

OFFICIAL STATEMENT DATED AUGUST 12, 2014

Rating: See "Rating" herein.
Standard & Poor's Rating Group: AA+

New Issue

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

TOWN OF BELLINGHAM, MASSACHUSETTS
\$11,350,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS

DATED
Date of Delivery

DUE
September 1
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable September 1 of the years in which the Bonds mature. Interest on the Bonds will be payable March 1 and September 1, commencing March 1, 2015. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Bellingham, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town subject to the limit imposed under Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

Due September 1	Principal Amount	Interest Rate	Price or Yield	Cusip 079491	Due September 1	Principal Amount	Interest Rate	Price or Yield
2015	\$ 455,000	2.00 %	0.25 %	TW6	2025	\$ 675,000	3.00 %	2.50 %
2016	455,000	2.00	0.36	TX4	2026	685,000	4.00	2.65
2017	470,000	3.00	0.59	TY2	2027	715,000	3.00	2.76
2018	500,000	4.00	0.87	TZ9	2028	550,000	3.00	2.86
2019	510,000	4.00	1.19	UA2	2029	565,000	3.00	3.00
2020	535,000	4.00	1.45	UB0	2030	535,000	3.00	3.15
2021	555,000	4.00	1.70	UC8	2031	545,000	3.125	3.28
2022	585,000	5.00	1.94	UD6	2032	570,000	3.25	3.35
2023	610,000	5.00	2.12	UE4	2033	585,000	3.25	3.40
2024	640,000	5.00	2.23	UF1	2034	610,000	3.375	3.50

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Bellingham, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about September 4, 2014, against payment to the Town in federal funds.

JANNEY MONTGOMERY SCOTT LLC

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT	3	TOWN FINANCES:	
NOTICE OF SALE	4	The Budget and Appropriation Process	26
OFFICIAL STATEMENT:		Operating Budget Trends	26
THE BONDS:		Education and Reform	26
Description of the Bonds	7	Capital Planning Committee	26
Redemption Provisions	7	Revenues	27
Notice of Redemption	7	Property Taxes	27
Record Date	7	State Distributions	27
Book-Entry Transfer System	8	State School Building Assistance Program	27
Authorization of the Bonds and Use of Proceeds	9	Motor Vehicle Excise Tax	28
Principal Maturities by Purpose	10	Water and Sewer Rates and Services	28
Tax Exemption	10	Annual Audits	28
Security and Remedies	11	Financial Statements	28
Opinion of Bond Counsel	13	Governmental Funds Balance Sheets –	
Rating	13	Fiscal Year Ending:	
Financial Advisory Services of First		June 30, 2013	29
Southwest Company	13	June 30, 2012	30
Continuing Disclosure	13	June 30, 2011	31
THE TOWN OF BELLINGHAM, MASSACHUSETTS:		Statements of Revenues, Expenditures and Changes	
Description	14	in Fund Balance – Fiscal Year Ending:	32
Local Government	14	June 30 2009 – June 30, 2013	
Principal Executive Officers	14	Undesignated/Unassigned General Fund Balance	
Municipal Services	14	and Free Cash	37
Transportation	15	Stabilization Fund	37
Utilities	15	Additional Reserve Funds	37
Education	15	Investment of Town Funds	38
Student Enrollments	16	Tax Increment Financing for Development Districts	38
Population and Income	16	INDEBTEDNESS:	
Employment by Industry	16	Authorization of General Obligation Bonds	
Major Employers	17	And Notes	39
Labor Force, Employment and Unemployment Rates	17	Debt Limits	39
Building Permits	17	Types of Obligations	39
PROPERTY TAXATION:		Trend in Revenue Anticipation Note Borrowing	40
Tax Levy Computation	18	Direct Debt Summary	40
Assessed and Equalized Valuations	19	Debt Ratios	41
Classification of Property	19	Annual Debt Service	41
Largest Taxpayers	20	Authorized Unissued Debt and	
Abatements and Overlay	20	Prospective Financing	42
Tax Collections	21	Overlapping Debt	42
Tax Titles and Possessions	21	Contractual Obligations	43
Taxes Outstanding	21	Retirement Systems	43
Sale of Tax Receivables	22	Norfolk County Contributory Retirement	
Taxation to Meet Deficits	22	System Funding Schedule	45
Tax Limitation	22	Other Post-Employment Benefits	45
Unused Levy Capacity	23	Collective Bargaining	46
Impact of Proposition 2 ½	23	LITIGATION	46
Initiative Petitions	24	APPENDIX A – AUDITED FINANCIAL STATEMENTS	
Pledged Taxes	24	AS OF JUNE 30, 2013	
Community Preservation Act	24	APPENDIX B – PROPOSED FORM OF LEGAL OPINION	
		APPENDIX C – PROPOSED FORM OF CONTINUING	
		DISCLOSURE CERTIFICATE	

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

SUMMARY STATEMENT

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

Date of Sale:	Tuesday, August 12, 2014, 11:00 A.M. (Eastern Time).
Location of Sale:	First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Bellingham, Massachusetts.
Issue:	\$11,350,000 General Obligation Municipal Purpose Loan of 2014 Bonds, see "THE BONDS Book-Entry Transfer System" herein.
Official Statement Dated:	August 12, 2014.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially September 1, 2015 through September 1, 2034 as detailed herein.
Purpose and Authority:	Bond proceeds will be used to finance and refinance various municipal capital projects, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."
Redemption:	The Bonds are subject to redemption prior to their stated maturity dates as described herein.
Security:	The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
Credit Rating:	Standard & Poor's Rating Group has assigned a rating of AA+ to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <u>No bid of less than par plus a premium of \$90,000 will be accepted.</u>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Edwards Wildman Palmer LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about September 4, 2014, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Ms. Grace Devitt, Treasurer, Town of Bellingham, Massachusetts telephone 508-966-5826 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

NOTICE OF SALE
TOWN OF BELLINGHAM, MASSACHUSETTS
\$11,350,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS

The Town of Bellingham, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Tuesday, August 12, 2014, for the purchase of the following described General Obligation Municipal Purpose Loan of 2014 Bonds of the Town (the "Bonds"):

\$11,350,000 General Obligation Municipal Purpose Loan of 2014 Bonds payable September 1 of the years and in the amounts as follows:

<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>
2015	\$ 470,000	2025	\$ 640,000 **
2016	480,000	2026	675,000 **
2017	495,000	2027	690,000 **
2018	505,000	2028	535,000 **
2019	515,000	2029	560,000 **
2020	535,000	2030	535,000 **
2021	555,000	2031	555,000 **
2022	580,000	2032	580,000 **
2023	600,000	2033	600,000 **
2024	615,000	2034	630,000 **

* Preliminary, subject to change.

** Callable maturities. May be combined into one or two Term Bonds.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on September 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, commencing March 1, 2015.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

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

The Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Bonds maturing on and after September 1, 2025 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

For the Bonds maturing on and after September 1, 2025, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the

years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Any Term Bond shall be subject to mandatory redemption on September 1 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or **(b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par plus a premium of \$90,000 will be accepted.**

Bidding Parameters

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof, as necessary based on the maximum allowable maturities of the amounts for each purpose described in the "Authorization of the Bonds and Use of Proceeds" section of the Preliminary Official Statement to structure the debt service on the Bonds to be as close to equal on an annual basis as practicable through the final maturity. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Grace Devitt, Treasurer, Town of Bellingham, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Bellingham has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or

commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Rating Group for a rating on the Bonds. Any such fee paid to Standard & Poor's Rating Group would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated August 5, 2014, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated August 5, 2014.

The Bonds are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

Additional information concerning the Town of Bellingham and the Bonds is contained in the Preliminary Official Statement dated August 5, 2014, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of August 12, 2014 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about September 4, 2014 for settlement in federal funds.

August 5, 2014

TOWN OF BELLINGHAM, MASSACHUSETTS
/s/ Ms. Grace Devitt, Treasurer

**PRELIMINARY OFFICIAL STATEMENT
TOWN OF BELLINGHAM, MASSACHUSETTS
\$11,350,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2014 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Bellingham, Massachusetts (the "Town") in connection with the sale of \$11,350,000 aggregate stated principal amount of its General Obligation Municipal Purpose Loan of 2014 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on March 1 and September 1 of each year until maturity, commencing March 1, 2015, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated August 5, 2014. The Bonds shall mature on September 1 of the years and in the principal amounts as set forth on the cover page of this Preliminary Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

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

Redemption Provisions

The Bonds are subject to redemption as described below.

Optional Redemption

The Bonds maturing in the years 2015 through 2024 will not be subject to redemption prior to maturity. The Bonds maturing on and after September 1, 2025 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however, if such date is not a business day, the record date shall be the next succeeding business day, and provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

DTC (defined above), will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts

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

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

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

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

Authorization of the Bonds and Use of Proceeds

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

This Issue	Purpose	Total Amount Authorized	Bond		Dates Authorized	MGL Ch. 44, s.
			Anticipation Notes	Outstanding		
\$ 1,355,000	Athletic Field Reconstruction	\$ 1,355,000	\$ 1,355,000		10/10/2012	44 s. 7(25)
500,000	Road Improvements	500,000	500,000		10/13/2010	44 s. 7(6)
2,100,000	Drinking Water Treatment Plant Construction	15,400,000	932,195		10/10/2012	44 s. 8(4)
65,000	Drinking Water Treatment Plant Planning & Engineering	65,000	65,000		5/23/2012	44 s. 7(21)
530,000	Pumper Truck	530,000	-		10/9/2013	44 s. 7(9)
6,800,000	Police Station	6,800,000	750,000		10/9/2013	44 s. 7(3A)
<u>\$ 11,350,000</u>			<u>\$ 3,602,195</u>	(1)		

(1) This issue will renew a like amount of bond anticipation notes maturing on September 5, 2014.

Principal Maturities by Purpose

Fiscal Year	Road Improvements	Athletic Field Reconstruction	Drinking Water Treatment Plant Construction	Drinking Water Treatment Plant Planning & Engineering	Pumper Truck	Police Station	Total
2016	\$ 30,000	\$ 85,000	\$ 75,000	\$ 5,000	\$ 25,000	\$ 235,000	\$ 455,000
2017	30,000	85,000	70,000	5,000	25,000	240,000	455,000
2018	30,000	85,000	75,000	5,000	30,000	245,000	470,000
2019	35,000	90,000	80,000	5,000	30,000	260,000	500,000
2020	35,000	95,000	80,000	5,000	30,000	265,000	510,000
2021	35,000	100,000	90,000	5,000	30,000	275,000	535,000
2022	40,000	100,000	90,000	5,000	35,000	285,000	555,000
2023	40,000	105,000	95,000	5,000	35,000	305,000	585,000
2024	40,000	110,000	100,000	5,000	35,000	320,000	610,000
2025	45,000	120,000	100,000	5,000	40,000	330,000	640,000
2026	45,000	125,000	110,000	5,000	40,000	350,000	675,000
2027	45,000	125,000	110,000	5,000	40,000	360,000	685,000
2028	50,000	130,000	115,000	5,000	45,000	370,000	715,000
2029	-	-	120,000	-	45,000	385,000	550,000
2030	-	-	125,000	-	45,000	395,000	565,000
2031	-	-	125,000	-	-	410,000	535,000
2032	-	-	125,000	-	-	420,000	545,000
2033	-	-	135,000	-	-	435,000	570,000
2034	-	-	135,000	-	-	450,000	585,000
2035	-	-	145,000	-	-	465,000	610,000
Total	<u>\$ 500,000</u>	<u>\$ 1,355,000</u>	<u>\$ 2,100,000</u>	<u>\$ 65,000</u>	<u>\$ 530,000</u>	<u>\$ 6,800,000</u>	<u>\$ 11,350,000</u>

Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under

"PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" under (See "Types of Obligation - *Serial Bonds and Notes*" under "INDEBTEDNESS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in

the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

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

Rating

Standard & Poor's Rating Group has assigned a "AA+" rating to the Bonds. Such rating reflects the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Bellingham, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF BELLINGHAM, MASSACHUSETTS

General

The Town of Bellingham, which was incorporated as a town in 1719, is located in Norfolk County along the southern section of Interstate Route 495. It is bordered on the east by the Towns of Franklin and Wrentham, on the south by Woonsocket, Rhode Island, on the west by Blackstone, Mendon and Hopedale and on the north by Milford and Medway. Bellingham, a residential community, is located approximately 35 miles from Boston, 27 miles from Providence, and within 30 miles of Attleboro, Brockton and Worcester. The Town covers a land area of approximately 18.5 square miles and, according to the 2010 census, has a population of 16,332.

Bellingham's location, which is 10 minutes south of the Massachusetts Turnpike (I-90) and the same distance north of Interstate 95 provides accessibility to the entire eastern area of Massachusetts and northern Rhode Island.

Local Government

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

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

Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Board of Selectmen	Michael Connor, Chair	Elected	May, 2016
	Michael Soter, Vice Chair	Elected	May, 2017
	Jerald Mayhew	Elected	May, 2015
	Dan Spencer	Elected	May, 2016
	Donald F. Martinis	Elected	May, 2017
Town Administrator	Denis C. Fraine	Appointed	June, 2016
Chief Financial Officer	Christopher Lavoilette, CPA	Appointed	June, 2016
Town Collector	Grace L. Devitt	Appointed	June, 2016
Town Treasurer	Grace L. Devitt	Appointed	June, 2016
Town Clerk	Ann Odabasian	Elected	May, 2016
Town Counsel	Jay Talerman	Appointed	May, 2015

Municipal Services

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

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

Transportation

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

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

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

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

Utilities

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

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

The average daily pumping rate is 1.384 million gallons per day, with a peak rate of 2.476 million gallons per day. The system's storage capacity in three standpipes is 5.1 million gallons. The water supply in Bellingham is presently adequate and capacity to serve long-term growth appears to be good.

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

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

Education

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

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

School Enrollments (1)

	Actual					Projected
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Kindergarten - 6	1,360	1,326	1,310	1,419	1,423	1,384
Grades 7 -8	410	423	386	349	338	369
Grades 9 -12	772	732	714	689	643	624
Total	<u>2,542</u>	<u>2,481</u>	<u>2,410</u>	<u>2,457</u>	<u>2,404</u>	<u>2,377</u>

Source: Superintendent of Schools.

(1) As of October 1.

Population and Income

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

	Bellingham	Massachusetts	United States
Median Age:			
2010	40.3	39.1	37.2
2000	36.3	36.5	35.3
1990	32.0	33.6	32.9
Median Family Income:			
2010	\$ 87,950	\$ 81,165	\$ 51,144
2000	72,074	61,664	50,046
1990	50,681	44,367	35,225
Per Capita Income:			
2010	\$ 31,786	\$ 33,966	\$ 27,334
2000	25,047	25,952	21,587
1990	15,869	17,224	14,420

Source: Federal Census.

Employment by Industry

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

Industry	Calendar Year Average				
	2008	2009	2010	2011	2012
Construction	350	395	260	277	264
Manufacturing	541	418	482	500	511
Trade, Transportation & Utilities	2,568	2,519	2,572	2,632	2,823
Financial Activities	67	61	72	64	60
Professional and Business Services	263	270	293	322	320
Leisure and Hospitality	739	729	829	849	828
Other Services	160	159	193	217	236
Total Employment	<u>4,688</u>	<u>4,551</u>	<u>4,701</u>	<u>4,861</u>	<u>5,042</u>
Number of Establishments	<u>417</u>	<u>413</u>	<u>437</u>	<u>458</u>	<u>447</u>
Average Weekly Wages	<u>\$650</u>	<u>\$643</u>	<u>\$653</u>	<u>\$673</u>	<u>\$701</u>
Total Wages	<u>\$184,821,867</u>	<u>\$175,802,065</u>	<u>\$186,228,312</u>	<u>\$197,039,402</u>	<u>\$211,801,467</u>

Source: Massachusetts Department of Employment and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Major Employers

Following are the major employers in the community, excluding the Town which employs approximately 475 persons:

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

Source: Chief Financial Officer.

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training data, in May 2014, the Town had a total labor force of 9,859 of whom 9,281 were employed and 578 or 5.9% were unemployed as compared to 5.2% for the Commonwealth and 4.5% for Norfolk County.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2009 through 2013 in comparison with the unemployment rates for Norfolk County, the Commonwealth and the U.S. as a whole for the same period:

<u>Calendar Year</u>	<u>Town of Bellingham</u>		<u>Unemployment Rate</u>		
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Norfolk County</u>	<u>Massachusetts</u>	<u>U.S.</u>
2013	9,976	8.8%	6.0%	7.1%	6.7%
2012	9,950	8.2	5.6	6.7	8.1
2011	9,904	9.0	6.5	6.8	8.9
2010	9,773	10.4	7.6	8.5	9.6
2009	9,794	10.0	7.3	9.3	10.5

Source: Massachusetts Department of Employment and Training.

Building Permits

<u>Calendar Year</u>	<u>Residential</u>		<u>Non-Residential</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2014 (1)	652	\$10,760,861	108	\$13,515,150 (2)	760	\$24,276,011
2013	327	5,560,737	43	1,428,137	370	6,988,874
2012	516	7,607,545	93	1,532,670	609	9,140,215
2011	539	7,957,839	117	4,914,190	656	12,872,029
2010	425	5,724,000	90	3,022,000	515	8,746,000
2009	357	5,620,083	103	2,563,291	460	8,183,374
2008	412	5,706,989	122	29,552,719	534	35,259,708

Source: Town of Bellingham Building Inspector

(1) Issued through June 30, 2014.

(2) Increase attributable to new police station and water treatment facility totaling \$10,200,000 and a CVS Pharmacy totaling \$1,120,000.

PROPERTY TAXATION

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

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

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

Tax Levy Computation

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

	For Fiscal Year				
	2014	2013	2012	2011	2010
Gross Amount to be Raised:					
Appropriations (1)	\$ 55,041,221	\$ 53,207,147	\$ 51,610,389	\$ 50,715,173	\$ 49,871,276
Other Local Expenditures	279,419	262,625	281,450	236,074	307,557
State & County Charges	819,061	871,850	856,383	898,529	856,144
Overlay Reserve	717,127	821,986	654,901	356,000	460,610
Total Gross Amount to be Raised	\$ 56,856,828	\$ 55,163,607	\$ 53,403,122	\$ 52,205,776	\$ 51,495,587
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State (2)	\$ 12,294,210	\$ 12,176,927	\$ 12,060,899	\$ 12,076,247	\$ 12,760,214
Estimated Receipts - Local	8,527,303	7,709,338	8,069,452	7,859,757	7,851,534
Available Funds Appropriated (3):					
Free Cash	2,076,839	2,062,186	1,284,500	1,552,156	951,826
Other Available Funds	1,169,572	1,088,782	750,500	272,315	607,211
Free Cash and Other Revenue Used to Reduce the Tax Rate	-	-	-	-	-
Total Estimated Receipts & Revenue	\$ 24,067,924	\$ 23,037,233	\$ 22,165,351	\$ 21,760,475	\$ 22,170,785
Net Amount to be Raised (Tax Levy)	\$ 32,788,904	\$ 32,126,375	\$ 31,237,771	\$ 30,445,301	\$ 29,324,802
Property Valuation (000)	\$ 2,102,349	\$ 2,091,386	\$ 2,134,358	\$ 2,182,758	\$ 2,206,814
Tax Rate per \$1,000:	\$ 14.66	\$ 14.44	\$ 14.05	\$ 13.11	\$ 11.96

Source: Board of Assessors.

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

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.
- (3) Transfers from other available funds, including "free cash" (See "TOWN FINANCES – Undesignated General Fund Balances and Free Cash"), generally made as an offset to a particular appropriation item.

Assessed and Equalized Valuations

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

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

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "INDEBTEDNESS – Debt Limits" below.

Valuation of real and personal property in Bellingham is established by the Board of Assessors. The Town underwent a revaluation in fiscal 2014. The 2014 assessed valuation is currently 92.6 percent of equalized valuation as shown below:

Fiscal Year	Assessed Valuations (1)			Official Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized
	Real Property	Personal Property	Total		
2014	\$1,815,296,711	\$287,052,458	\$2,102,349,169	\$2,268,116,800	92.6%
2013	1,811,226,588	280,159,418	2,091,386,006	2,268,116,800	92.2
2012	1,798,489,082	335,868,973	2,134,358,065	2,368,883,600	90.1
2011	1,845,489,629	337,268,922	2,182,758,551	2,368,883,600	92.1
2010	1,907,972,471	298,841,447	2,206,813,918	2,594,856,000	85.0

(1) Source: Board of Assessors

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

Classification of Property

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

	Fiscal 2014		Fiscal 2013		Fiscal 2012	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 1,471,626,770	70.0 %	\$ 1,471,875,191	70.4 %	\$ 1,466,350,354	68.7 %
Commercial	224,386,951	10.7	220,605,091	10.5	216,495,998	10.1
Industrial	119,282,990	5.7	118,746,306	5.7	115,642,740	5.4
Personal	287,052,458	13.7	280,159,418	13.4	335,868,973	15.7
Total	<u>\$ 2,102,349,169</u>	<u>100.0 %</u>	<u>\$ 2,091,386,006</u>	<u>100.0 %</u>	<u>\$ 2,134,358,065</u>	<u>100.0 %</u>

Source: Board of Assessors

Largest Taxpayers

Following are the largest taxpayers in the Town, all of which are current in their tax payments, based upon assessed valuations for fiscal 2014:

Name	Nature of Business	Fiscal 2014 Assessed Valuation	Fiscal 2014 Tax Levy	% of Net Tax Levy
American National Power (1)	Electric Generator	\$ 173,814,573	\$ 2,758,437	8.4 %
Florida Light and Power (1)	Electric Generator	83,560,709	1,225,000	3.7
Charles River LLC	Shopping Center	29,666,600	531,329	1.6
151 N Main St Apt Investor LLC	Luxury Apts.	31,026,900	454,854	1.4
Dunkin Donuts NE Dist Ctr	N.E. Distribution Center	19,016,900	340,593	1.0
Bellingham N. Main St. II LLC	Shopping Center	17,354,800	310,824	0.9
ABP MA Bellingham LLC	Lumber Distribution	17,019,000	304,810	0.9
RT Bellingham LLC	Best Buy Distribution	15,225,300	272,685	0.8
Varney Bros. Sand & Gravel	Sand and Gravel	14,587,600	243,385	0.7
Bellingham Venture LTD	Shopping Center	11,900,000	237,768	0.7
Total		<u>\$ 413,172,382</u>	<u>\$ 6,679,685</u>	<u>20.4 %</u>

Source: Assessors/Tax Collector.

(1) Payment in Lieu of Taxes.

Abatements and Overlay

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

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

The following table sets forth the amount of the overlay reserve for the last five fiscal years; abatements granted during the fiscal year against that fiscal year's levy and overlay balance per fiscal year as of June 30, 2014:

Fiscal Year	Net Tax Levy (1)	Overlay Reserve	As a % of Net Levy	Abatements Granted During Fiscal Year of Levy
2014	\$32,071,777	\$717,127	2.3%	\$364,259
2013	31,304,389	821,986	2.6	271,432
2012	30,582,870	654,901	2.1	333,254
2011	30,089,301	356,000	1.2	246,533
2010	28,864,192	460,610	1.5	250,311

Source: Chief Financial Officer.

(1) Net of overlay reserve for abatements.

Tax Collections

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

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

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Overlay Reserve for Abatements</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at FY-End (2,3)</u>
2014	\$32,788,904	\$717,127	\$32,071,777	99%
2013	32,126,375	821,986	31,304,389	99
2012	31,237,771	654,901	30,582,870	98
2011	30,445,301	356,000	30,089,301	98
2010	29,324,802	460,610	28,864,192	97

(1) Net of overlay reserve for abatements.

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

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

Tax Titles and Possessions

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

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

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

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

Taxes Outstanding

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

<u>As of June 30</u>	<u>Aggregate Taxes Outstanding (1)</u>	<u>Tax Titles</u>	<u>Tax Possessions</u>
2014	\$1,152,529	\$1,018,606	\$341,421
2013	911,707	886,367	341,421
2012	495,905	1,072,520	341,421
2011	723,071	1,085,144	254,746
2010	551,592	983,747	254,746

Source: Chief Financial Officer.

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

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

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

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

Unused Levy Capacity (1)

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

	For Fiscal Year				
	2014	2013	2012	2011	2010
Primary Levy Limit (2)	\$ 52,558,729	\$ 52,203,375	\$ 53,277,677	\$ 54,568,964	\$ 55,078,601
Prior Fiscal Year Levy Limit	\$ 31,509,064	\$ 30,482,071	\$ 29,488,992	\$ 28,341,950	\$ 27,179,482
2.5% Levy Growth	787,727	762,052	737,225	708,549	679,487
New Growth (3)	272,390	264,941	255,854	438,493	482,981
Overrides	-	-	-	-	-
Growth Levy Limit	32,569,181	31,509,064	30,482,071	29,488,992	28,341,950
Debt Exclusions	255,116	267,219	489,074	523,028	548,921
Capital Expenditure Exclusions	-	410,988	278,000	453,000	453,000
Tax Levy Limit	\$ 32,824,297	\$ 32,187,271	\$ 31,249,145	\$ 30,465,020	\$ 29,343,871
Tax Levy	32,788,904	32,126,375	31,237,771	30,445,301	29,324,802
Unused Levy Capacity (4)	\$ 35,393	\$ 60,896	\$ 11,374	\$ 19,719	\$ 19,069
Unused Primary Levy Capacity (5)	\$ 19,989,548	\$ 20,694,311	\$ 22,795,606	\$ 25,079,972	\$ 26,736,651

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Impact of Proposition 2 1/2

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

Initiative Petitions

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

Pledged Taxes

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

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has not adopted the Community Preservation Act.

TOWN FINANCES

The Budget and Appropriation Process

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

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

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

Operating Budget Trends

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

	Appropriated Fiscal 2015	Appropriated Fiscal 2014	Appropriated Fiscal 2013	Appropriated Fiscal 2012	Appropriated Fiscal 2011
General Government	\$ 5,283,173	\$ 4,711,068	\$ 2,093,694	\$ 2,057,122	\$ 2,035,251
Insurance & Benefits	8,176,824	5,363,664	8,213,710 (1)	7,686,099	7,581,100
Public Safety	5,826,762	5,349,649	4,907,437	4,724,029	4,678,506
Education	22,253,397	23,790,627	22,830,961	22,459,505	22,384,191
Public Works	3,320,096	2,928,555	2,906,059	2,809,075	2,800,757
Health/Human Services	296,832	262,518	228,290	222,425	221,779
Recreation/Culture	750,482	699,112	641,218	622,027	614,576
Debt Service	5,008,130	5,602,115	5,601,793	5,601,793	5,606,793
Water/Sewer	3,298,746	3,212,047	3,302,230	2,898,292	2,884,105
Total	<u>\$ 54,214,442</u>	<u>\$ 51,919,355</u>	<u>\$ 50,725,392</u>	<u>\$ 49,080,367</u>	<u>\$ 48,807,058</u>

Source: Chief Financial Officer.

(1) Increase attributable to an additional \$415,000 budgeted amount to be transferred to the Compensated Absence Fund. The additional monies are being used to prepare for upcoming expenses associated with anticipated retirements.

Education Reform

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

Capital Planning Committee

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

Revenues

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

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

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

The following are state aid payments received by the Town (including revenue sharing, capital project grants and education) for fiscal years 2010 through 2014:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2014(1)	\$12,100,116
2013(2)	12,176,927
2012(3)	11,927,484
2011(3)	11,940,051
2010(4)	12,449,211

- (1) Includes \$2,262,880 grants from MSBA.
- (2) Includes \$2,262,927 grants from the MSBA.
- (3) Includes \$2,336,678 grants from the MSBA.
- (4) Includes \$2,461,783 grants from the MSBA.

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

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

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

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the MSBA is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue

to be paid by the MSBA in lump sum payments, thereby eliminating the need for the MSBA to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the MSBA's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the MSBA as project costs are incurred by the municipality pursuant to a project funding agreement between the MSBA and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the MSBA's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the MSBA on or after July 1, 2007 has been reduced to between 30% and 80% of approved project costs. The MSBA promulgated regulations with respect to the application and approval process for projects submitted after July 1, 2007. The MSBA pays grants for such projects as project costs are incurred pursuant to project funding agreements between the MSBA and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

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

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$2,248,626
2013	2,111,043
2012	2,047,924
2011	1,899,661
2010	1,880,371

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

Annual Audits

The financial statements of the Town of Bellingham are audited annually by R. E. Brown & Co., Certified Public Accountants, of Mendon, Massachusetts. For information regarding the accounting policies of the Town, please refer to the Audited Financial Statements for fiscal year ending June 30, 2013, attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages is Governmental Funds Balance Sheets for fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011 and Statements of Revenues and Expenditures for fiscal years ended June 30, 2013, June 30, 2012, June 30, 2011, June 30, 2010 and June 30, 2009. Said statements were extracted from the audited financial statements of the Town.

TOWN OF BELLINGHAM, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013 (1)

	<u>General</u>	<u>Road Improvements</u>	<u>Athletic Fields</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and short-term investments	\$ 12,405,367	\$ 3,676,937	\$ 1,325,695	\$ 5,115,670	\$ 22,523,669
Investments	-	-	-	37,089	37,089
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	877,571	-	-	-	877,571
Tax liens	886,367	-	-	-	886,367
Motor vehicle excise taxes	313,704	-	-	-	313,704
User fees	-	-	-	227,232	227,232
Departmental and other	65,680	-	-	711,960	777,640
Intergovernmental	18,793,981	-	-	514,705	19,308,686
Special assessments	229,304	-	-	622,940	852,244
TOTAL ASSETS	<u>\$33,571,974</u>	<u>\$3,676,937</u>	<u>\$1,325,695</u>	<u>\$7,229,596</u>	<u>\$45,804,202</u>
LIABILITIES, AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 1,719,884	\$ 238,393	\$ 65,401	\$ 62,214	\$ 2,085,892
Accrued liabilities	1,470,817	-	-	265,188	1,736,005
Other liabilities	9,000	-	-	-	9,000
Deferred revenues	21,010,447	-	-	1,512,132	22,522,579
Notes payable	-	-	1,355,000	500,000	1,855,000
TOTAL LIABILITIES	<u>24,210,148</u>	<u>238,393</u>	<u>1,420,401</u>	<u>2,339,534</u>	<u>28,208,476</u>
Fund Balances:					
Fund Balances:					
Restricted	1,814,062	3,438,544	-	4,790,445	10,043,051
Committed	1,159,383	-	-	636,713	1,796,096
Assigned	698,751	-	-	-	698,751
Unassigned	5,580,710	-	(94,706)	(537,096)	4,948,908
TOTAL FUND BALANCES	<u>9,252,906</u>	<u>3,438,544</u>	<u>(94,706)</u>	<u>4,890,062</u>	<u>17,486,806</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,571,974</u>	<u>\$ 3,676,937</u>	<u>\$ 1,325,695</u>	<u>\$ 7,229,596</u>	<u>\$45,804,202</u>

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

TOWN OF BELLINGHAM, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012 (1)

	General	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS:			
Cash and short-term investments	\$ 11,021,032	\$ 9,666,464	\$ 20,687,496
Investments	-	37,453	37,453
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	461,098	-	461,098
Tax liens	1,072,520	-	1,072,520
Motor vehicle excise taxes	239,127	-	239,127
User fees	-	195,465	195,465
Departmental and other	36,043	377,908	413,951
Intergovernmental	21,056,861	293,125	21,349,986
Special assessments	237,350	577,663	815,013
TOTAL ASSETS	\$34,124,031	\$11,148,078	\$45,272,109
LIABILITIES, AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 1,328,636	\$ 86,583	\$ 1,415,219
Accrued liabilities	1,351,930	104,566	1,456,496
Other liabilities	9,000	-	9,000
Deferred revenues	23,048,442	1,285,274	24,333,716
Notes payable	-	5,563,871	5,563,871
TOTAL LIABILITIES	25,738,008	7,040,294	32,778,302
Fund Balances:			
Fund Balances:			
Nonspendable			
Restricted	1,561,493	5,136,953	6,698,446
Committed	584,017	596,867	1,180,884
Assigned	1,260,725	-	1,260,725
Unassigned	4,979,788	(1,626,036)	3,353,752
TOTAL FUND BALANCES	8,386,023	4,107,784	12,493,807
TOTAL LIABILITIES AND FUND BALANCES	\$ 34,124,031	\$ 11,148,078	\$45,272,109

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

TOWN OF BELLINGHAM, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011 (1)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS:			
Cash and short-term investments	\$ 9,303,770	\$ 5,575,938	\$ 14,879,708
Investments	-	37,772	37,772
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	702,691	-	702,691
Tax liens	1,085,654	-	1,085,654
Motor vehicle excise taxes	236,790	-	236,790
User fees	-	156,890	156,890
Departmental and other	40,789	374,812	415,601
Intergovernmental	24,131,516	312,828	24,444,344
Special assessments	283,447	624,108	907,555
TOTAL ASSETS	<u><u>\$35,784,657</u></u>	<u><u>\$7,082,348</u></u>	<u><u>\$42,867,005</u></u>
LIABILITIES, AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 880,841	\$ 62,925	\$ 943,766
Accrued liabilities	1,052,107	237,064	1,289,171
Other liabilities	9,000	-	9,000
Deferred revenues	26,403,431	1,316,483	27,719,914
Notes payable	-	450,000	450,000
TOTAL LIABILITIES	<u><u>28,345,379</u></u>	<u><u>2,066,472</u></u>	<u><u>29,961,851</u></u>
Fund Balances:			
Fund Balances:			
Restricted	1,557,820	4,545,698	6,103,518
Committed	779,755	485,142	1,264,897
Assigned	1,280,145	336,588	1,616,733
Unassigned	3,821,558	(351,552)	3,470,006
TOTAL FUND BALANCES	<u><u>7,439,278</u></u>	<u><u>5,015,876</u></u>	<u><u>12,455,154</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 35,784,657</u></u>	<u><u>\$ 7,082,348</u></u>	<u><u>\$42,867,005</u></u>

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

TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2013(1)

	General	Road Improvements	Athletic Fields	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes					
Net of Tax Refunds	\$ 31,785,419	\$ -	\$ -	\$ -	\$ 31,785,419
Motor Vehicle Excise Taxes	2,111,043	-	-	-	2,111,043
Penalties and Interest on Taxes	194,669	-	-	-	194,669
Intergovernmental	16,971,190	-	-	3,222,671	20,193,861
Charges for Services	-	-	-	2,262,297	2,262,297
Charges for Services - Sewer	-	-	-	1,030,961	1,030,961
Investment Income	57,825	-	-	65,396	123,221
Contributions and Donations	-	-	-	171,997	171,997
Departmental	1,388,499	-	-	216,971	1,605,470
Total Revenues	<u>\$ 52,508,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,970,293</u>	<u>\$ 59,478,938</u>
EXPENDITURES					
Current:					
General Government	\$ 2,487,095	\$ -	\$ -	\$ 647,762	\$ 3,134,857
Public Safety	5,406,788	-	-	185,959	5,592,747
Education	23,179,885	-	94,706	4,472,357	27,746,948
Public Works	1,861,751	561,456	-	1,278,588	3,701,795
Sewer	-	-	-	797,017	797,017
Human Services	205,368	-	-	342,202	547,570
Culture and Recreation	662,513	-	-	77,445	739,958
Employee Benefits	12,512,985	-	-	-	12,512,985
State and County Assessments	807,076	-	-	-	807,076
Debt Service:					
Principal	3,129,334	-	-	-	3,129,334
Interest	996,139	-	-	-	996,139
Total Expenditures	<u>51,248,934</u>	<u>561,456</u>	<u>94,706</u>	<u>7,801,330</u>	<u>59,706,426</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,259,711</u>	<u>(561,456)</u>	<u>(94,706)</u>	<u>(831,037)</u>	<u>(227,488)</u>
Other Financing Sources Uses					
Proceeds from Bonds and Notes	-	4,000,000	-	1,520,000	5,520,000
Operating Transfers in	467,834	-	-	476,149	943,983
Operating Transfers Out	(751,742)	-	-	(382,834)	(1,134,576)
Total Other Financing Sources (Uses)	<u>(283,908)</u>	<u>4,000,000</u>	<u>-</u>	<u>1,613,315</u>	<u>5,329,407</u>
Net Change in Fund Balances	<u>975,803</u>	<u>3,438,544</u>	<u>(94,706)</u>	<u>782,278</u>	<u>5,101,919</u>
Fund Balances at Beginning of Year	<u>8,386,023</u>	<u>-</u>	<u>-</u>	<u>4,107,784</u>	<u>12,493,807</u>
Fund Balances at End of Year	<u>\$ 9,361,826</u>	<u>\$ 3,438,544</u>	<u>\$ (94,706)</u>	<u>\$ 4,890,062</u>	<u>\$ 17,595,726</u>

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

TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2012(1)

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real Estate and Personal Property Taxes			
Net of Tax Refunds	\$ 31,095,796	\$ -	\$ 31,095,796
Motor Vehicle and Other Excise Taxes	2,047,925	-	2,047,925
Penalties and Interest on Taxes	268,609	-	268,609
Intergovernmental	16,529,951	3,817,969	20,347,920
Charges for Services	-	2,668,411	2,668,411
Charges for Services - Sewer	-	808,991	808,991
Investment Income	49,384	2,817	52,201
Contributions and Donations	-	115,080	115,080
Departmental	1,217,924	250,112	1,468,036
Total Revenues	<u>\$ 51,209,589</u>	<u>\$ 7,663,380</u>	<u>\$ 58,872,969</u>
EXPENDITURES			
Current:			
General Government	\$ 2,537,869	\$ 896,590	\$ 3,434,459
Public Safety	4,802,380	233,666	5,036,046
Education	22,554,739	4,585,316	27,140,055
Public Works	1,656,105	1,708,686	3,364,791
Sewer	-	748,188	748,188
Human Services	215,223	560,312	775,535
Culture and Recreation	610,912	92,282	703,194
Employee Benefits	12,241,431	165,080	12,406,511
State and County Assessments	853,814	-	853,814
Debt Service:			
Principal	3,380,630	-	3,380,630
Interest	1,073,093	-	1,073,093
Total Expenditures	<u>49,926,196</u>	<u>8,990,120</u>	<u>58,916,316</u>
Excess (Deficiency) of Revenues over Expenditures	1,283,393	(1,326,740)	(43,347)
Other Financing Sources Uses			
Proceeds from Bonds and Notes	-	275,000	275,000
Proceeds from Refunding Bonds	6,985,000	-	6,985,000
Premium from issuance of Refunding Bonds	711,258	-	711,258
Payments to Refunded Bond Escrow Agent	(117,477)	-	(117,477)
Costs of Issuance Netted from Refunding Bond Proceeds	(7,578,781)	-	(7,578,781)
Operating Transfers in	334,069	392,717	726,786
Operating Transfers Out	(670,717)	(249,069)	(919,786)
Total Other Financing Sources (Uses)	<u>(336,648)</u>	<u>418,648</u>	<u>82,000</u>
Net Change in Fund Balances	<u>946,745</u>	<u>(908,092)</u>	<u>38,653</u>
Fund Balances at Beginning of Year	<u>7,439,278</u>	<u>5,015,876</u>	<u>12,455,154</u>
Fund Balances at End of Year	<u>\$ 8,386,023</u>	<u>\$ 4,107,784</u>	<u>\$ 12,493,807</u>

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

TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2011(1)

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real Estate and Personal Property Taxes			
Net of Tax Refunds	\$ 30,056,969	\$ -	\$ 30,056,969
Motor Vehicle and Other Excise Taxes	1,899,661	-	1,899,661
Penalties and Interest on Taxes	175,259	-	175,259
Intergovernmental	16,284,563	3,547,258	19,831,821
Charges for Services	-	2,234,955	2,234,955
Charges for Services - Sewer	-	808,798	808,798
Investment Income	87,863	5,213	93,076
Contributions and Donations	-	301,969	301,969
Departmental	1,084,850	309,565	1,394,415
Total Revenues	<u>\$ 49,589,165</u>	<u>\$ 7,207,758</u>	<u>\$ 56,796,923</u>
EXPENDITURES			
Current:			
General Government	\$ 2,429,642	\$ 508,644	\$ 2,938,286
Public Safety	4,603,041	143,418	4,746,459
Education	22,470,120	4,484,521	26,954,641
Public Works	2,190,126	675,993	2,866,119
Sewer	-	778,225	778,225
Human Services	224,238	326,531	550,769
Culture and Recreation	614,154	148,288	762,442
Employee Benefits	11,516,520	-	11,516,520
State and County Assessments	887,412	-	887,412
Debt Service			
Principal	3,450,843	-	3,450,843
Interest	1,286,267	-	1,286,267
Total Expenditures	<u>49,672,363</u>	<u>7,065,620</u>	<u>56,737,983</u>
Excess (Deficiency) of Revenues over Expenditures	(83,198)	142,138	58,940
Other Financing Sources Uses			
Transfers in	339,290	490,472	829,762
Transfers out	(768,909)	(254,290)	(1,023,199)
Total Other Financing Sources (Uses)	<u>(429,619)</u>	<u>236,182</u>	<u>(193,437)</u>
Net Change in Fund Balances	<u>(512,817)</u>	<u>378,320</u>	<u>(134,497)</u>
Fund Balances at Beginning of Year	<u>7,952,095</u>	<u>4,637,556</u>	<u>12,589,651</u>
Fund Balances at End of Year	<u>\$ 7,439,278</u>	<u>\$ 5,015,876</u>	<u>\$ 12,455,154</u>

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

TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2010(1)

	General	Stabilization	Tax Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes					
Net of Tax Refunds	\$ 29,240,162	\$ -	\$ -	\$ -	\$ 29,240,162
Motor Vehicle and Other Excise Taxes	1,880,371	-	-	-	1,880,371
Penalties and Interest on Taxes	217,557	-	-	-	217,557
Intergovernmental	16,685,807	-	-	2,576,533	19,262,340
Charges for Services	-	-	-	2,203,903	2,203,903
Charges for Services - Sewer	-	-	-	743,013	743,013
Investment Income	93,075	1,975	10,187	4,638	109,875
Contributions and Donations	-	-	-	351,024	351,024
Departmental	1,339,332	-	-	428,922	1,768,254
Total Revenues	<u>\$ 49,456,304</u>	<u>\$ 1,975</u>	<u>\$ 10,187</u>	<u>\$ 6,308,033</u>	<u>\$ 55,776,499</u>
EXPENDITURES					
Current:					
General Government	\$ 2,169,953	\$ -	\$ -	\$ 251,089	\$ 2,421,042
Public Safety	4,434,761	-	-	144,656	4,579,417
Education	22,203,151	-	-	3,352,247	25,555,398
Public Works	1,791,221	-	-	353,265	2,144,486
Sewer	-	-	-	680,811	680,811
Human Services	204,549	-	-	303,788	508,337
Culture and Recreation	649,954	-	-	140,007	789,961
Employee Benefits	10,865,125	-	-	-	10,865,125
State and County Assessments	898,541	-	-	-	898,541
Debt Service					
Principal	3,272,551	-	-	-	3,272,551
Interest	1,829,460	-	-	-	1,829,460
Total Expenditures	<u>48,319,266</u>	<u>-</u>	<u>-</u>	<u>5,225,863</u>	<u>53,545,129</u>
Excess (Deficiency) of Revenues over Expenditures	1,137,038	1,975	10,187	1,082,170	2,231,370
Other Financing Sources Uses					
Proceeds from Refunding Bonds	19,500,000	-	-	-	19,500,000
Premium from Issuance of Refunding Bonds	952,541	-	-	-	952,541
Payments to Refunded Bond Escrow Agent	(20,270,036)	-	-	-	(20,270,036)
Costs of Issuance Netted from Refunding Proceeds	(182,505)	-	-	-	(182,505)
Transfers in	132,683	-	-	97,778	230,461
Transfers out	(383,372)	-	-	(47,683)	(431,055)
Total Other Financing Sources (Uses)	<u>(250,689)</u>	<u>-</u>	<u>-</u>	<u>50,095</u>	<u>(200,594)</u>
Net Change in Fund Balances	<u>886,349</u>	<u>1,975</u>	<u>10,187</u>	<u>1,132,265</u>	<u>2,030,776</u>
Fund Balances at Beginning of Year	<u>4,132,356</u>	<u>893,078</u>	<u>1,542,556</u>	<u>3,990,885</u>	<u>10,558,875</u>
Fund Balances at End of Year	<u>\$ 5,018,705</u>	<u>\$ 895,053</u>	<u>\$ 1,552,743</u>	<u>\$ 5,123,150</u>	<u>\$ 12,589,651</u>

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

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

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

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

Unassigned/Undesignated General Fund Balances and Free Cash

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

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

<u>Fiscal Year</u>	<u>Undesignated/Unassigned General Fund Balance as of June 30 (1)</u>	<u>Certified Free Cash as of July 1 (2)</u>
2014	\$4,939,000 (est.)	\$2,800,000 (est.)
2013	5,689,630 (3)	1,897,096
2012	4,979,788 (3)	2,614,578
2011	3,821,558 (3)	1,402,198
2010	2,502,215	1,557,729
2009	2,055,176	1,203,914

(1) Source: Audited Financial Statements.

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

(3) Unassigned General Fund Balance.

Stabilization Fund

In fiscal 1994, the Town voted to create and maintain a stabilization fund which is accounted for in the Trust Funds. The Stabilization Fund plus interest income may be appropriated at an annual or special town meeting for any municipal purpose. As of June 30, 2007 and 2008, the balance in the Stabilization Fund was \$1,509,470 and \$780,720, respectively. The Stabilization Fund was \$895,053, \$901,659 and \$906,355 as of June 30, 2010, June 30, 2011 and June 30, 2012, respectively. As of June 30, 2013, the Stabilization Fund balance was \$1,160,798. The Stabilization Fund balance as of June 30, 2014 was \$1,266,035.

Additional Reserve Funds

The Town maintains several additional reserve funds. The Tax Stabilization Fund, which had a balance of \$1,552,740 at June 30, 2010, \$1,557,812 at June 30, 2011 and \$1,561,493 at June 30, 2012, respectively, was created to mitigate the impact of the decommissioning of the electric generating plants which is expected in 20 to 30 years. As of June 30, 2013, the balance was \$1,814,062. The Tax Stabilization Fund balance as of June 30, 2014 was \$1,865,993.

The Capital Investment Fund, which had a balance of \$485,594 at June 30, 2010, \$489,178 at June 30, 2011 and \$491,726 at June 30, 2012, respectively, was created to fund future capital projects. As of June 30, 2013, the balance was \$394,007. The Capital Investment Fund balance as of June 30, 2014 was \$546,259. At the May 2014 Annual Town Meeting \$90,000 was appropriated from this fund to meet requirements under the MSBA accelerated repair program. These proceeds will be used for preliminary design and OPM selection.

The Town also maintains a Compensated Absences Fund which had a balance of \$4,773 at June 30, 2010, \$36,423 at June 30, 2011 and \$153,757 at June 30, 2012, respectively. As of June 30, 2013, the balance was \$710,484. The Compensated Absences Fund balance as of June 30, 2014 was \$285,741.

The Town maintains a Retirement Reserve Fund which had a balance of \$480,093 at June 30, 2010, \$624,907 at June 30, 2011 and \$769,553 at June 30, 2012, respectively. As of June 30, 2013, the balance was \$370,744. The Retirement Reserve Fund balance as of June 30, 2014 was \$771,795.

Investment of Town Funds

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

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

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

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

Tax Increment Financing for Development Districts

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

The Town has established no such districts.

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

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

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

Debt Limits

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

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

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

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

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

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

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

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

The Town of Bellingham has not borrowed against current revenue since fiscal 1994 and does not anticipate the need to do so in fiscal 2015.

DIRECT DEBT SUMMARY (1)
AS OF JUNE 30, 2014, Including Subsequent Issues

Long Term Indebtedness

Within the General Debt Limit		
Schools	\$ 85,000	
Sewer	350,000	
General	6,755,000	
Total Within the General Debt Limit		\$ 7,190,000
Outside the General Debt Limit		
Schools	\$ 19,625,000	
Sewer	235,000	
Water	1,880,000	
MWPAT (2)	808,069	
Total Outside the General Debt Limit		22,548,069
This Issue		11,350,000
Short Term Indebtedness		
Bond Anticipation Notes Outstanding (3)	3,602,195	
Less:		
To Be Retired with Bond Proceeds	(3,602,195)	
Total Short Term Indebtedness		-
Total Direct Debt		<u>\$ 41,088,069</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and unfunded other post-employment benefits liability.

(2) Massachusetts Water Pollution Abatement Trust ("MWPAT").

(3) Payable September 5, 2014.

Key Debt Ratios

	As of June 30				
	2014	2013	2012	2011	2010
Amount (1)	\$ 29,738,069	\$ 33,547,509	\$ 31,496,843	\$ 35,451,473	\$ 39,395,591
Per Capita Debt (2)	\$ 1,820.85	\$ 2,054.10	\$ 1,928.54	\$ 2,170.68	\$ 2,412.17
Percent of Assessed Valuation (3)	1.41%	1.60%	1.48%	1.62%	1.79%
Percent of Equalized Valuation (4)	1.31%	1.48%	1.33%	1.50%	1.52%
Debt Per Capita as a Percent of Personal Income Per Capita (2)	5.73%	6.46%	6.07%	6.83%	7.59%

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

Annual Debt Service as of June 30, 2014 (1)

Fiscal Year	Outstanding (2)		Less MSBA Aid	Less MWPAT Subsidies	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest				
2015	\$ 3,790,455	\$ 926,885	\$ (2,262,880)	\$ (7,484)	\$ 2,446,976	12.7
2016	3,345,281	827,177	(2,262,880)	(6,407)	1,903,171	24.0
2017	3,400,296	735,645	(2,262,880)	(5,335)	1,867,726	35.4
2018	3,420,311	642,137	(2,262,880)	(4,237)	1,795,331	46.9
2019	3,500,325	521,040	(2,262,880)	(3,140)	1,755,345	58.7
2020	3,600,340	390,016	(2,262,880)	(2,056)	1,725,420	70.8
2021	3,699,934	255,220	(2,262,880)	(1,270)	1,691,004	83.2
2022	1,525,181	137,885	(690,948)	(765)	971,353	88.4
2023	720,196	85,425	-	(255)	805,366	90.8
2024	710,007	65,350	-	-	775,357	93.2
2025	710,022	45,460	-	-	755,482	95.6
2026	570,037	25,500	-	-	595,537	97.5
2027	495,052	11,700	-	-	506,752	99.2
2028	125,067	4,000	-	-	129,067	99.6
2029	25,083	-	-	-	25,083	99.7
2030	25,098	-	-	-	25,098	99.7
2031	25,113	-	-	-	25,113	99.8
2032	25,128	-	-	-	25,128	99.9
2033	25,143	-	-	-	25,143	100.0
	<u>\$ 29,738,069</u>	<u>\$ 4,673,439</u>	<u>\$ (16,531,108)</u>	<u>\$ (30,948)</u>	<u>\$ 17,849,452</u>	

- (1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt, unfunded pension liability and unfunded other post-employment benefits liability.
- (2) As of June 30, 2014, principal totaling \$1,043,069 and interest totaling \$34,473 are exempt from the provisions of Proposition 2 ½, subject to the provisions of Chapter 44, Section 20.

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately \$2,764,254 of authorized unissued debt, as follows:

Project	Authorization Date	Amount
Remediated Sewers	5/14/1995	\$ 50,000
Remediated Sewers	5/25/2011	300,000
Middle School Boiler Replacement	6/13/2011	277,129
Remediated Sewers	5/23/2012	300,000
Drinking Water Treatment Facility Construction	10/10/2012	1,537,125
Remediated Sewers	5/22/2013	300,000
Total		<u>\$ 2,764,254</u>

Overlapping Debt (1)

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

	Outstanding Bonded Debt as of 6/30/14	Bellingham's 2014 Total Assessment and Estimated Share	
		\$	%
Norfolk County (2)	\$12,625,000	\$106,624	1.91%
Blackstone Valley Regional Vocational-Technical School District (3)	4,455,000	873,431	4.90%

- (1) Dollar assessment based upon total net operating expenses, inclusive of debt service where applicable.
- (2) Source: County Treasurer's Office. Debt is as of 6/30/14. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire Counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.
- (3) Source: District Treasurer's Office. The operating expenses of regional school districts, including debt service when applicable, are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993. The outstanding bonded debt of the District consists of two bond issues for which the Town is assessed at different rates, as shown above. The District has authorized \$36,000,000 Bonds for adding to and equipping the District High School.

Contractual Obligations

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

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

The Town presently has the following material contracts in effect:

<u>Company Name</u>	<u>Nature of Service</u>	<u>Contract Expires</u>	<u>Annual Cost Fiscal 2015</u>
Allied Waste	Solid Waste Transfer	2017	\$753,380
Allied Waste	Solid Waste Disposal	2017	741,600
Charles River Pollution Control District	Wastewater Treatment	2018	317,400
Woonsocket Wastewater	Wastewater Treatment	2018	344,146

RETIREMENT SYSTEM

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised

schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

The following table sets forth the annual contributions of the Town to the Norfolk County Retirement System for the following fiscal years:

<u>Fiscal Year</u>	<u>Contributory</u>
2015 (budgeted)	\$2,077,165
2014	1,860,634
2013	1,870,099
2012	1,702,631
2011	1,727,396
2010	1,664,852

Source: Chief Financial Officer.

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

As of January 1, 2012, the actuarial accrued liability of the Norfolk County Retirement System was \$1,128,960,288 and the actuarial value of the System's assets totaled \$608,235,096, assuming a 8.25% rate of return, resulting in an estimated unfunded actuarial liability of \$520,725,192. The Town of Bellingham's share of the unfunded actuarial accrued liability as of January 1, 2012 was 4.04%.

Norfolk County Contributory Retirement System Funding Schedule

Fiscal Year	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2013	\$ 229,095,409	\$ 19,571,812	\$ 12,717,375	\$ 29,997,264	\$ 42,714,639	18.6	53.9
2014	239,404,702	20,639,942	13,090,705	31,709,295	44,800,000	18.7	56.1
2015	250,177,914	21,764,570	13,471,883	35,808,117	49,280,000	19.7	58.3
2016	261,435,920	22,948,619	13,860,859	40,347,141	54,208,000	20.7	60.5
2017	273,200,537	24,195,159	14,257,561	45,371,239	59,628,800	21.8	62.8
2018	285,494,561	25,507,417	14,661,899	50,929,781	65,591,680	23.0	65.1
2019	298,341,816	26,888,782	15,073,755	56,899,181	71,972,936	24.1	67.3
2020	311,767,198	28,342,819	15,492,988	59,182,968	74,675,956	24.0	69.7
2021	325,796,722	29,873,268	15,919,428	61,558,457	77,477,885	23.8	72.0
2022	340,457,574	31,484,064	16,352,874	64,029,335	80,382,209	23.6	74.4
2023	355,778,165	33,179,338	16,793,093	66,599,431	83,392,524	23.4	76.9
2024	371,788,182	34,963,432	17,239,818	69,272,733	86,512,551	23.3	79.4
2025	388,518,650	36,840,906	17,692,741	72,053,387	89,746,128	23.1	81.9
2026	406,001,990	38,816,551	18,151,517	74,945,705	93,097,222	22.9	84.4
2027	424,272,079	40,895,402	18,615,756	77,954,174	96,569,930	22.8	87.0
2028	443,364,323	43,082,746	19,085,018	81,083,461	100,168,479	22.6	89.6
2029	463,315,717	45,384,138	19,558,818	81,909,785	101,468,603	21.9	92.2
2030	484,164,925	47,805,412	20,036,612	85,186,176	105,222,788	21.7	94.8
2031	505,952,346	50,352,698	20,517,801	88,593,623	109,111,424	21.6	97.4
2032	528,720,202	53,032,434	21,001,724	-	21,001,724	4.0	100.0
2033	552,512,611	55,851,382	21,487,650	-	21,487,650	3.9	100.0
2034	577,375,678	58,816,645	21,974,782	-	21,974,782	3.8	100.0
2035	603,357,584	61,935,682	22,462,242	-	22,462,242	3.7	100.0
2036	630,508,675	65,216,329	22,949,076	-	22,949,076	3.6	100.0
2037	658,881,566	68,666,814	23,434,238	-	23,434,238	3.6	100.0
2038	688,531,236	72,295,780	23,916,593	-	23,916,593	3.5	100.0
2039	719,515,142	75,549,090	24,992,840	-	24,992,840	3.5	100.0
2040	751,893,323	78,948,799	26,117,517	-	26,117,517	3.5	100.0
2041	785,728,523	82,501,495	27,292,806	-	27,292,806	3.5	100.0
2042	821,086,306	86,214,062	28,520,982	-	28,520,982	3.5	100.0
2043	858,035,190	90,093,695	29,804,426	-	29,804,426	3.5	100.0
2044	896,646,773	94,147,911	31,145,625	-	31,145,625	3.5	100.0

Source: Actuarial Valuation Report of the Norfolk County Contributory Retirement System, PERAC.

*Calendar basis.

**Beginning of fiscal year.

Other Post-Employment Benefits

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

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The Town performed an actuarial valuation of its non-pension, post-employment benefit liability. As of July 1, 2011, the actuarial liability for benefits was \$30,634,032. The Town's annual OPEB cost is as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>
2015 (est.)	\$ 6,188,555
2014 (est.)	5,878,599
2013	5,581,182
2012	5,712,604
2011	5,429,874
2010	5,829,625

The Town adopted Chapter 32B, Section 20, which allowed the Town to establish a separate fund, known as Other Post-Employment Benefits Liability Trust Fund ("OPEB Trust Fund"). The Town currently has an additional \$478,904 in a Retirement Reserve Trust that could be transferred to the OPEB Trust Fund which had a balance of \$250,115 and \$350,627 as of June 30, 2013 and June 30, 2014, respectively.

COLLECTIVE BARGAINING

Massachusetts city and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Provisions for compulsory arbitration for labor disputes involving firefighters and police officers were repealed by the Proposition 2½ legislation.

The Town employs approximately 766 persons on a full or part-time basis, including those in the School Department. Approximately 57 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Firefighters	International Association of Firefighters (Local 2071)	21	6/30/15
Public Works	AFSCME Council 93, Local 747	18	6/30/15
Town Hall	AFSCME Council 93, Local 747	27	6/30/15
Police Officers	Bellingham Police Federation	23	6/30/15
Town Department Heads	Bellingham Professional Association	11	6/30/15
School Department:			
Teachers	Bellingham Teachers' Association	213	8/31/16
Nurses	Bellingham Teachers' Association	6	8/31/16
Clerks, Custodians, Cafeteria Teachers' Aides	AFSCME, Local 747	118	6/30/15
	Total	437	

(1) Expired contracts are currently in negotiations.

LITIGATION

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

TOWN OF BELLINGHAM, MASSACHUSETTS
/s/ Grace Devitt, Treasurer/Collector

August 12, 2014

TOWN OF BELLINGHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2013

**TOWN OF BELLINGHAM, MASSACHUSETTS
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	A1 – 2
Management's Discussion and Analysis	A3 – 9
Basic Financial Statements	
Statement of Net Position	A-10
Statement of Activities	A11 – 12
Governmental Funds – Balance Sheet	A-13
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	A-14
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	A-15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-16
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	A-17
Proprietary Funds – Statement of Net Position	A-18
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Position	A-19
Proprietary Funds – Statement of Cash Flows	A-20
Fiduciary Funds – Statement of Fiduciary Net Position	A-21
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	A-22
Notes to Basic Financial Statements	A23 – 56
Required Supplementary Information:	
Retirement System Schedules of Funding Progress and Employer Contributions	A-57
Other Postemployment Benefits – Schedules of Funding Progress and Employer Contributions	A58 – 59

R. E. BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. BOX 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

INDEPENDENT AUDITORS REPORT

To the Honorable Board of Selectmen
Town of Bellingham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bellingham, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Bellingham's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other postemployment benefits – schedules of funding progress and employer contributions on pages 3-9, 57 and 58 – 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, on our consideration of the Town of Bellingham, Massachusetts's 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 audit testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bellingham, Massachusetts's internal control over financial reporting and compliance.

R.E. Brown & Company

April 8, 2014

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, 2013. 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 position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis:

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

Net position of \$49.4 million reflect the Town's investment in capital assets (e.g. land, buildings, machinery and equipment, vehicles, infrastructure, and construction in progress) less any related debt used to acquire those assets that remains 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 position decreased from \$77.8 to \$77.6 million from the prior fiscal year, a decrease of \$0.22 million. Of this change in net position, a decrease of \$672,158 was attributable to governmental activities and an increase of \$454,337 was attributable to business-type activities. A decrease in net position means that the change in total liabilities exceeded the change in total assets. An increase in net position means that the change in total assets exceeded the change in total liabilities.

The Town increased its total liabilities by \$1,203,567 over the previous fiscal year. Correspondingly, the Town's total assets increased by \$985,746 over the previous year.

An additional portion of the Town's net position totaling \$10.4 million represents resources that are subject to external restrictions on how they may be used. The restricted net position relate to government activities.

Town of Bellingham - Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Assets:						
Current assets	\$ 32,306,242	\$ 30,189,508	\$ 1,650,518	\$ 1,437,740	\$ 33,956,760	\$ 31,627,248
Noncurrent assets (excluding capital)	17,219,671	19,527,705	-	-	17,219,671	19,527,705
Capital assets	65,672,657	64,936,214	14,541,197	14,313,372	80,213,854	79,249,586
Total assets	<u>115,198,570</u>	<u>114,653,427</u>	<u>16,191,715</u>	<u>15,751,112</u>	<u>131,390,285</u>	<u>130,404,539</u>
Liabilities:						
Current liabilities (excluding debt)	4,704,451	3,813,721	180,569	185,464	4,885,020	3,999,185
Noncurrent liabilities (excluding debt)	12,773,454	11,128,678	491,660	427,694	13,265,114	11,556,372
Current debt	5,439,440	8,693,205	452,195	320,000	5,891,635	9,013,205
Noncurrent debt	27,848,069	25,912,509	1,880,000	2,085,000	29,728,069	27,997,509
Total liabilities	<u>50,765,414</u>	<u>49,548,113</u>	<u>3,004,424</u>	<u>3,018,158</u>	<u>53,769,838</u>	<u>52,566,271</u>
Net Position:						
Net investment in capital assets	37,180,704	34,696,236	12,265,644	11,965,014	49,446,348	46,661,250
Restricted	10,414,445	9,746,372	-	-	10,414,445	9,746,372
Unrestricted	16,838,007	20,662,706	921,647	767,940	17,759,654	21,430,646
Total net position	<u>\$ 64,433,156</u>	<u>\$ 65,105,314</u>	<u>\$ 13,187,291</u>	<u>\$ 12,732,954</u>	<u>\$ 77,620,447</u>	<u>\$ 77,838,268</u>

The remaining balance of unrestricted net position totaling \$17.8 million – or 22.9% of total net position 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net position decreased by \$672,158 as a result of current operations, i.e. current year's expenditures exceeded current year's revenues. The Town's governmental activities revenues increased by \$2.9 million or 5.2%. The primary contributors to the increase in revenues were real estate and personal property taxes (\$1,050,974) and charges for services (\$949,867). The Town's governmental activities expenses increased by \$3.6 million over the prior fiscal year or 6.5%. The largest contributor to the expense increase was employee benefits (\$2,216,987); while public works, education, and public safety expenditures all increased as compared with the prior year.

The business-type activities net position increased by \$454,337 as a result of current operations. This change in net position is primarily attributable to investment in capital assets.

Town of Bellingham - Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 5,257,071	\$ 4,307,204	\$ 3,740,127	\$ 3,655,340	\$ 8,997,198	\$ 7,962,544
Operating grants and contributions	16,991,866	16,313,890	31,403	24,342	17,023,269	16,338,232
Capital grants and contributions	704,025	749,531	-	50,000	704,025	799,531
<i>General Revenues:</i>						
Real Estate and personal property taxes	31,915,816	30,864,842	-	-	31,915,816	30,864,842
Motor vehicle and other excise taxes	2,185,620	2,050,261	-	-	2,185,620	2,050,261
Nonrestricted grants and contributions	1,595,947	1,531,041	-	-	1,595,947	1,531,041
Unrestricted investment income	267,242	65,031	-	-	267,242	65,031
Other revenues	248,992	367,080	-	-	248,992	367,080
Total Revenues	59,166,579	56,248,880	3,771,530	3,729,682	62,938,109	59,978,562
Expenses:						
General Government	3,276,727	3,088,005	-	-	3,276,727	3,088,005
Public Safety	5,237,800	4,943,058	-	-	5,237,800	4,943,058
Education	28,529,190	27,797,315	-	-	28,529,190	27,797,315
Public Works	2,402,382	2,018,579	-	-	2,402,382	2,018,579
Sewer	797,017	748,188	-	-	797,017	748,188
Human Services	542,247	802,121	-	-	542,247	802,121
Culture and Recreation	736,086	722,267	-	-	736,086	722,267
Employee Benefits	16,292,891	14,075,904	-	-	16,292,891	14,075,904
State and County Assessments	807,076	853,814	-	-	807,076	853,814
Interest	1,026,728	971,110	-	-	1,026,728	971,110
Water	-	-	2,130,797	2,065,098	2,130,797	2,065,098
Sanitation	-	-	1,376,989	1,422,055	1,376,989	1,422,055
Total Expenses	59,648,144	56,020,361	3,507,786	3,487,153	63,155,930	59,507,514
Transfers	(190,593)	(193,000)	190,593	193,000	-	-
Change in Net Position	(672,158)	35,519	454,337	435,529	(217,821)	471,048
Net Position - beginning	\$ 65,105,314	\$ 65,069,795	\$ 12,732,954	\$ 12,297,425	77,838,268	77,367,220
Net Position - ending	\$ 64,433,156	\$ 65,105,314	\$ 13,187,291	\$ 12,732,954	\$ 77,620,447	\$ 77,838,268

The water and sanitation business-type activities revenues and expenses did not materially change as compared to 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 fund balances of \$17.6 million, an increase of \$5,101,919 in comparison with the prior year. Approximately \$5.1 million of this amount constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.7 million, while the total fund balance was \$9.4 million. Unassigned fund balance represents 11.1% of total general fund expenditures.

General fund revenues for FY 2013 were \$52.5 million with property taxes (\$31.8 million) and intergovernmental (\$17.0 million) the major components of the Town's revenue sources. General Fund expenditures were \$51.2 million for FY 2013 with education (\$23.2 million), employee benefits (\$12.5 million) and public safety (\$5.4 million) the major components of spending. The fund balance of the general fund increased by \$975,803.

The Town has established multiple stabilization funds, which are found within the General Fund fund balance. The stabilization fund has accumulated a fund balance of nearly \$1.2 million which represents 2.3% of general fund expenditures. The capital stabilization fund has an ending fund balance of \$0.5 million or 0.8% of general fund expenditures. The Town also maintains a tax stabilization fund, with an ending fund balance of approximately \$1.8 million or 3.5% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. The town has targeted no stabilization funds to be used for fiscal 2014 budgetary funding.

General Fund Budget Highlights

There were modest overall changes between the original and final expenditures budget of the Town in most functional areas; additional public works expenses represent most of the increases, which was offset by reductions in interest expense. The Town budgeted \$46.1 million of revenues and \$49.2 million of expenditures. There were increases of \$895,355 between the original and final expenditure budgets of the Town.

Capital Assets 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, 2013, amounts to \$80.2 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure, and construction in process.

	Governmental Activities	Business-type Activities	Total
Land	\$ 12,860,907	\$ 3,510,300	\$ 16,371,207
Buildings and Improvements	37,008,194	244,109	37,252,303
Machinery and Equipment	2,510,618	317,100	2,827,718
Vehicles	1,328,206	90,022	1,418,228
Infrastructure	10,101,195	8,931,967	19,033,162
Construction in Progress	1,863,537	1,447,699	3,311,236
Total	<u>\$ 65,672,657</u>	<u>\$ 14,541,197</u>	<u>\$ 80,213,854</u>

Long term debt – Governmental activities outstanding long-term debt as of June 30, 2013, totaled \$31.4 million of which \$21.8 million (69.3%) 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 \$2.0 million (6.4%) is for sewer. The governmental activities (business-type activities debt is not included) long-term debt consists of the following:

Education (reimbursable)	\$ 21,795,000	69.34%
Educational (non-reimbursable)	340,600	1.08%
Sewer	1,997,909	6.36%
Public Works	6,065,000	19.30%
Human Services	355,000	1.13%
Public Safety	154,000	0.49%
General Government	<u>725,000</u>	<u>2.31%</u>
Total	<u>\$ 31,432,509</u>	<u>100.00%</u>

The Town's credit rating was reviewed in December 2012. Moody's Investors Service assigned a rating of Aa2, and Standard & Poors assigned a rating of AA.

Economic Factors and Next Year's Budgets and Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2013 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 decreased from the FY '09 level due to the state's general economic down cycle and a change in the education reform formula.
- The fiscal 2013 residential tax rate was set at \$14.44 and the commercial/industrial tax rate was set at \$17.72. Residential property values increased an average of 3.16% and commercial/industrial/personal property values increased an average of 2.69%. The excess levy capacity for fiscal 2013 was \$60,896.
- 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 204th in the amount of tax dollars paid by the average single family taxpayer; with a rank of 1 being the highest bill in the state and 338 being the lowest reported bill in the state.
- The Board of Selectmen, as Water and Sewer Commissioners, voted no change water and sewer rates in FY2013; however, a substantial increase to Sewer rates is anticipated for FY2013.
- Fiscal 2014 and beyond will prove to be extremely challenging due to the current economic condition of both state and federal governments. The projected state local aid increase for Fiscal 2014 is modestly higher than aid received during Fiscal Year 2013; an indicator of possible financial improvements at the state level.

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 POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 25,849,659	\$ 970,832	\$ 26,820,491
INVESTMENTS	37,089	-	37,089
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	877,571	-	877,571
TAX LIENS	886,367	-	886,367
MOTOR VEHICLE EXCISE TAXES	313,704	-	313,704
USER FEES	227,232	679,686	906,918
DEPARTMENTAL AND OTHER	777,640	-	777,640
INTERGOVERNMENTAL	2,777,585	-	2,777,585
SPECIAL ASSESSMENTS	163,674	-	163,674
PREPAID EXPENSES	395,721	-	395,721
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	16,531,101	-	16,531,101
SPECIAL ASSESSMENTS	688,570	-	688,570
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	65,672,657	14,541,197	80,213,854
TOTAL ASSETS	115,198,570	16,191,715	131,390,285
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	2,085,892	154,599	2,240,491
ACCRUED LIABILITIES	1,736,005	15,543	1,751,548
HEALTH CLAIMS PAYABLE	571,254	-	571,254
OTHER LIABILITIES	9,000	-	9,000
ACCRUED INTEREST	241,973	10,427	252,400
DEFERRED AMOUNT ON REFUNDING	3,591	-	3,591
BONDS AND NOTES PAYABLE	5,439,440	452,195	5,891,635
LANDFILL POSTCLOSURE CARE COSTS	3,000	-	3,000
COMPENSATED ABSENCES	53,736	-	53,736
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	59,636	-	59,636
BONDS AND NOTES PAYABLE	27,848,069	1,880,000	29,728,069
LANDFILL POSTCLOSURE CARE COSTS	33,000	-	33,000
COMPENSATED ABSENCES	1,145,802	-	1,145,802
POSTEMPLOYMENT BENEFITS	11,535,016	491,660	12,026,676
TOTAL LIABILITIES	50,765,414	3,004,424	53,769,838
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	37,180,704	12,265,644	49,446,348
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	41,416	-	41,416
OTHER PURPOSES	10,373,029	-	10,373,029
UNRESTRICTED	16,838,007	921,647	17,759,654
TOTAL NET POSITION	\$ 64,433,156	\$ 13,187,291	\$ 77,620,447

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,276,727	\$ 198,039	\$ 357,790	\$ -	\$ (2,720,898)
PUBLIC SAFETY	5,237,800	1,465,279	165,908	-	(3,606,613)
EDUCATION	28,529,190	1,589,969	9,742,746	63,480	(17,132,995)
PUBLIC WORKS	2,402,382	146,233	1,888	630,865	(1,623,396)
SEWER	797,017	1,108,740	602	-	312,325
HUMAN SERVICES	542,247	197,413	239,264	9,680	(95,890)
CULTURE & RECREATION	736,086	14,982	67,051	-	(654,053)
EMPLOYEE BENEFITS	16,292,891	536,416	6,416,617	-	(9,339,858)
STATE & COUNTY ASSESSMENTS	807,076	-	-	-	(807,076)
INTEREST	1,026,728	-	-	-	(1,026,728)
TOTAL GOVERNMENTAL ACTIVITIES	59,648,144	5,257,071	16,991,866	704,025	(36,695,182)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,130,797	2,239,046	30,693	-	138,942
SANITATION	1,376,989	1,501,081	710	-	124,802
TOTAL BUSINESS-TYPE ACTIVITIES	3,507,786	3,740,127	31,403	-	263,744
TOTAL PRIMARY GOVERNMENT	\$ 63,155,930	\$ 8,997,198	\$ 17,023,269	\$ 704,025	\$ (36,431,438)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (36,695,182)	\$ 263,744	\$ (36,431,438)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	31,911,340	-	31,911,340
TAX LIENS	4,476	-	4,476
MOTOR VEHICLE EXCISE TAXES	2,185,620	-	2,185,620
PENALTIES AND INTEREST ON TAXES	194,669	-	194,669
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,595,947	-	1,595,947
UNRESTRICTED INVESTMENT INCOME	267,242	-	267,242
MISCELLANEOUS	54,323	-	54,323
TRANSFERS, NET	(190,593)	190,593	-
TOTAL GENERAL REVENUES AND TRANSFERS	36,023,024	190,593	36,213,617
CHANGE IN NET POSITION	(672,158)	454,337	(217,821)
NET POSITION:			
BEGINNING OF YEAR	65,105,314	12,732,954	77,838,268
END OF YEAR	\$ 64,433,156	\$ 13,187,291	\$ 77,620,447

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF BELLINGHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

ASSETS	GENERAL	ROAD IMPROVEMENTS	ATHLETIC FIELDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 12,405,367	\$ 3,676,937	\$ 1,325,695	\$ 5,115,670	\$ 22,523,669
INVESTMENTS	-	-	-	37,089	37,089
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	877,571	-	-	-	877,571
TAX LIENS	886,367	-	-	-	886,367
MOTOR VEHICLE EXCISE TAXES	313,704	-	-	-	313,704
USER FEES	-	-	-	227,232	227,232
DEPARTMENTAL AND OTHER	65,680	-	-	711,960	777,640
INTERGOVERNMENTAL	18,793,981	-	-	514,705	19,308,686
SPECIAL ASSESSMENTS	229,304	-	-	622,940	852,244
TOTAL ASSETS	\$ 33,571,974	\$ 3,676,937	\$ 1,325,695	\$ 7,229,596	\$ 45,804,202
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,719,884	\$ 238,393	\$ 65,401	\$ 62,214	\$ 2,085,892
ACCRUED LIABILITIES	1,470,817	-	-	265,188	1,736,005
OTHER LIABILITIES	9,000	-	-	-	9,000
DEFERRED REVENUES	21,010,447	-	-	1,512,132	22,522,579
NOTES PAYABLE	-	-	1,355,000	500,000	1,855,000
TOTAL LIABILITIES	24,210,148	238,393	1,420,401	2,339,534	28,208,476
FUND BALANCES:					
RESTRICTED	1,814,062	3,438,544	-	4,790,445	10,043,051
COMMITTED	1,159,383	-	-	636,713	1,796,096
ASSIGNED	698,751	-	-	-	698,751
UNASSIGNED	5,689,630	-	(94,706)	(537,096)	5,057,828
TOTAL FUND BALANCES	9,361,826	3,438,544	(94,706)	4,890,062	17,595,726
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,571,974	\$ 3,676,937	\$ 1,325,695	\$ 7,229,596	\$ 45,804,202

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, 2013**

	GENERAL	ROAD IMPROVEMENTS	ATHLETIC FIELDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 31,785,419	\$ -	\$ -	\$ -	\$ 31,785,419
MOTOR VEHICLE EXCISE TAXES	2,111,043	-	-	-	2,111,043
PENALTIES AND INTEREST ON TAXES	194,669	-	-	-	194,669
INTERGOVERNMENTAL	16,971,190	-	-	3,222,671	20,193,861
CHARGES FOR SERVICES	-	-	-	2,262,297	2,262,297
CHARGES FOR SERVICES - SEWER	-	-	-	1,030,961	1,030,961
INVESTMENT INCOME	57,825	-	-	65,396	123,221
CONTRIBUTIONS & DONATIONS	-	-	-	171,997	171,997
DEPARTMENTAL	1,388,499	-	-	216,971	1,605,470
TOTAL REVENUES	52,508,645	-	-	6,970,293	59,478,938
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	2,487,095	-	-	647,762	3,134,857
PUBLIC SAFETY	5,406,788	-	-	185,959	5,592,747
EDUCATION	23,179,885	-	94,706	4,472,357	27,746,948
PUBLIC WORKS	1,861,751	561,456	-	1,278,588	3,701,795
SEWER	-	-	-	797,017	797,017
HUMAN SERVICES	205,368	-	-	342,202	547,570
CULTURE & RECREATION	662,513	-	-	77,445	739,958
EMPLOYEE BENEFITS	12,512,985	-	-	-	12,512,985
STATE & COUNTY ASSESSMENTS	807,076	-	-	-	807,076
DEBT SERVICE:					
PRINCIPAL	3,129,334	-	-	-	3,129,334
INTEREST	996,139	-	-	-	996,139
TOTAL EXPENDITURES	51,248,934	561,456	94,706	7,801,330	59,706,426
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,259,711	(561,456)	(94,706)	(831,037)	(227,488)
OTHER FINANCING SOURCES (USES)					
PROCEEDS FROM BONDS AND NOTES	-	4,000,000	-	1,520,000	5,520,000
OPERATING TRANSFERS IN	467,834	-	-	476,149	943,983
OPERATING TRANSFERS OUT	(751,742)	-	-	(382,834)	(1,134,576)
TOTAL OTHER FINANCING SOURCES (USES)	(283,908)	4,000,000	-	1,613,315	5,329,407
NET CHANGE IN FUND BALANCES	975,803	3,438,544	(94,706)	782,278	5,101,919
FUND BALANCES AT BEGINNING OF YEAR	8,386,023	-	-	4,107,784	12,493,807
FUND BALANCES AT END OF YEAR	\$ 9,361,826	\$ 3,438,544	\$ (94,706)	\$ 4,890,062	\$ 17,595,726

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 POSITION
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 17,595,726
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		65,672,657
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		22,522,579
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION		3,150,457
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(241,973)
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	(31,432,509)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(11,535,016)	
DEFERRED AMOUNT ON REFUNDING	(63,227)	
COMPENSATED ABSENCES	(1,199,538)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(36,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(44,266,290)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 64,433,156</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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 5,101,919**

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.

CAPITAL OUTLAY	3,145,258	
DEPRECIATION EXPENSE	<u>(2,408,815)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		736,443

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 (1,811,137)

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.

PROCEEDS FROM BONDS AND NOTES	(5,520,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	3,129,334	
DEFERRED AMOUNT ON REFUNDING	<u>3,591</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(2,387,075)

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.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	90,699	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	3,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	(34,180)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	<u>(1,738,003)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(1,678,484)

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE, UNEMPLOYMENT, WORKERS' COMPENSATION, AND BUILDING INSURANCE ACTIVITIES

THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>(633,824)</u>
---	--	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (672,158)**

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, 2013**

		BUDGETED AMOUNTS						
	PRIOR YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	CURRENT YEAR INITIAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BUDGETARY AMOUNTS	CURRENT YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	VARIANCE OVER (UNDER)	
REVENUES:								
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ -	\$ 31,304,389	\$ 31,304,389	\$ 31,304,389	\$ 31,785,419	\$ -	\$ 481,030	
MOTOR VEHICLE EXCISE TAXES	-	1,750,000	1,750,000	1,750,000	2,111,043	-	361,043	
PENALTIES & INTEREST ON TAXES	-	195,000	195,000	195,000	194,669	-	(331)	
INTERGOVERNMENTAL	-	11,939,802	11,939,802	11,939,802	12,032,169	-	92,367	
INVESTMENT INCOME	-	40,000	40,000	40,000	48,582	-	8,582	
DEPARTMENTAL	-	871,874	871,874	871,874	1,388,499	-	516,625	
TOTAL REVENUES	-	46,101,065	46,101,065	46,101,065	47,560,381	-	1,459,316	
EXPENDITURES:								
CURRENT:								
GENERAL GOVERNMENT	490,313	2,655,649	3,145,962	3,129,565	2,487,095	480,684	161,786	
PUBLIC SAFETY	128,090	5,453,402	5,581,492	5,995,401	5,406,788	520,421	68,192	
EDUCATION	6,125	23,170,961	23,177,086	23,408,086	23,179,885	228,201	-	
PUBLIC WORKS	141,288	1,415,120	1,556,408	1,981,763	1,861,751	98,171	21,841	
HUMAN SERVICES	-	263,297	263,297	264,397	205,368	18,262	40,767	
CULTURE & RECREATION	-	669,718	669,718	687,718	662,513	18,387	6,818	
EMPLOYEE BENEFITS	6,277	7,677,099	7,683,376	7,698,694	7,583,644	-	115,050	
STATE & COUNTY ASSESSMENTS	-	871,850	871,850	871,850	807,076	-	64,774	
DEBT SERVICE:								
PRINCIPAL	-	3,500,175	3,500,175	3,500,175	3,129,334	-	370,841	
INTEREST	-	1,826,025	1,826,025	1,633,095	986,459	-	646,636	
TOTAL EXPENDITURES	772,093	47,503,296	48,275,389	49,170,744	46,309,913	1,364,126	1,496,705	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(772,093)	(1,402,231)	(2,174,324)	(3,069,679)	1,250,468	(1,364,126)	2,956,021	
OTHER FINANCING SOURCES (USES):								
OPERATING TRANSFERS IN	-	364,334	364,334	364,334	467,834	-	103,500	
OPERATING TRANSFERS OUT	-	(740,593)	(740,593)	(751,742)	(751,742)	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	-	(376,259)	(376,259)	(387,408)	(283,908)	-	103,500	
NET CHANGE IN FUND BALANCE	(772,093)	(1,778,490)	(2,550,583)	(3,457,087)	966,560	(1,364,126)	3,059,521	
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	5,426,449	5,426,449	5,426,449	5,426,449	5,426,449	-	-	
BUDGETARY FUND BALANCE, END OF YEAR	\$ 4,654,356	\$ 3,647,959	\$ 2,875,866	\$ 1,969,362	\$ 6,393,009	\$ (1,364,126)	\$ 3,059,521	

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
<u>ASSETS</u>	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 633,492	\$ 337,340	\$ 970,832	\$ 3,325,990
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	423,575	256,111	679,686	-
PREPAID EXPENSES	-	-	-	395,721
TOTAL CURRENT ASSETS	1,057,067	593,451	1,650,518	3,721,711
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	14,541,197	-	14,541,197	-
TOTAL ASSETS	15,598,264	593,451	16,191,715	3,721,711
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	140,855	13,744	154,599	-
ACCRUED LIABILITIES	14,374	1,169	15,543	-
HEALTH CLAIMS PAYABLE	-	-	-	571,254
ACCRUED INTEREST	10,427	-	10,427	-
BONDS AND NOTES PAYABLE	452,195	-	452,195	-
TOTAL CURRENT LIABILITIES	617,851	14,913	632,764	571,254
NONCURRENT:				
BONDS AND NOTES PAYABLE	1,880,000	-	1,880,000	-
OTHER POSTEMPLOYMENT BENEFITS	449,358	42,302	491,660	-
TOTAL NONCURRENT LIABILITIES	2,329,358	42,302	2,371,660	-
TOTAL LIABILITIES	2,947,209	57,215	3,004,424	571,254
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	12,265,644	-	12,265,644	-
UNRESTRICTED	385,411	536,236	921,647	3,150,457
TOTAL NET POSITION	\$ 12,651,055	\$ 536,236	\$ 13,187,291	\$ 3,150,457

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FISCAL YEAR ENDED JUNE 30, 2013**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 2,239,046	\$ 1,501,081	\$ 3,740,127	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	5,223,700
EMPLOYEE CONTRIBUTIONS	-	-	-	536,416
DEPARTMENTAL & OTHER INCOME	29,420	-	29,420	951,918
TOTAL OPERATING REVENUES	2,268,466	1,501,081	3,769,547	6,712,034
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	1,596,366	1,370,853	2,967,219	-
DEPRECIATION	334,700	-	334,700	-
EMPLOYEE BENEFITS	112,351	6,136	118,487	7,356,302
TOTAL OPERATING EXPENSES	2,043,417	1,376,989	3,420,406	7,356,302
OPERATING INCOME (LOSS)	225,049	124,092	349,141	(644,268)
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INVESTMENT INCOME	1,273	710	1,983	10,444
INTEREST EXPENSE	(87,380)	-	(87,380)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(86,107)	710	(85,397)	10,444
INCOME (LOSS) BEFORE OPERATING TRANSFERS	138,942	124,802	263,744	(633,824)
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	275,593	-	275,593	-
OPERATING TRANSFERS OUT	(85,000)	-	(85,000)	-
TOTAL OPERATING TRANSFERS	190,593	-	190,593	-
CHANGE IN NET POSITION	329,535	124,802	454,337	(633,824)
NET POSITION AT BEGINNING OF YEAR	12,321,520	411,434	12,732,954	3,784,281
NET POSITION AT END OF YEAR	\$ 12,651,055	\$ 536,236	\$ 13,187,291	\$ 3,150,457

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ 5,954,700
EMPLOYEE CONTRIBUTIONS	-	-	-	536,416
RECEIPTS FROM CUSTOMERS AND USERS	2,257,330	1,501,558	3,758,888	1,296,589
PAYMENTS TO SUPPLIERS	(888,800)	(1,437,530)	(2,326,330)	(7,550,352)
PAYMENTS TO EMPLOYEES	(667,971)	(28,726)	(696,697)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	700,559	35,302	735,861	237,353
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	275,593	-	275,593	-
OPERATING TRANSFERS OUT	(85,000)	-	(85,000)	-
NET CASH PROVIDED (USES) BY NONCAPITAL FINANCING ACTIVITIES	190,593	-	190,593	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	247,195	-	247,195	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(320,000)	-	(320,000)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(562,525)	-	(562,525)	-
INTEREST EXPENSE	(90,988)	-	(90,988)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(726,318)	-	(726,318)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	1,274	710	1,984	10,444
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	166,108	36,012	202,120	247,797
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	467,384	301,328	768,712	3,078,193
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 633,492</u>	<u>\$ 337,340</u>	<u>\$ 970,832</u>	<u>\$ 3,325,990</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ 225,049</u>	<u>\$ 124,092</u>	<u>\$ 349,141</u>	<u>\$ (644,268)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	334,700	-	334,700	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(11,136)	477	(10,659)	1,075,671
(INCREASE) DECREASE IN DEPOSITS	-	-	-	(104,481)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	95,095	(95,403)	(308)	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	(89,569)
INCREASE (DECREASE) IN COMPENSATED ABSENCES	(8,086)	-	(8,086)	-
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	64,937	6,136	71,073	-
TOTAL ADJUSTMENTS	475,510	(88,790)	386,720	881,621
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 700,559</u>	<u>\$ 35,302</u>	<u>\$ 735,861</u>	<u>\$ 237,353</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	POSTEMPLOYMENT BENEFITS TRUST FUND	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 250,115	\$ 471,120	\$ 750,287
INVESTMENTS	-	25,458	-
TOTAL ASSETS	<u>250,115</u>	<u>496,578</u>	<u>750,287</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	75
ACCRUED LIABILITIES	-	-	14,007
OTHER LIABILITIES	-	-	736,205
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>750,287</u>
<u>NET POSITION</u>			
NET POSITION - HELD IN TRUST FOR OPEB AND OTHER PURPOSES	<u>\$ 250,115</u>	<u>\$ 496,578</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2013**

	POSTEMPLOYMENT BENEFITS TRUST FUND	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
CONTRIBUTIONS FROM GOVERNMENT	\$ 250,000	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	115	1,512
	<hr/>	<hr/>
TOTAL ADDITIONS	250,115	1,512
	<hr/>	<hr/>
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	-	8,500
	<hr/>	<hr/>
CHANGE IN NET POSITION	250,115	(6,988)
	<hr/>	<hr/>
NET POSITION AT BEGINNING OF YEAR	-	503,566
	<hr/>	<hr/>
NET POSITION AT END OF YEAR	\$ 250,115	\$ 496,578
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 840,975

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, 2013

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position 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.

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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, postemployment benefits, 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.

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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 *Road Improvements* fund is a capital project fund used to account for the repair of the various Towns roadways.
- The *Athletic Fields* fund is a capital project fund used to account for the renovation and installation costs of the high school athletic field and track.
- 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).

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.

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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 *Postemployment Benefits Trust* fund is used to account for assets held to fund future postemployment benefits of current and retired employees.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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, 2013

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

Special Assessments

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

Intergovernmental

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

F. Deferred Amount on Refunding

The Town has advance refunded a portion of its long-term debt. This amount represents the difference between the new debt and the old debt, and it will be amortized as a component of interest expense over the remaining life of the old debt.

G. 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.

H. 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, 2013

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

J. 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 position. 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.

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. 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, 2013

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

- a. *Net investment in capital assets* – 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 position* – Consists of net position 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 position 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 position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. 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.

N. Investment Income

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

O. 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 position. 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, 2013 is recorded in the governmental fund financial statement.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

P. 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 general 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.

Q. 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.

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

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

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 2013 approved budget authorized \$47,503,296 in current year appropriations and other amounts to be raised and \$772,093 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$895,355 were approved at one Town Meeting during fiscal year 2013.

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, 2013, is presented below:

Net change in fund balance - budgetary basis	\$ 966,560
Basis of accounting differences:	
Net stabilization fund activity	9,243
Increase in revenue for on-behalf payments - MTRS	4,929,341
Increase in expenditures for on-behalf payments - MTRS	(4,929,341)
Increase in revenue for the MWPAT subsidy	9,680
Increase in expenditures for the MWPAT subsidy	<u>(9,680)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 975,803</u></u>

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds and general and enterprise capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2014.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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.

Deposits

▪ *Custodial Credit Risk - Deposits*

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

The Town does not have a formal deposit policy for custodial credit risk.

The Town carries deposits that are fully insured by FDIC insurance, DIF insurance and SIF insurance. The Town also carries deposits that are not collateralized and are uninsured.

The following table illustrates how much of the Town's bank deposits are insured, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2013:

TOTAL BANK BALANCES		<u><u>\$ 29,332,087</u></u>
BANK BALANCES COVERED BY INSURANCE		
FDIC	2,737,056	
DIF	8,429,333	
SIF	<u>9,724,634</u>	
TOTAL INSURED BALANCES		20,891,023
BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		
BANK BALANCES COLLATERALIZED WITH SECURITIES HELD BY THE PLEDGING FINANCIAL INSTITUTION'S TRUST DEPARTMENT OR AGENT BUT NOT IN THE TOWN'S NAME	5,296,590	
BANK BALANCES UNINSURED & UNCOLLATERALIZED	<u>3,144,474</u>	
TOTAL BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		<u><u>8,441,064</u></u>
TOTAL BANK BALANCES		<u><u>\$ 29,332,087</u></u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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.

a) Credit Risk

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

Presented below is the actual rating as of year-end for each investment type of the Town.

<u>Investment type</u>	<u>Fair value</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>
Certificates of Deposit	<u>\$ 62,547</u>	<u>N/A</u>	<u>\$ 62,547</u>

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the certificates of deposit because they are fully insured by the FDIC, Depositor's Insurance Fund (DIF), and shared insurance fund (SIF).

The Town does have an investment policy for custodial credit risk.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

c) Interest Rate Risk

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

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

<u>Investment type</u>	<u>Fair value</u>	Investment maturities (in years)
		<u>Less than 1</u>
Certificates of Deposits	<u>\$ 62,547</u>	<u>\$ 62,547</u>

d) Concentration of Credit Risk

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

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Middlesex Savings Bank - Certificate of Deposit	41%
Rockland Trust Company - Certificates of Deposit	38%
Charles River Bank - Certificate of Deposit	16%
Bristol County Savings Bank - Certificate of Deposit	5%

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – RECEIVABLES

The receivables at June 30, 2013 for the Town’s individual major, nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 910,257	\$ (32,686)	\$ 877,571
Tax liens	886,367	-	886,367
Motor vehicles excise taxes	348,560	(34,856)	313,704
User fees	227,232	-	227,232
Departmental and other	994,309	(216,669)	777,640
Intergovernmental	19,308,686	-	19,308,686
Special assessments	852,244	-	852,244
Total	<u>\$ 23,527,655</u>	<u>\$ (284,211)</u>	<u>\$ 23,243,444</u>

The receivables at June 30, 2013 for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 423,575	\$ -	\$ 423,575
<i>Sanitation</i>			
User fees	256,111	-	256,111
Total	<u>\$ 679,686</u>	<u>\$ -</u>	<u>\$ 679,686</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 721,411	\$ -	\$ 721,411
Tax liens	886,367	-	886,367
Motor vehicle excise taxes	313,704	-	313,704
User fees	-	227,233	227,233
Departmental and other	65,681	661,960	727,641
Intergovernmental	18,793,981	-	18,793,981
Special assessments	229,303	622,939	852,242
Total	<u>\$ 21,010,447</u>	<u>\$ 1,512,132</u>	<u>\$ 22,522,579</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,860,907	\$ -	\$ -	\$ 12,860,907
Construction in progress	4,184,858	1,533,845	(3,855,166)	1,863,537
Total capital assets not being depreciated	17,045,765	1,533,845	(3,855,166)	14,724,444
<i>Capital assets being depreciated:</i>				
Buildings	66,766,231	182,717	92,528	67,041,476
Machinery and equipment	8,612,602	708,206	22,763	9,343,571
Vehicles	4,710,146	368,726	(61,567)	5,017,305
Infrastructure	14,312,155	413,331	3,739,875	18,465,361
Total capital assets being depreciated	94,401,134	1,672,980	3,793,599	99,867,713
<i>Less accumulated depreciation for:</i>				
Buildings	(28,716,581)	(1,316,701)	-	(30,033,282)
Machinery and equipment	(6,441,608)	(391,345)	-	(6,832,953)
Vehicles	(3,461,275)	(289,391)	61,567	(3,689,099)
Infrastructure	(7,891,221)	(472,945)	-	(8,364,166)
Total accumulated depreciation	(46,510,685)	(2,470,382)	61,567	(48,919,500)
Total capital assets being depreciated, net	47,890,449	(797,402)	3,855,166	50,948,213
Total governmental activities capital assets, net	\$ 64,936,214	\$ 736,443	\$ -	\$ 65,672,657

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Business-Type Activities:	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,510,300	\$ -	\$ -	\$ 3,510,300
Construction in progress	3,339,456	426,242	(2,317,998)	1,447,700
Total capital assets not being depreciated	6,849,756	426,242	(2,317,998)	4,958,000
<i>Capital assets being depreciated:</i>				
Buildings	23,100	-	231,692	254,792
Machinery and equipment	1,177,548	-	-	1,177,548
Vehicles	380,004	55,939	-	435,943
Infrastructure	10,451,280	80,344	2,086,306	12,617,930
Total capital assets being depreciated	12,031,932	136,283	2,317,998	14,486,213
<i>Less accumulated depreciation for:</i>				
Buildings	(10,106)	(578)	-	(10,684)
Machinery and equipment	(805,461)	(54,985)	-	(860,446)
Vehicles	(310,750)	(35,170)	-	(345,920)
Infrastructure	(3,441,999)	(243,967)	-	(3,685,966)
Total accumulated depreciation	(4,568,316)	(334,700)	-	(4,903,016)
Total capital assets being depreciated, net	7,463,616	(198,417)	2,317,998	9,583,197
Total business-type activities capital assets, net	\$ 14,313,372	\$ 227,825	\$ -	\$ 14,541,197

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Governmental Activities:	
General government	\$ 236,745
Public safety	291,974
Education	1,295,379
Public works	569,222
Human services	52,821
Culture and recreation	24,241
	<hr/>
Total depreciation expense - governmental activities	<u><u>\$ 2,470,382</u></u>
Business-Type Activities:	
Water	\$ 334,700
Sanitation	-
	<hr/>
Total depreciation expense - business-type activities	<u><u>\$ 334,700</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

	Operating Transfers In:				
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Total	
Operating Transfers Out:					
General Fund	\$ -	\$ 476,149	\$ 275,593	\$ 751,742	(1)
Nonmajor Governmental Funds	364,334	-	-	364,334	(2)
Nonmajor Governmental Funds	18,500	-	-	18,500	(3)
Water Enterprise Fund	85,000	-	-	85,000	(3)
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u><u>\$ 467,834</u></u>	<u><u>\$ 476,149</u></u>	<u><u>\$ 275,593</u></u>	<u><u>\$ 1,219,576</u></u>	

- (1) Represents budgeted transfers to various nonmajor governmental funds and the water enterprise fund.
- (2) Represents various budgeted transfers to supplement the operating budget.
- (3) Represents other transfers.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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/expenses for short-term borrowings are accounted for in the general fund and the water enterprise fund respectively.

The following is a summary of changes in short-term debt for the year ended June 30, 2013:

<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2013</u>
<u>Governmental Funds</u>						
Septic Loan Program	0.00%	advance	\$ 300,000	\$ -	\$ (300,000)	\$ -
Multi-purpose	1.00%	12/19/2012	5,263,871	-	(5,263,871)	-
Multi-purpose	1.00%	6/26/2014	-	1,855,000	-	1,855,000
Total Governmental Funds			<u>\$ 5,563,871</u>	<u>\$ 1,855,000</u>	<u>\$ (5,563,871)</u>	<u>\$ 1,855,000</u>
<u>Water Enterprise Fund</u>						
Multi-purpose	1.00%	6/26/2014	<u>\$ -</u>	<u>\$ 247,195</u>	<u>\$ -</u>	<u>\$ 247,195</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Tile V Septic	Var.%	\$ 83,935	\$ -	\$ 10,610	\$ 73,325
School - Refunding	2.57%	17,140,000	-	1,725,000	15,415,000
Senior Center - Refunding	2.48%	405,000	-	50,000	355,000
Sewer	1.68%	728,500	-	249,100	479,400
School	1.68%	46,500	-	15,900	30,600
Title V Septic	Var.%	109,908	-	9,724	100,184
Land Acquisition	3.96%	722,500	-	57,500	665,000
Town Hall Construction	3.96%	787,500	-	62,500	725,000
Roads	3.96%	360,000	-	120,000	240,000
Title V Septic	Var.%	210,000	-	15,000	195,000
Multiple Purposes	3.74%	1,175,000	-	165,000	1,010,000
Multiple Purposes	4.40%	88,000	-	44,000	44,000
Title V Septic	0.00%	200,000	-	-	200,000
School Construction - Refunding	1.87%	6,985,000	-	605,000	6,380,000
Multiple Purposes	1.47%	-	5,220,000	-	5,220,000
Title V Septic	0.00%	-	300,000	-	300,000
Total		<u>\$ 29,041,843</u>	<u>\$ 5,520,000</u>	<u>\$ 3,129,334</u>	<u>\$ 31,432,509</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,584,440	\$ 941,285	\$ 4,525,725
2015	3,575,455	852,666	4,428,121
2016	3,200,281	761,265	3,961,546
2017	3,255,296	674,908	3,930,204
2018	3,280,311	586,874	3,867,185
2019-2023	12,345,976	1,195,635	13,541,611
2024-2028	2,065,185	94,123	2,159,308
2029-2033	125,565	-	125,565
	<u>\$ 31,432,509</u>	<u>\$ 5,106,756</u>	<u>\$ 36,539,265</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 \$2,262,880 from scheduled annual payments in FY 2013 from the MSBA for completed school construction projects.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Water	2.52%	\$ 75,000	\$ -	\$ 75,000	\$ -
Water	2.47%	35,000	-	35,000	-
Water	3.78%	700,000	-	50,000	650,000
Water - 2005	3.96%	510,000	-	90,000	420,000
Water - 2008	3.86%	640,000	-	40,000	600,000
Water - 2008	3.82%	445,000	-	30,000	415,000
Total		<u>\$ 2,405,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 2,085,000</u>

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 205,000	\$ 81,538	\$ 286,538
2015	205,000	73,938	278,938
2016	145,000	65,912	210,912
2017	145,000	60,737	205,737
2018	140,000	55,262	195,262
2019-2023	700,000	193,950	893,950
2024-2028	545,000	57,888	602,888
Total	<u>\$ 2,085,000</u>	<u>\$ 589,225</u>	<u>\$ 2,674,225</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Loans Authorized and Unissued

As of June 30, 2013, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Failing Sewer Systems	5/24/1995	\$ 50,000
Remediated Sewer	5/26/2010	300,000
Chapter 90 funds	10/18/2010	500,000
Remediated Sewer	5/25/2011	300,000
Middle School Boilers	6/13/2011	30,848
Water Treatment Planning & Engineering	5/23/2012	65,000
Remediated Sewer	5/23/2012	300,000
High School Artificial Turf Field	10/10/2012	1,355,000
Water Treatment Design & Construction	10/10/2012	15,400,000
Remediated Sewer	5/22/2013	300,000
		<u>\$ 18,600,848</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2013:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 29,041,843	\$ 5,520,000	\$ (3,129,334)	\$ 31,432,509	\$ 3,584,440
Compensated absences	1,290,237	-	(90,699)	1,199,538	53,736
Landfill postclosure care costs	39,000	-	(3,000)	36,000	3,000
OPEB (Note 12)	9,797,013	1,738,003	-	11,535,016	-
Total governmental activities long-term liabilities	<u>\$ 40,168,093</u>	<u>\$ 7,258,003</u>	<u>\$ (3,223,033)</u>	<u>\$ 44,203,063</u>	<u>\$ 3,641,176</u>
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 2,405,000	\$ -	\$ (320,000)	\$ 2,085,000	\$ 205,000
Compensated absences	8,086	-	(8,086)	-	-
OPEB (Note 12)	420,587	71,073	-	491,660	-
Total business-type activities long-term liabilities	<u>\$ 2,833,673</u>	<u>\$ 71,073</u>	<u>\$ (328,086)</u>	<u>\$ 2,576,660</u>	<u>\$ 205,000</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, 2013

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, 2013:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	\$ 12,860,000	1.945%	\$ 250,127
Blackstone Valley Vocational Regional School District			
School Construction Bonds	<u>4,860,000</u>	4.90%	<u>238,140</u>
	<u>\$ 17,720,000</u>		<u>\$ 488,267</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Road Improvements Fund	High School Athletic Fields Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Restricted For:					
General Government	\$ -	\$ -	\$ -	\$ 451,168	\$ 451,168
Public Safety	-	-	-	182,560	182,560
Education	-	-	-	1,242,134	1,242,134
Public Works	-	-	-	295,981	295,981
Sewer	-	-	-	637,057	637,057
Human Services	-	-	-	624,473	624,473
Culture & Recreation	-	-	-	134,428	134,428
Employee Benefits	-	-	-	1,181,228	1,181,228
Major Fund DPW Roadway Improvement	-	3,438,544	-	-	3,438,544
Expendable Trust Funds	-	-	-	41,416	41,416
Tax Stabilization Fund	1,814,062	-	-	-	1,814,062
	<u>1,814,062</u>	<u>3,438,544</u>	<u>-</u>	<u>4,790,445</u>	<u>10,043,051</u>
Committed To:					
Continuing Appropriations					
General Government	330,809	-	-	-	330,809
Public Safety	473,913	-	-	636,713	1,110,626
Education	228,202	-	-	-	228,202
Public Works	89,855	-	-	-	89,855
Human Services	18,217	-	-	-	18,217
Culture & Recreation	18,387	-	-	-	18,387
	<u>1,159,383</u>	<u>-</u>	<u>-</u>	<u>636,713</u>	<u>1,796,096</u>
Assigned To:					
Encumbered For:					
General Government	149,875	-	-	-	149,875
Public Safety	46,507	-	-	-	46,507
Public Works	8,316	-	-	-	8,316
Human Services	45	-	-	-	45
Capital Investment Fund	494,008	-	-	-	494,008
	<u>698,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,751</u>
Unassigned					
General Fund	4,528,882	-	-	-	4,528,882
General Stabilization Fund	1,160,748	-	-	-	1,160,748
Nonmajor Governmental Funds					
General Government	-	-	-	(6,942)	(6,942)
Education	-	-	-	(3,216)	(3,216)
Nonmajor Capital Projects					
Education	-	-	(94,706)	-	(94,706)
Public Works	-	-	-	(500,000)	(500,000)
Sewer	-	-	-	(26,938)	(26,938)
	<u>5,689,630</u>	<u>-</u>	<u>(94,706)</u>	<u>(537,096)</u>	<u>5,057,828</u>
Total Governmental Fund Balances	<u>\$9,361,826</u>	<u>\$3,438,544</u>	<u>\$(94,706)</u>	<u>\$4,890,062</u>	<u>\$17,595,726</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – STABILIZATION FUND

The Town has established several funds where the town has set aside amounts for emergency and capital needs. These funds consist of the following;

- The *Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the Annual or Special Town Meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$1,160,748 as of June 30, 2013. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- The *Capital Investment Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The capital investment stabilization fund balance is \$494,008 as of June 30, 2013. This fund was established under Chapter 40 sub-section 5B of **MGL**.
- The *Tax Rate Stabilization Fund* may be used to mitigate the loss of taxes and revenues resulting from the termination of any in lieu of tax agreement between the Town and any power and electric generating plant located in the Town. Town Meeting may appropriate an amount not to exceed 30% of the amount raised in the preceding fiscal year by the taxation of real estate and tangible personal property. The tax stabilization fund balance is \$1,814,062 as of June 30, 2013.

NOTE 11 – 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 2013.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 569 employees and retirees who participate in the Town's health care programs. For those 369 employees 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 3 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 162 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 \$150,000 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, 2013 and June 30, 2012, 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 2013 and 2012 were as follows:

	Healthcare	
	2013	2012
Liability at beginning of fiscal year	\$ 660,823	\$ 982,250
Claims incurred for current fiscal year and Changes in provisions for prior year	6,673,185	5,324,638
Claims payments for current fiscal year	<u>(6,762,754)</u>	<u>(5,646,065)</u>
Liability at end of fiscal year	<u>\$ 571,254</u>	<u>\$ 660,823</u>

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by Town Meeting vote. The required contribution is based on the projected pay-as-you-go financing requirements. For Fiscal Year 2013, total Town premiums plus implicit costs for the retiree medical program are \$961,286.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

	Primary Government Total
Annual required contribution	\$ 3,088,716
Interest on net OPEB obligation	408,704
Adjustment to annual required contribution (ARC)	<u>(477,058)</u>
Annual OPEB cost (expense)	3,020,362
Contributions made	<u>(1,211,286)</u>
Increase in net OPEB obligation	1,809,076
Net OPEB obligation - beginning of year	<u>10,217,600</u>
Net OPEB obligation - end of year	<u><u>\$ 12,026,676</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the five preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation	Net OPEB Obligation
6/30/2008	\$ 2,896,269	25.6%	\$ 2,156,089	\$ 2,156,089
6/30/2009	\$ 2,956,183	23.8%	\$ 2,252,798	\$ 4,408,887
6/30/2010	\$ 2,915,339	33.6%	\$ 1,936,906	\$ 6,345,793
6/30/2011	\$ 2,868,492	35.0%	\$ 1,864,667	\$ 8,210,460
6/30/2012	\$ 2,878,755	30.3%	\$ 2,007,140	\$ 10,217,600
6/30/2013	\$ 3,020,362	40.1%	\$ 1,809,076	\$ 12,026,676

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$30.634 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30.634 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.364 million, and the ratio of the UAAL to the covered payroll was 143.4%.

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

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% in 2011, 7% in 2012, 6% in 2013, 5% in 2014, and 5% in 2015. Both rates included a 2.5% inflation assumption. The actuarial value of assets is equal to the market value of the plan's assets. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2013, was 24 years.

NOTE 13 – 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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, 2012, and 2011 were \$1,761,179, \$1,727,382, and \$1,700,781, 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 \$4,929,341 for fiscal year 2013. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 14 – 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, 2013, 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 (12 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$36,000 reported as landfill post-closure liability at June 30, 2013 is based on what it would cost to perform all post-closure care at June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 15 – GREATER ATTLEBOROUGH TAUNTON REGIONAL TRANSIT AUTHORITY

The Town participates in the Greater Attleborough Taunton Regional Transit Authority (GATRA) Dial-A-Ride program. The Town receives monthly reimbursements for the cost of the program net of any donations received. The following table summarizes the program expenses for fiscal year 2013.

<u>Description</u>	<u>Amount</u>
Dial-A-Ride Program costs	<u>\$ 134,820</u>

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Future GASB Pronouncements:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2013**

The following schedules are presented in accordance with GASB Statement No. 27:

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2012	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Bellingham	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 44,800,000	\$ 44,800,000	100%	\$ 1,761,179	3.93%
2012	42,714,639	42,714,639	100%	1,727,382	4.04%
2011	41,206,587	41,206,587	100%	1,700,781	4.13%
2010	39,749,857	39,749,857	100%	1,647,627	4.14%
2009	38,920,499	38,920,499	100%	1,567,321	4.03%
2008	33,104,903	33,104,903	100%	1,402,912	4.24%
2007	32,877,890	32,877,890	100%	1,374,851	4.18%
2006	31,755,708	31,755,708	100%	1,177,162	3.71%
2005	28,238,996	28,238,996	100%	1,011,064	3.58%

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

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

Schedules of Funding Progress and Employer Contributions

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2007	\$ -	\$ 26,373,114	\$ 26,373,114	0.0%	\$ 20,187,489	130.6%
7/1/2008	\$ -	\$ 28,880,529	\$ 28,880,529	0.0%	\$ 21,249,635	135.9%
7/1/2009	\$ -	\$ 32,709,572	\$ 32,709,572	0.0%	\$ 22,648,000	144.4%
7/1/2011	\$ -	\$ 30,634,032	\$ 30,634,032	0.0%	\$ 21,363,804	143.4%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2008	\$ 2,896,269	25.6%	\$ 2,156,089	\$ 2,156,089
2009	\$ 2,956,183	23.8%	\$ 2,252,798	\$ 4,408,887
2010	\$ 2,915,338	33.6%	\$ 1,936,906	\$ 6,345,793
2011	\$ 2,868,492	35.0%	\$ 1,864,667	\$ 8,210,460
2012	\$ 2,878,755	30.3%	\$ 2,007,140	\$ 10,217,600
2013	\$ 3,020,362	40.1%	\$ 1,809,076	\$ 12,026,676

* Based on expected premium payments.

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

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

Valuation date	July 1, 2011
Discount Rate	4.00%
Medical Trend	8% grading down to 5% in Year 2014 and thereafter
Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Level Dollar Amortization over 30 years at transition
Remaining Amortization Period	24 years at July 1, 2013
Mortality	RP-2000 Table for males RP-2000 Table for females

Participation	It was assumed that 80% of the employees eligible to receive retirement benefits would enroll in the retiree medical and dental plans upon retirement. For life insurance plans, it was assumed that 80% of eligible employees would elect coverage upon retirement.
---------------	--

Plan Participants:

Current retirees, beneficiaries, and dependants	164
Current active members/participants	<u>411</u>
Total	<u><u>575</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK



EDWARDS WILDMAN PALMER LLP
111 HUNTINGTON AVENUE
BOSTON, MA 02199
+1 617 239 0100 main +1 617 227 4420 fax
edwardswildman.com

(Date of Delivery)

Grace Devitt, Treasurer
Town of Bellingham
Bellingham, Massachusetts

\$11,350,000
Town of Bellingham, Massachusetts
General Obligation Municipal Purpose Loan of 2014 Bonds
Dated September 4, 2014

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

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

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

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

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

express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS WILDMAN PALMER LLP

AM 35887024.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Bellingham, Massachusetts (the “Issuer”) in connection with the issuance of its \$11,350,000 General Obligation Municipal Purpose Loan of 2014 Bonds dated September 4, 2014 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated August 12, 2014 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: September __, 2014

TOWN OF BELLINGHAM,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]