>51,941,917</u>
Expenses:						
General Government	3,087,914	3,319,846	-	-	3,087,914	3,319,846
Public Safety	4,449,101	4,368,168	-	-	4,449,101	4,368,168
Education	26,633,814	25,845,157	-	-	26,633,814	25,845,157
Public Works	2,289,951	1,590,454	-	-	2,289,951	1,590,454
Sewer	576,013	853,852	-	-	576,013	853,852
Human Services	452,248	394,976	-	-	452,248	394,976
Culture and Recreation	789,923	650,826	-	-	789,923	650,826
Employee Benefits	11,127,548	10,227,305	-	-	11,127,548	10,227,305
State and County Assessments	669,369	644,627	-	-	669,369	644,627
Interest	2,092,538	2,217,958	-	-	2,092,538	2,217,958
Water	-	-	1,742,746	1,670,247	1,742,746	1,670,247
Sanitation	-	-	1,196,802	1,153,782	1,196,802	1,153,782
Total Expenses	<u>52,168,419</u>	<u>50,113,169</u>	<u>2,939,548</u>	<u>2,824,029</u>	<u>55,107,967</u>	<u>52,937,198</u>
Transfers	<u>(151,263)</u>	<u>(234,580)</u>	<u>151,263</u>	<u>234,580</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>790,785</u>	<u>(1,409,892)</u>	<u>90,271</u>	<u>414,611</u>	<u>881,056</u>	<u>(995,281)</u>
Net Assets - beginning	<u>72,269,932</u>	<u>73,679,824</u>	<u>10,539,100</u>	<u>10,124,489</u>	<u>82,809,032</u>	<u>83,804,313</u>
Net Assets - ending	<u>\$ 73,060,717</u>	<u>\$ 72,269,932</u>	<u>\$ 10,629,371</u>	<u>\$ 10,539,100</u>	<u>\$ 83,690,088</u>	<u>\$ 82,809,032</u>

The water and sanitation business-type activities revenues and expenses did not materially change from the previous fiscal year.

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 liabilities and fund balances of \$52.5 million, a decrease of \$0.9 million in comparison with the prior year. Approximately \$8.0 million of this amount constitutes *undesignated fund balance*, which is available for spending at the Town's discretion. Total fund balance of the governmental funds at June 30, 2007 was \$11.1 million, a decrease of \$1.3 million over the previous fiscal year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.7 million, while the total fund balance was \$5.2 million. Unreserved fund balance represents 7.9% of total general fund expenditures.

General fund revenues for FY 2007 were \$46.7 million with property taxes (\$26.0 million) and intergovernmental (\$16.4 million) the major components of the Town's revenue sources. General Fund expenditures were \$47.0 million for FY 2007 with education (\$21.8 million), employee benefits (\$10.1 million) and public safety (\$4.2 million) the major components of spending. The fund balance of the general fund balance of the Town increased by \$523,772 or an increase of 11.3%.

The stabilization fund has accumulated a fund balance of \$1.5 million which represents 3.2% 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 2008 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 \$41.9 million of revenues. There were changes between the original and final expenditure budgets of the Town. The Town budgeted \$45.7 million in expenditures and added \$52,486 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, 2007, amounts to \$80.6 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery and equipment, vehicles, construction in process, and infrastructure.

	Governmental Activities	Business-type Activities	Total
Land	\$ 12,091,807	\$ 3,510,300	\$ 15,602,107
Buildings and Improvements	43,209,499	15,881	43,225,380
Machinery and Equipment	2,660,955	813,255	3,474,210
Vehicles	1,126,027	141,330	1,267,357
Infrastructure	6,490,927	7,010,420	13,501,347
Construction in Progress	1,647,121	1,968,645	3,615,766
Total	<u>\$ 67,226,336</u>	<u>\$ 13,459,831</u>	<u>\$ 80,686,167</u>

Long term debt – Governmental activities outstanding long-term debt as of June 30, 2007, totaled \$42.7 million of which \$33.9 million (79.4%) 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 \$3.9 million (9.4%) is for sewer. The governmental activities (business type activities debt is not included) long-term debt consists of the following:

Education (reimbursable)	\$33,890,000	79.40%
Education (non-reimbursable)	416,800	1.00
Sewer	3,983,996	9.40
Public Works	1,625,000	3.80
Culture and Recreation	630,000	1.50
Public Safety	40,000	0.01
General Government	2,110,000	4.89
Total	<u>\$42,695,796</u>	<u>100.00%</u>

Economic Factors and Next years Budgets and Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2007 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 2007 residential tax rate was set at \$9.20 and the commercial/industrial tax rate was set at \$13.32. Residential properties increased an average of 2.8% and commercial/industrial values increased an average of 4.0%. The excess levy capacity for fiscal 2007 was \$16,340.
- 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 228 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 2007 ending net assets. The Capital Improvement committee is reviewing various long term capital plans for both the Water and Sewer Enterprise accounts.

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, 2007**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 16,286,088	\$ 1,051,322	\$ 17,337,410
INVESTMENTS	1,269,956	-	1,269,956
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	584,613	-	584,613
TAX LIENS	625,352	-	625,352
MOTOR VEHICLE EXCISE TAXES	214,999	-	214,999
USER FEES	88,423	315,082	403,505
DEPARTMENTAL AND OTHER	288,521	-	288,521
INTERGOVERNMENTAL	2,491,177	-	2,491,177
SPECIAL ASSESSMENTS	151,085	-	151,085
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	32,767,915	-	32,767,915
SPECIAL ASSESSMENTS	361,769	-	361,769
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	67,226,336	13,459,831	80,686,167
TOTAL ASSETS	<u>122,356,234</u>	<u>14,826,235</u>	<u>137,182,469</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	861,073	183,976	1,045,049
ACCRUED LIABILITIES	888,928	-	888,928
HEALTH CLAIMS PAYABLE	793,138	-	793,138
OTHER LIABILITIES	1,300,000	-	1,300,000
ACCRUED INTEREST	645,473	60,572	706,045
BONDS AND NOTES PAYABLE	3,745,049	1,755,184	5,500,233
LANDFILL POSTCLOSURE CARE COSTS	5,000	-	5,000
COMPENSATED ABSENCES	75,500	15,500	91,000
NONCURRENT:			
BONDS AND NOTES PAYABLE	39,850,747	2,099,632	41,950,379
LANDFILL POSTCLOSURE CARE COSTS	85,000	-	85,000
COMPENSATED ABSENCES	1,045,609	82,000	1,127,609
TOTAL LIABILITIES	<u>49,295,517</u>	<u>4,196,864</u>	<u>53,492,381</u>
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	23,949,548	9,605,015	33,554,563
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	33,268	-	33,268
OTHER PURPOSES	4,978,965	-	4,978,965
UNRESTRICTED	44,098,936	1,024,356	45,123,292
TOTAL NET ASSETS	<u>\$ 73,060,717</u>	<u>\$ 10,629,371</u>	<u>\$ 83,690,088</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2007**

<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>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,087,914	\$ 190,652	\$ 221,588	\$ 234,706	\$ (2,440,968)
PUBLIC SAFETY	4,449,101	1,070,896	203,784	-	(3,174,421)
EDUCATION	26,633,814	1,760,762	9,663,537	937,860	(14,271,655)
PUBLIC WORKS	2,289,951	327,537	33,287	140,266	(1,788,861)
SEWER	576,013	889,574	-	27,771	341,332
HUMAN SERVICES	452,248	153,589	115,693	15,558	(167,408)
CULTURE & RECREATION	789,923	13,364	118,203	-	(658,356)
EMPLOYEE BENEFITS	11,127,548	1,705,280	3,827,304	-	(5,594,964)
STATE & COUNTY ASSESSMENTS	669,369	-	-	-	(669,369)
INTEREST	2,092,538	-	-	-	(2,092,538)
TOTAL GOVERNMENTAL ACTIVITIES	<u>52,168,419</u>	<u>6,111,654</u>	<u>14,183,396</u>	<u>1,356,161</u>	<u>(30,517,208)</u>
BUSINESS-TYPE ACTIVITIES:					
WATER	1,742,746	1,508,769	49,477	-	(184,500)
SANITATION	<u>1,196,802</u>	<u>1,312,555</u>	<u>7,755</u>	<u>-</u>	<u>123,508</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,939,548</u>	<u>2,821,324</u>	<u>57,232</u>	<u>-</u>	<u>(60,992)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 55,107,967</u>	<u>\$ 8,932,978</u>	<u>\$ 14,240,628</u>	<u>\$ 1,356,161</u>	<u>\$ (30,578,200)</u>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2007**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (30,517,208)	\$ (60,992)	\$ (30,578,200)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	26,033,417	-	26,033,417
TAX LIENS	162,529	-	162,529
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,977,901	-	1,977,901
PENALTIES AND INTEREST ON TAXES	134,794	-	134,794
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,251,155	-	2,251,155
UNRESTRICTED INVESTMENT INCOME	714,734	-	714,734
MISCELLANEOUS	184,726	-	184,726
TRANSFERS, NET	(151,263)	151,263	-
TOTAL GENERAL REVENUES AND TRANSFERS	31,307,993	151,263	31,459,256
CHANGE IN NET ASSETS	790,785	90,271	881,056
NET ASSETS:			
BEGINNING OF YEAR	72,269,932	10,539,100	82,809,032
END OF YEAR	\$ 73,060,717	\$ 10,629,371	\$ 83,690,088

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF BELLINGHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

<u>ASSETS</u>	<u>GENERAL</u>	<u>STABILIZATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 7,975,378	\$ 1,509,470	\$ 4,283,104	\$ 13,767,952
INVESTMENTS	-	-	1,269,956	1,269,956
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	584,613	-	-	584,613
TAX LIENS	625,352	-	-	625,352
MOTOR VEHICLE EXCISE TAXES	214,999	-	-	214,999
USER FEES	-	-	88,423	88,423
DEPARTMENTAL AND OTHER	26,306	-	132,238	158,544
INTERGOVERNMENTAL	35,229,698	-	29,394	35,259,092
SPECIAL ASSESSMENTS	122,313	-	390,541	512,854
TOTAL ASSETS	\$ 44,778,659	\$ 1,509,470	\$ 6,193,656	\$ 52,481,785
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 738,822	\$ -	\$ 122,251	\$ 861,073
ACCRUED LIABILITIES	759,966	-	128,962	888,928
OTHER LIABILITIES	1,300,000	-	-	1,300,000
DEFERRED REVENUES	36,803,281	-	611,202	37,414,483
NOTES PAYABLE	-	-	900,000	900,000
TOTAL LIABILITIES	39,602,069	-	1,762,415	41,364,484
FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	1,468,285	-	-	1,468,285
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	1,391,425	300,000	-	1,691,425
UNDESIGNATED, REPORTED IN:				
GENERAL FUND	2,316,880	-	-	2,316,880
SPECIAL REVENUE FUNDS	-	1,209,470	4,978,965	6,188,435
CAPITAL PROJECTS FUNDS	-	-	(580,992)	(580,992)
PERMANENT FUNDS	-	-	33,268	33,268
TOTAL FUND BALANCES	5,176,590	1,509,470	4,431,241	11,117,301
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,778,659	\$ 1,509,470	\$ 6,193,656	\$ 52,481,785

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, 2007**

	GENERAL	STABILIZATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,026,975	\$ -	\$ -	\$ 26,026,975
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,948,902	-	-	1,948,902
PENALTIES AND INTEREST ON TAXES	134,794	-	-	134,794
INTERGOVERNMENTAL	16,378,615	-	2,664,307	19,042,922
CHARGES FOR SERVICES	-	-	2,242,087	2,242,087
CHARGES FOR SERVICES - SEWER	-	-	585,507	585,507
INVESTMENT INCOME	558,084	54,050	115,590	727,724
CONTRIBUTIONS & DONATIONS	-	-	244,101	244,101
DEPARTMENTAL	1,625,894	-	529,188	2,155,082
TOTAL REVENUES	46,673,264	54,050	6,380,780	53,108,094
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	2,457,226	-	782,271	3,239,497
PUBLIC SAFETY	4,227,450	-	145,620	4,373,070
EDUCATION	21,791,971	-	3,209,713	25,001,684
PUBLIC WORKS	1,995,089	-	2,155,195	4,150,284
SEWER	-	-	576,013	576,013
HUMAN SERVICES	250,274	-	158,910	409,184
CULTURE & RECREATION	662,840	-	119,531	782,371
EMPLOYEE BENEFITS	10,092,339	-	23,600	10,115,939
STATE & COUNTY ASSESSMENTS	669,369	-	-	669,369
DEBT SERVICE:				
PRINCIPAL	2,789,183	-	-	2,789,183
INTEREST	2,121,250	-	-	2,121,250
TOTAL EXPENDITURES	47,056,991	-	7,170,853	54,227,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(383,727)	54,050	(790,073)	(1,119,750)
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	1,949,034	499,172	306,100	2,754,306
OPERATING TRANSFERS OUT	(1,041,535)	(1,000,000)	(864,034)	(2,905,569)
TOTAL OTHER FINANCING SOURCES (USES)	907,499	(500,828)	(557,934)	(151,263)
NET CHANGE IN FUND BALANCES	523,772	(446,778)	(1,348,007)	(1,271,013)
FUND BALANCES AT BEGINNING OF YEAR	4,652,818	1,956,248	5,779,248	12,388,314
FUND BALANCES AT END OF YEAR	\$ 5,176,590	\$ 1,509,470	\$ 4,431,241	\$ 11,117,301

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, 2007**

TOTAL GOVERNMENTAL FUND BALANCES	\$11,117,301
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	67,226,336
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	37,414,483
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	1,854,975
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(645,473)
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	(42,695,796)
COMPENSATED ABSENCES	(1,121,109)
LANDFILL POSTCLOSURE CARE COSTS	<u>(90,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(43,906,905)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$73,060,717</u>

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, 2007**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (1,271,013)
<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	2,941,741	
DEPRECIATION EXPENSE	<u>(2,693,602)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		248,139
<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>		
		(2,164,116)
<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>		
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,789,183</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,789,183
<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	44,791	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	5,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>28,712</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		78,503
<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>1,110,089</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>790,785</u>

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, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER (UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 25,852,778	\$ 25,852,778	\$ 26,026,975	\$ 174,197
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,950,000	1,950,000	1,948,902	(1,098)
PENALTIES & INTEREST ON TAXES	175,000	175,000	134,794	(40,206)
INTERGOVERNMENTAL	12,541,730	12,541,730	12,975,270	433,540
INVESTMENT INCOME	280,000	280,000	558,084	278,084
DEPARTMENTAL	1,095,000	1,095,000	1,625,894	530,894
TOTAL REVENUES	<u>41,894,508</u>	<u>41,894,508</u>	<u>43,269,919</u>	<u>1,375,411</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	2,960,958	3,009,460	2,457,226	552,234
PUBLIC SAFETY	4,737,935	4,713,340	4,227,450	485,890
EDUCATION	21,819,042	21,819,042	21,791,971	27,071
PUBLIC WORKS	2,473,173	2,669,752	1,995,089	674,663
HUMAN SERVICES	269,042	273,042	250,274	22,768
CULTURE & RECREATION	673,498	673,498	662,840	10,658
EMPLOYEE BENEFITS	6,795,569	6,784,569	6,732,323	52,246
STATE & COUNTY ASSESSMENTS	671,237	671,237	669,369	1,868
DEBT SERVICE:				
PRINCIPAL	2,775,129	2,775,129	2,774,029	1,100
INTEREST	2,521,680	2,360,680	2,093,075	267,605
TOTAL EXPENDITURES	<u>45,697,263</u>	<u>45,749,749</u>	<u>43,653,646</u>	<u>2,096,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,802,755)</u>	<u>(3,855,241)</u>	<u>(383,727)</u>	<u>3,471,514</u>
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS IN	1,845,534	1,845,534	1,949,034	103,500
OPERATING TRANSFERS OUT	(892,363)	(892,363)	(1,041,535)	(149,172)
TOTAL OTHER FINANCING SOURCES (USES)	<u>953,171</u>	<u>953,171</u>	<u>907,499</u>	<u>(45,672)</u>
NET CHANGE IN FUND BALANCE	(2,849,584)	(2,902,070)	523,772	3,425,842
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	4,652,818	4,652,818	4,652,818	-
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 1,803,234</u>	<u>\$ 1,750,748</u>	<u>\$ 5,176,590</u>	<u>\$ 3,425,842</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 850,815	\$ 200,507	\$ 1,051,322	\$ 2,518,136
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: DEPARTMENTAL	188,578	126,504	315,082	-
	-	-	-	129,977
TOTAL CURRENT ASSETS	<u>1,039,393</u>	<u>327,011</u>	<u>1,366,404</u>	<u>2,648,113</u>
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	13,459,831	-	13,459,831	-
TOTAL ASSETS	<u>14,499,224</u>	<u>327,011</u>	<u>14,826,235</u>	<u>2,648,113</u>
LIABILITIES				
CURRENT:				
ACCOUNTS PAYABLE	60,877	123,099	183,976	-
HEALTH CLAIMS PAYABLE	-	-	-	793,138
ACCRUED INTEREST	60,572	-	60,572	-
BONDS AND NOTES PAYABLE	1,755,184	-	1,755,184	-
COMPENSATED ABSENCES	15,500	-	15,500	-
TOTAL CURRENT LIABILITIES	<u>1,892,133</u>	<u>123,099</u>	<u>2,015,232</u>	<u>793,138</u>
NONCURRENT:				
BONDS AND NOTES PAYABLE	2,099,632	-	2,099,632	-
COMPENSATED ABSENCES	82,000	-	82,000	-
TOTAL NONCURRENT LIABILITIES	<u>2,181,632</u>	<u>-</u>	<u>2,181,632</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,073,765</u>	<u>123,099</u>	<u>4,196,864</u>	<u>793,138</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	9,605,015	-	9,605,015	-
	820,444	203,912	1,024,356	1,854,975
TOTAL NET ASSETS	<u>\$ 10,425,459</u>	<u>\$ 203,912</u>	<u>\$ 10,629,371</u>	<u>\$ 1,854,975</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, 2007**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 1,508,769	\$ 1,312,555	\$ 2,821,324	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	5,129,100
EMPLOYEE CONTRIBUTIONS	-	-	-	1,705,280
DEPARTMENTAL & OTHER INCOME	15,913	-	15,913	403,836
TOTAL OPERATING REVENUES	<u>1,524,682</u>	<u>1,312,555</u>	<u>2,837,237</u>	<u>7,238,216</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	1,222,777	1,196,802	2,419,579	-
DEPRECIATION	308,515	-	308,515	-
EMPLOYEE BENEFITS	58,600	-	58,600	6,185,500
TOTAL OPERATING EXPENSES	<u>1,589,892</u>	<u>1,196,802</u>	<u>2,786,694</u>	<u>6,185,500</u>
OPERATING INCOME (LOSS)	<u>(65,210)</u>	<u>115,753</u>	<u>50,543</u>	<u>1,052,716</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INVESTMENT INCOME	33,564	7,755	41,319	57,373
INTEREST EXPENSE	(152,854)	-	(152,854)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(119,290)</u>	<u>7,755</u>	<u>(111,535)</u>	<u>57,373</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(184,500)</u>	<u>123,508</u>	<u>(60,992)</u>	<u>1,110,089</u>
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	277,363	-	277,363	-
OPERATING TRANSFERS OUT	(126,100)	-	(126,100)	-
TOTAL OPERATING TRANSFERS	<u>151,263</u>	<u>-</u>	<u>151,263</u>	<u>-</u>
CHANGE IN NET ASSETS	(33,237)	123,508	90,271	1,110,089
NET ASSETS AT BEGINNING OF YEAR	10,458,696	80,404	10,539,100	744,886
NET ASSETS AT END OF YEAR	<u>\$ 10,425,459</u>	<u>\$ 203,912</u>	<u>\$ 10,629,371</u>	<u>\$ 1,854,975</u>

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ 5,129,100
EMPLOYEE CONTRIBUTIONS	-	-	-	1,705,280
RECEIPTS FROM CUSTOMERS AND USERS	1,499,140	1,259,359	2,758,499	273,859
PAYMENTS TO SUPPLIERS	(697,352)	(1,156,349)	(1,853,701)	(6,080,542)
PAYMENTS TO EMPLOYEES	(558,392)	(23,184)	(581,576)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>243,396</u>	<u>79,826</u>	<u>323,222</u>	<u>1,027,697</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	277,363	-	277,363	-
OPERATING TRANSFERS OUT	(126,100)	-	(126,100)	-
NET CASH PROVIDED (USES) BY NONCAPITAL FINANCING ACTIVITIES	<u>151,263</u>	<u>-</u>	<u>151,263</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,365,000	-	1,365,000	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(404,872)	-	(404,872)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,721,252)	-	(1,721,252)	-
INTEREST EXPENSE	(111,712)	-	(111,712)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(872,836)</u>	<u>-</u>	<u>(872,836)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	33,564	7,755	41,319	57,373
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>33,564</u>	<u>7,755</u>	<u>41,319</u>	<u>57,373</u>
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(444,613)	87,581	(357,032)	1,085,070
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	1,295,428	112,926	1,408,354	1,433,066
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 850,815</u>	<u>\$ 200,507</u>	<u>\$ 1,051,322</u>	<u>\$ 2,518,136</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ (65,210)	\$ 115,753	\$ 50,543	\$ 1,052,716
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	308,515	-	308,515	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(25,542)	(53,196)	(78,738)	(129,977)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	22,533	17,269	39,802	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	104,958
INCREASE (DECREASE) IN COMPENSATED ABSENCES	3,100	-	3,100	-
TOTAL ADJUSTMENTS	<u>308,606</u>	<u>(35,927)</u>	<u>272,679</u>	<u>(25,019)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 243,396</u>	<u>\$ 79,826</u>	<u>\$ 323,222</u>	<u>\$ 1,027,697</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 31,682	\$ 691,296
INVESTMENTS	<u>509,193</u>	<u>-</u>
TOTAL ASSETS	<u>540,875</u>	<u>691,296</u>
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	206,731
OTHER LIABILITIES	<u>-</u>	<u>484,565</u>
TOTAL LIABILITIES	<u>-</u>	<u>691,296</u>
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	<u>\$ 540,875</u>	<u>\$ -</u>

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, 2007**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>30,809</u>
 <u>DEDUCTIONS:</u>	
EDUCATIONAL SCHOLARSHIPS	<u>19,200</u>
CHANGE IN NET ASSETS	11,609
NET ASSETS AT BEGINNING OF YEAR	<u>529,266</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 540,875</u></u>

See accompanying notes to the basic financial statements

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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	\$ 688,992

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, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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 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.

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, 2007

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, 2007

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, 2007

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:

- *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 2008 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, 2007

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, 2007 is recorded in the governmental fund financial statement.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with, Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the internal service fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. For the fiscal year ended June 30, 2007, this expense/expenditure totaled approximately \$677,178. There were approximately 176 participants eligible to receive benefits at June 30, 2007.

P. 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.

Q. 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.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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 2007 approved budget authorized \$44,245,723 in current year appropriations and other amounts to be raised and \$1,451,540 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$52,486 were approved at one Special Town Meeting during fiscal year 2007.

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

B. Budgetary -GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2007, is presented below:

Net change in fund balance - budgetary basis	\$ 523,772
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	3,360,016
Increase in expenditures for on-behalf payments - MTRS	(3,360,016)
Increase in revenue for the MWPAT subsidy	43,329
Increase in expenditures for the MWPAT subsidy	<u>(43,329)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 523,772</u></u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2007, actual expenditures exceeded appropriations for snow removal. This over-expenditure will be funded by available funds during fiscal year 2008.

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 and proceeds of long-term debt during fiscal year 2008.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

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. The Town carries deposits that are fully insured by FDIC insurance, DIF insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2007, the bank balances of uninsured and uncollateralized deposits are \$11,560,213.

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2007:

<u>Investment type</u>	<u>Fair value</u>	<u>1-5</u>
<u>Debt Securities:</u>		
U.S. Agency Bonds	<u>\$1,275,073</u>	<u>\$ 1,275,073</u>
<u>Other Investments:</u>		
Mutual Funds	94,663	
Certificates of Deposit	<u>409,413</u>	
Total Other Investments	<u>504,076</u>	
Total Investments	<u>\$1,779,149</u>	

Interest Rate Risk

The Town's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral 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.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

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>
U.S. Agency Bonds	100%

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

NOTE 4 – RECEIVABLES

The receivables at June 30, 2007 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	\$ 645,610	\$ (60,997)	\$ 584,613
Tax liens	625,352	-	625,352
Motor vehicles excise taxes	238,611	(23,612)	214,999
User fees	88,423	-	88,423
Departmental & other	396,716	(108,195)	288,521
Intergovernmental	35,259,092	-	35,259,092
Special assessments	512,854	-	512,854
	<u>512,854</u>	<u>-</u>	<u>512,854</u>
 Total	 <u>\$ 37,766,658</u>	 <u>\$ (192,804)</u>	 <u>\$ 37,573,854</u>

The receivables at June 30, 2007 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	\$ 188,578	\$ -	\$ 188,578
<i>Sanitation</i>			
User fees	<u>126,504</u>	<u>-</u>	<u>126,504</u>
 Total	 <u>\$ 315,082</u>	 <u>\$ -</u>	 <u>\$ 315,082</u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 584,613	\$ -	\$ 584,613
Tax liens	625,352	-	625,352
Motor vehicle excise taxes	214,999	-	214,999
User fees	-	88,423	88,423
Departmental and other	26,306	132,238	158,544
Intergovernmental	35,229,698	-	35,229,698
Special assessments	122,313	390,541	512,854
 Total	 \$ 36,803,281	 \$ 611,202	 \$ 37,414,483

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, 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	\$ 12,015,447	\$ 76,360	\$ -	\$ 12,091,807
Construction in progress	738,576	908,545	-	1,647,121
Total capital assets not being depreciated	<u>12,754,023</u>	<u>984,905</u>	<u>-</u>	<u>13,738,928</u>
<u>Capital assets being depreciated:</u>				
Buildings	64,703,742	131,441	-	64,835,183
Machinery and equipment	6,088,725	170,077	-	6,258,802
Vehicles	3,028,424	213,520	-	3,241,944
Infrastructure	10,524,033	1,441,798	-	11,965,831
Total capital assets being depreciated	<u>84,344,924</u>	<u>1,956,836</u>	<u>-</u>	<u>86,301,760</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(20,156,038)	(1,469,646)	-	(21,625,684)
Machinery and equipment	(3,017,503)	(580,344)	-	(3,597,847)
Vehicles	(1,885,030)	(230,887)	-	(2,115,917)
Infrastructure	(5,062,179)	(412,725)	-	(5,474,904)
Total accumulated depreciation	<u>(30,120,750)</u>	<u>(2,693,602)</u>	<u>-</u>	<u>(32,814,352)</u>
Total capital assets being depreciated, net	<u>54,224,174</u>	<u>(736,766)</u>	<u>-</u>	<u>53,487,408</u>
Total governmental activities capital assets, net	<u>\$ 66,978,197</u>	<u>\$ 248,139</u>	<u>\$ -</u>	<u>\$ 67,226,336</u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

<u>Business-Type Activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,510,300	\$ -	\$ -	\$ 3,510,300
Construction in progress	423,611	1,545,034	-	1,968,645
Total capital assets not being depreciated	<u>3,933,911</u>	<u>1,545,034</u>	<u>-</u>	<u>5,478,945</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	9,218,513	176,219	-	9,394,732
Total capital assets being depreciated	<u>10,703,118</u>	<u>176,219</u>	<u>-</u>	<u>10,879,337</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(6,641)	(578)	-	(7,219)
Machinery and equipment	(242,265)	(100,908)	-	(343,173)
Vehicles	(143,408)	(20,338)	-	(163,746)
Infrastructure	(2,197,622)	(186,691)	-	(2,384,313)
Total accumulated depreciation	<u>(2,589,936)</u>	<u>(308,515)</u>	<u>-</u>	<u>(2,898,451)</u>
Total capital assets being depreciated, net	<u>8,113,182</u>	<u>(132,296)</u>	<u>-</u>	<u>7,980,886</u>
Total business-type activities capital assets, net	<u>\$ 12,047,093</u>	<u>\$ 1,412,738</u>	<u>\$ -</u>	<u>\$ 13,459,831</u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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

Governmental Activities:	
General government	\$ 150,108
Public safety	281,345
Education	1,714,007
Public works	497,526
Human services	43,064
Culture and recreation	<u>7,552</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 2,693,602</u></u>
Business-Type Activities:	
Water	\$ 308,515
Sanitation	<u>-</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 308,515</u></u>

Construction Commitments

The Town has various active construction projects as of June 30, 2007. At year end the Town's commitments are as follows:

Project	Spent to Date	Remaining Commitment
Grove St. Standpipe	\$ 28,493	\$ 230,705
Farm St. & James St. Water Main Replacements	<u>231,450</u>	<u>328,050</u>
 Total	 <u><u>\$ 259,943</u></u>	 <u><u>\$ 558,755</u></u>

The commitments for the Grove St. Standpipe project and the Farm St. and James St. Water Main Replacements projects are being funded by available funds in the Water Enterprise Fund and future debt obligations.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

	Operating Transfers In:				
Operating Transfers Out	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Total
General Fund	\$ -	\$ 499,172	\$ 265,000	\$ 277,363	\$ 1,041,535 (1)
Stabilization Fund	1,000,000	-	-	-	1,000,000 (2)
Nonmajor Governmental Funds	864,034	-	-	-	864,034 (2)
Water Enterprise Fund	85,000	-	41,100	-	126,100 (2)
Total	\$ 1,949,034	\$ 499,172	\$ 306,100	\$ 277,363	\$ 3,031,669

(1) Represents budgeted and non-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
June 30, 2007

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, 2007:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2006</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2007</u>
<u>Governmental Funds</u>							
BAN	Multi-purpose	4.00	11/15/2007	\$ -	\$ 900,000	\$ -	\$ 900,000
<u>Enterprise Funds</u>							
BAN	Multi-purpose	4.00	11/15/2007	-	1,365,000	-	1,365,000
Total				<u>\$ -</u>	<u>\$ 2,265,000</u>	<u>\$ -</u>	<u>\$ 2,265,000</u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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, 2007:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
Sewer Construction	4.92%	\$ 1,313,312	\$ -	\$ 229,128	\$ 1,084,184
School Remodeling	5.63%	170,000	-	20,000	150,000
Landfill Closure	4.76%	630,000	-	130,000	500,000
School Roof	4.76%	166,000	-	30,000	136,000
Ball Field Lights	4.76%	6,000	-	6,000	-
Tile V Septic	Var.%	147,311	-	10,539	136,772
Sewer	Var.%	332,328	-	63,496	268,832
School	4.76%	25,150,000	-	1,165,000	23,985,000
Senior Center	4.68%	675,000	-	45,000	630,000
Roads	4.01%	210,000	-	45,000	165,000
School Construction	4.84%	10,355,000	-	450,000	9,905,000
Ambulance	1.68%	80,000	-	40,000	40,000
Sewer	1.68%	2,317,100	-	267,900	2,049,200
School	1.68%	147,900	-	17,100	130,800
Tile V Septic	Var.%	170,028	-	10,020	160,008
Land Acquisition	3.96%	1,067,500	-	57,500	1,010,000
Town Hall Construction	3.96%	1,167,500	-	67,500	1,100,000
Roads	3.96%	1,080,000	-	120,000	960,000
Tile V Septic	Var.%	300,000	-	15,000	285,000
Total		\$ 45,484,979	\$ -	\$ 2,789,183	\$ 42,695,796

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2007 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,845,049	\$ 2,000,622	\$ 4,845,671
2009	2,879,880	1,884,185	4,764,065
2010	2,963,551	1,760,787	4,724,338
2011	3,046,843	1,632,531	4,679,374
2012	2,901,630	1,492,453	4,394,083
2013-2017	14,047,284	5,467,630	19,514,914
2018-2022	13,596,355	1,913,610	15,509,965
2023-2026	<u>415,204</u>	<u>30,385</u>	<u>445,589</u>
Total	<u>\$ 42,695,796</u>	<u>\$ 16,182,203</u>	<u>\$ 58,877,999</u>

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 \$2,679,006 from scheduled annual payments in FY 2007 from the MSBA for completed school construction projects.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
Water Filtration	4.92%	\$ 572,865	\$ -	\$ 100,333	\$ 472,532
Water	4.92%	31,826	-	5,574	26,252
Well	4.92%	4,095	-	4,095	-
Well	4.92%	37,902	-	5,870	32,032
Well Construction	4.76%	324,000	-	60,000	264,000
Land Acquisition	4.76%	4,000	-	4,000	-
Water	2.52%	465,000	-	60,000	405,000
Water	2.47%	245,000	-	35,000	210,000
Water	3.96%	1,210,000	-	130,000	1,080,000
Total		\$ 2,894,688	\$ -	\$ 404,872	\$ 2,489,816

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2007 are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 390,184	\$ 94,810	\$ 484,994
2009	386,973	79,246	466,219
2010	375,384	63,823	439,207
2011	353,275	48,975	402,250
2012	364,000	34,012	398,012
2013-2017	420,000	74,488	494,488
2018-2022	125,000	31,987	156,987
2023-2025	75,000	6,550	81,550
Total	\$ 2,489,816	\$ 433,891	\$ 2,923,707

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

Loans Authorized and Unissued

As of June 30, 2007, 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
Sewer Collection System Design & Construction	5/25/2005	500,000
Fire Pumper	10/11/2006	400,000
Remediated Sewer	5/23/2007	200,000
Pulaski Blvd.	5/24/2006	400,000
Pulaski Blvd.	10/11/2006	370,000
Total Governmental Activities		<u>1,920,000</u>
Pulaski Blvd. Water Main Improvements	5/25/2005	800,000
Pulaski Blvd. Water Main Improvements	10/12/2005	565,000
Grove Street Standpipe	5/23/2007	900,000
Total Business Activities		<u>2,265,000</u>
Total		<u>\$ 4,185,000</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2007:

<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	\$ 45,484,979	\$ -	\$ (2,789,183)	\$ 42,695,796	\$ 2,845,049
Compensated absences	1,165,900	-	(44,791)	1,121,109	75,500
Landfill postclosure care costs	95,000	-	(5,000)	90,000	5,000
Total governmental activities long-term liabilities	<u>\$ 46,745,879</u>	<u>\$ -</u>	<u>\$ (2,838,974)</u>	<u>\$ 43,906,905</u>	<u>\$ 2,925,549</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	\$ 2,894,688	\$ -	\$ (404,872)	\$ 2,489,816	\$ 390,184
Compensated absences	94,400	3,100	-	97,500	15,500
Total business-type activities long-term liabilities	<u>\$ 2,989,088</u>	<u>\$ 3,100</u>	<u>\$ (404,872)</u>	<u>\$ 2,587,316</u>	<u>\$ 405,684</u>

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

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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, 2007:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Norfolk County	\$ 1,200,000	2.076%	\$ 24,912
Blackstone Valley Vocational Regional School District			
School Construction Bonds	<u>7,310,000</u>	4.90%	<u>358,190</u>
	<u>\$ 8,510,000</u>		<u>\$ 383,102</u>

NOTE 9 – STABILIZATION FUND

At June 30, 2007, \$1,509,470 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. At the May 23, 2007 Annual Town Meeting, Town Meeting voted to set aside \$300,000 of the stabilization fund balance to fund the fiscal year 2008 budget.

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 2007.

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

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 549 employees and retirees who participate in the Town's health care programs. For those 365 employees and retirees electing a Health Maintenance Organization (HMO), the town contributes 80% of the costs. For those 7 employees and retirees over 65 years old electing a Health Maintenance Organization (HMO), the town contributes 50% of the costs. For those 6 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 105 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 \$75,000 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, 2007 and June 30, 2006, 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 2007 and 2006 were as follows:

	Healthcare	
	2007	2006
Liability at beginning of fiscal year	\$ 687,844	\$ 696,941
Claims incurred for current fiscal year and Changes in provisions for prior year	5,726,320	4,975,102
Claims payments for current fiscal year	<u>(5,621,026)</u>	<u>(4,984,199)</u>
Liability at end of fiscal year	<u>\$ 793,138</u>	<u>\$ 687,844</u>

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

NOTE 11 – 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, 2007, 2006, and 2005 were \$1,374,851, \$1,177,162, and \$1,011,064 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 \$3,360,016 for fiscal year 2007. 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, 2007

NOTE 12 – 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, 2007, 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 (18 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$90,000 reported as landfill post-closure liability at June 30, 2007 is based on what it would cost to perform all post-closure care at June 30, 2007. 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The Town was required by Governmental Accounting Standards Board Statement #34 to implement the recording infrastructure assets for the periods prior to fiscal year 2003 in fiscal year 2007. The following beginning Governmental Activities Net Assets has been restated to reflect the recording of the general infrastructure assets of the governmental activities for the periods of fiscal year 1980 through 2002.

Description	Total Governmental Activities Net Assets
Balances at June 30, 2006 as previously reported	\$ 67,929,695
To record Governmental Activities Infrastructure:	
Cost	9,359,902
Accumulated Depreciation	(5,019,665)
Net additions	4,340,237
Balances at June 30, 2006 as restated	\$ 72,269,932

Town of Bellingham, Massachusetts
Notes to Basic Financial Statements
June 30, 2007

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

The GASB issued **Statement #34**, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which was implemented in Fiscal 2003. Under GASB#34, the Town did not have to implement the recording of infrastructure assets until Fiscal 2007. The Town implemented this part of the pronouncement in fiscal 2007 (See **Note 13**).

The GASB issued **Statement #47**, *Accounting for Termination Benefits*, which is required to be implemented in Fiscal 2007. The Town has a very limited termination benefits program that is budgeted for and is not material to the basic financial statements.

Future GASB Pronouncements:

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

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

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

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 #50**, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. which is required to be implemented in FY2008. Since the Town does not operate its’ own pension plan, this pronouncement will not impact 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.