

Annual Report

TOWN OF BELMONT, MASSACHUSETTS

**For The Fiscal Year Ended
June 30, 2010**

FILING DATE: MARCH 25, 2011

TOWN OF BELMONT, MASSACHUSETTS
/s/ Floyd S. Carman, Treasurer

TOWN OF BELMONT, MASSACHUSETTS

General

The Town of Belmont (the "Town"), which was first settled in 1636 and incorporated in 1859, is located in Middlesex County, approximately eight miles west of Boston, and is bordered by the cities of Cambridge and Waltham, and the towns of Lexington and Arlington. It is approximately 4.7 square miles in area and, according to 2000 federal census, has a population of 24,194.

Local Government

The Town of Belmont operates under a Representative Town Meeting form of government. The legislative body consists of a 288-member elected Representative Town Meeting and a three-member Board of Selectmen elected for staggered three-year terms. The Board of Selectmen is generally responsible for the affairs of the Town and appoints a Town Administrator for a three-year term. The Town Administrator serves as the Chief Administrative Officer and is responsible for the day-to-day operations of the Town.

Principal Executive Officers

<u>Officer</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Selectman (Chairman)	Ralph T. Jones	Elected - 3-Year Term	2011
Selectman (Vice Chairman)	Mark A. Paolillo	Elected - 3-Year Term	2013
Selectman	Angelo R. Firenze	Elected - 3-Year Term	2012
Town Administrator	Thomas G. Younger	Appointed by Selectmen 3-Year Term	2011
Town Clerk	Ellen O'Brien Cushman	Elected - 3-Year Term	2013
Treasurer/Collector	Floyd S. Carman	Elected - 3-Year Term	2011
Town Accountant	Barbara Hagg	Appointed by Selectmen 3-Year Term	2011
Assessor (Vice Chairman)	Charles P. Laverty, Jr.	Elected - 3-Year Term	2013
Assessor (Chairman)	Robert P. Reardon	Elected - 3-Year Term	2011
Assessor	Martin Millane	Elected - 3-Year Term	2012
Assessing Administrator	Richard D. Simmons, Jr.	Appointed by Assessors	Indefinite
Moderator	Michael Widmer	Elected - 1-Year Term	2011
Town Counsel	John Gorgio	Appointed by Selectmen 1-Year Term	2011

SOURCE: Town Treasurer

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, ambulance service, solid waste disposal (curbside pickup for residents), water, sewer, parks and recreation, an active elderly affairs program, a library and two branches, and public education for grades kindergarten through twelve. The Town is also a member of the Minuteman Regional Vocational-Technical School District, organized in 1971 to provide technical and vocational high school education.

The Town, which is a member community of the Massachusetts Water Resources Authority, provides water and sewer services to 100% of the Town. Water and sewer operations are accounted for in the Town's special revenue funds and are fully self-supported by user rates.

Electricity has been furnished through the Belmont Municipal Light Department since 1898. The Light Department is operated as an enterprise and is self-supporting in all respects. The Light Department has outstanding debt of \$600,000 and no ownership in any power plants. The Light Department transfers to the Town in excess of \$650,000 annually as a payment in lieu-of-taxes.

The Belmont Housing Authority is a corporate body politic, with four elected members and one member appointed by the Executive Office of Communities and Development. The Authority sets policies and establishes goals to ensure well-maintained housing for both the elderly and low-income families in the Town.

Education

The Town's school system currently maintains and operates four elementary schools, one middle school and one high school providing education from pre-school through grade 12. The Town is a member of the Minuteman Regional Vocational-Technical School District, which provides vocational-technical training for students in grades 9 through 12. Funding for the school system is augmented by assistance from the state and federal governments and financial support from the Belmont Education Foundation (BEF) through private fund-raising. On June 8, 2009 the Town passed a \$39,764,430 debt exclusion to fund the construction of the new Roger Wellington Elementary School to accommodate pupils in grades K-4. This project was approved for a grant from the Massachusetts School Building Authority for school construction aid equal to 40 percent of the approved eligible project costs.

Population

	<u>Belmont</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Total</u>	<u>% Increase (Decrease)</u>	<u>Total</u>	<u>% Increase (Decrease)</u>	<u>Total</u>	<u>% Increase (Decrease)</u>
2010 (proj.)	24,729	(0.7)%	1,489,180	1.1%	6,690,740	2.9%
2000	24,194	(2.1)	1,465,396	4.8	6,349,097	5.5
1990	24,720	(5.3)	1,398,468	2.3	6,016,425	4.9
1980	26,100	(7.7)	1,367,034	(2.2)	5,737,037	0.8
1970	28,285		1,398,397		5,689,170	

Source: U.S. Department of Commerce, Bureau of the Census.

Age, Income, and Wealth Levels

The following table compares the median age, median family income, and per capita income of Belmont, the Commonwealth, and the United States.

	<u>Belmont</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2000	40.4	36.5	35.3
1990	38.0	33.6	32.9
Median Family Income:			
2000	\$ 95,057	\$ 61,664	\$ 50,046
1990	61,046	44,367	35,225
Per Capita Income:			
2000	\$ 42,485	\$ 25,952	\$ 21,587
1990	26,793	17,224	14,420

Source: Federal Census Bureau

Unemployment

According to the Massachusetts Department of Employment and Training, in November 2010, the Town had a total labor force of 12,826 of whom 12,147 were employed and 679 or 5.3% were unemployed as compared with 8.1% for the Commonwealth and 9.8% for the United States.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2005 through 2009 as compared with the unemployment rates for the Commonwealth and for the county as a whole for the same period.

Calendar Year	Town of Belmont			Unemployment Rate	
	Labor Force	Number Employed	Unemployment Rate	Massachusetts	United States
2009	12,681	11,928	5.9%	8.4%	9.3%
2008	12,734	12,238	3.9	5.3	5.8
2007	12,760	12,392	2.9	5.5	4.6
2006	12,823	12,431	3.3	4.9	4.6
2005	12,737	12,326	3.2	4.8	5.1

Source: Massachusetts Department of Employment and Training. Data based on place of residence, not place of employment.

Employment by Industry

Industry	Calendar Year Average				
	2009	2008	2007	2006	2005
Construction	300	346	386	398	411
Manufacturing	115	129	140	144	140
Trade, Transportation & Utilities	887	914	898	875	983
Information	193	204	192	168	165
Financial Activities	245	250	267	278	276
Professional and Business Services	565	586	571	596	580
Education and Health Services	2,824	2,709	2,748	2,863	2,842
Leisure and Hospitality	560	573	625	653	570
Other Services	359	353	349	350	340
Total Employment	6,048	6,064	6,176	6,325	6,307
Number of Establishments	618	631	645	650	660
Average Weekly Wages	\$ 894	\$ 904	\$ 845	\$ 804	\$ 776
Total Wages	\$ 291,032,392	\$ 295,382,433	\$ 280,965,079	\$ 273,631,410	\$ 263,196,302

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to 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

<u>Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
McLean Hospital	Psychiatric Hospital	1,863
Town of Belmont	Municipality	906
Star Market Co./Shaw's	Grocery Store	190
Belmont Hill School	Private Secondary School	135
Waverly Landscape	Landscaping/Snow Plowing	230
Macy's	Department Store	100
Belmont Savings Bank	Financial Institution	84
Belmont Day School	Private Primary & Middle School	65
James W. Flett Company	Excavation Contractor	75
Purecoat North	Plating and Metal Finishing	51
Belmont Hill Club	Private Tennis/Swim Club	27
Dunkin Donuts	Retail Coffee Shop	24
Fresh Pond Animal Hospital	Animal Medical Care	22

Source: Town Clerk.

Building Permits

<u>Calendar Year</u>	<u>No.</u>	<u>Total Estimated Value</u>
2010	683	\$32,838,907
2009	748	28,350,964
2008	826	39,145,549
2007	797	31,020,078
2006	790	35,625,046

Source: Town of Belmont Building Inspector.

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:

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
Gross Amount to be Raised:					
Appropriations	\$ 94,479,985	\$ 91,032,741	\$ 91,223,536	\$ 91,262,245	\$ 87,229,902
Other Local Expenditures	43,138	43,643	51,982	51,969	179,196
State and County Charges	1,493,489	1,554,299	1,517,491	1,505,417	1,476,121
Allowance for Abatements	576,197	762,973	815,239	827,338	973,570
Total Gross Amount to be Raised	\$ 96,592,809	\$ 93,393,656	\$ 93,608,248	\$ 93,646,969	\$ 89,858,789
Offsets:					
Estimated Receipts from State	\$ 7,972,177	\$ 7,234,649 (1)	\$ 8,329,898	\$ 8,119,466	\$ 7,695,013
Estimated Receipts – Local	17,990,160	17,336,800	17,525,177	16,630,450	16,271,972
Appropriated Free Cash	1,000,000	1,522,938	2,470,000	4,679,000	850,000
Other Available Funds	1,314,898	2,309,131	2,119,629	3,620,915	6,909,869
Free cash and other revenue used to reduce the tax rate:	650,000	650,000	650,000	650,000	650,000
Total Offsets	\$ 28,927,235	\$ 29,053,518	\$ 31,094,704	\$ 33,699,831	\$ 32,376,854
Gross Tax Levy	\$ 67,665,574	\$ 64,340,138	\$ 62,513,544	\$ 59,947,138	\$ 57,481,935
Assessed Valuation	\$ 5,110,692,950	\$ 5,291,129,740	\$ 5,257,657,170	\$ 5,319,178,160	\$ 5,575,357,490
Tax Rate per \$1,000 (all classes)	\$ 13.24	\$ 12.16	\$ 11.89	\$ 11.27	\$ 10.31

Source: Town Accountant.

(1) Includes state aid as well as other payments from the Commonwealth. The state announced cuts in local aid for fiscal 2009 and fiscal 2010. For Belmont state aid in fiscal 2009 was reduced by \$273,840. For fiscal 2010, the figure above reflects a further reduction of state aid of \$528,425.

Valuations and Tax Levies

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 his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" below.

Assessed Valuations

Valuation of real and personal property in the Town of Belmont is established by the Board of Assessors. The following table sets forth the trend in the Town's assessed valuations and equalized valuations for the following fiscal years:

Fiscal Year	Assessed Valuations(1)			Equalized Valuation(2)	Assessed Valuation As a Percent of Equalized Valuation
	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation		
2011	\$ 5,068,709,100	\$ 41,983,850	\$ 5,110,692,950	\$ 5,579,451,400	91.6 %
2010	5,251,433,300	39,696,440	5,291,129,740	5,732,763,400	92.3
2009	5,223,072,300	34,584,870	5,257,657,170	5,732,763,400	91.7
2008	5,294,179,000	24,999,160	5,319,178,160	5,538,582,800	96.0
2007	5,552,927,000	22,430,490	5,575,357,490	5,538,582,800	100.7

(1) Source: Board of Assessors.

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

Classification of Property

As illustrated below, Belmont's tax base reflects its character as a primarily residential community with a mix of commercial and industrial uses:

Property Type	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 4,798,063,350	93.9 %	\$ 4,978,131,700	94.1 %	\$ 4,953,235,800	94.2 %
Commercial	255,584,750	5.0	258,278,600	4.9	254,486,500	4.8
Personal	41,983,850	0.8	39,696,440	0.8	34,584,870	0.7
Industrial	15,061,000	0.3	15,023,000	0.3	15,350,000	0.3
Total	\$ 5,110,692,950	100.0 %	\$ 5,291,129,740	100.0 %	\$ 5,257,657,170	100.0 %

Source: Board of Assessors.

Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based on assessed valuations for fiscal 2011:

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2011 Assessed Valuation</u>	<u>Fiscal 2011 Tax Levy</u>	<u>% of Net Tax Levy</u>
Hill Estates	Condominiums, Garages	\$ 60,035,000	\$ 794,863	1.17 %
Belmont Country Club	Country Club	18,296,500	242,246	0.36
Verizon New England	Telephone Utility	17,821,600	235,958	0.35
Belmont Manor Nursing Home	Nursing Home	13,330,000	176,489	0.26
AP Cambridge Parners Inc.	Developable Land	12,431,000	164,586	0.24
Locatelli Trust (Foley)	Retail	11,585,000	153,385	0.23
Boston Gas	Public Service	10,819,000	143,244	0.21
Star Market	Supermarket	9,538,000	126,283	0.19
Manzelli Corp.	Office Buildings	6,612,000	87,543	0.13
K&R Realty Trust	Small Retail & Auto Service	6,248,000	82,724	0.12
TOTAL		<u>\$ 166,716,100</u>	<u>\$ 2,207,321</u>	<u>3.26 %</u>

Source: Board of Assessors.

Abatements and Overlay

The Town is authorized by law 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 the approval of the State Commissioner of Revenue, but uncollected real property taxes are ordinarily not 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 overlay reserves, total exemptions and abatements granted and overlay excess for the last five fiscal years:

<u>Fiscal Year</u>	<u>Net Tax Levy</u>	<u>Dollar Amount</u>	<u>Percent of Net Levy</u>	<u>Granted through June 30</u>	<u>Excess (Deficit)</u>
2010	\$62,577,165	\$762,973	1.22%	\$398,408	\$364,571
2009	61,698,305	815,238	1.32	310,799	504,439
2008	59,119,801	827,337	1.40	309,950	517,387
2007	56,508,365	973,570	1.72	316,762	656,808
2006	54,361,389	859,070	1.58	308,849	550,221

Source: Board of Assessors.

Tax Collections

The taxes for each fiscal year generally are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. The Town bills for taxes on a quarterly basis.

The following table shows the total tax levy, the net tax levy and the amount collected for the last five fiscal years:

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Net Tax Levy (1)</u>	<u>% of Net Collected at June 30 (2)</u>
2010	\$63,340,138	\$62,577,165	98.5%
2009	62,513,543	61,698,305	99.1
2008	59,947,138	59,119,801	99.3
2007	57,481,936	56,508,365	98.5
2006	55,220,460	54,361,389	99.2

Source: Board of Assessors as to levies; Town Treasurer as to collections.

(1) Total tax levy less overlay.

(2) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy.

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.

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 nonpayment 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 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.

Taxes Outstanding

The following table sets forth the amount of aggregate taxes outstanding as of fiscal year end, including tax titles, for the last five fiscal years:

<u>As of June 30</u>	<u>Aggregate Taxes Outstanding (1)</u>	<u>Tax Titles</u>
2010	\$691,866	\$703,497
2009	682,030	477,062
2008	512,002	540,420
2007	336,165	444,997
2006	182,695	572,794

Source: Town Treasurer.

(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, individually or in bulk. The Town does not expect to utilize this option at the present time.

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates.

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 2½, 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".

The statute 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)

	Fiscal Year				
	2011	2010	2009	2008	2007
Primary Levy Limit (2)	\$ 127,767,324	\$ 132,278,244	\$ 131,441,429	\$ 132,979,454	\$ 139,383,937
Prior Fiscal Year Levy Limit	61,002,594	58,878,314	56,711,513	54,478,479	52,486,184
2.5% Levy Growth	1,525,065	1,471,958	1,417,788	1,361,962	1,312,155
New Growth (3)	512,519	652,322	749,013	871,072	680,140
Overrides	-	-	-	-	-
Growth Levy Limit	63,040,178	61,002,594	58,878,314	56,711,513	54,478,479
Debt Exclusions	4,817,671	3,368,022	3,670,145	3,278,106	3,051,318
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	67,857,849	64,370,616	62,548,459	59,989,619	57,529,797
Tax Levy	67,665,575	64,340,138	62,513,544	59,947,138	57,481,936
Unused Levy Capacity (4)	192,274	30,478	34,915	42,481	47,861
Unused Primary Levy Capacity (5)	<u>\$ 64,727,146</u>	<u>\$ 71,275,650</u>	<u>\$ 72,563,115</u>	<u>\$ 76,267,941</u>	<u>\$ 84,905,458</u>

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

Impact of Proposition 2 ½

As illustrated by the table above, the Town's response to the fiscal constraints imposed by Proposition 2½ has been to vote to exempt a significant portion of its long-term debt from Proposition 2 ½ and vote operating overrides.

At a Town Meeting held on November 8, 1994, the Town voted to exempt from Proposition 2 ½ the amounts required to pay for bonds issued to construct, equip and furnish a replacement school for the Chenery Middle School (\$20,705,000).

On May 22, 2001, the Town voted a \$3,000,000 permanent operating override for fiscal 2002 and thereafter and voted to exempt debt service on bonds and notes for the \$2,200,000 Outdoor Athletic Facility project.

On April 1, 2002, the Town voted to exempt debt service on bonds and notes for the \$11,950,000 Town Hall Complex Remodeling project. On June 3, 2002, the Town voted a \$2,400,000 permanent operating override for fiscal 2003 and thereafter.

On April 5, 2004, the Town voted to exempt debt service on bonds and notes for the \$11,430,000 Fire Station projects (including \$1,500,000 of this issue of Notes). The Town issued bonds in the amount of \$8.5 million against this authorization in June 2004.

On November 14, 2005, the Town voted to exempt debt service on bonds and notes for the \$6,328,456 senior center project.

On June 8, 2009, the Town voted to exempt debt service on bonds and notes for the \$39,764,430 Roger Wellington Elementary School construction project (this issue) from the limitations of Proposition 2 ½. The Massachusetts School Building Authority has voted to provide grants totaling \$12,400,020 that will be used to reduce the Town's share of project costs.

Pledged Taxes

Taxes on the 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. (See "Tax Increment Financing for Development Districts" below).

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 legislatures and then by the voters at a state election.

Community Preservation Act

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

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

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

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

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

On November 2, 2010, the Town accepted the CPA tax to begin in fiscal year 2012.

TOWN FINANCES

The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting, which usually takes place in April. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee (or the Board of Selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are included in the budgets adopted by city councils and town meetings, but electric and gas department funds may be appropriated by the municipal light board. Under certain legislation, any city or town, which accepts the legislation, may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the 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 (1)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
General Government (2)(3)	\$ 9,949,036	\$ 9,611,441	\$ 9,778,378	\$ 10,012,733	\$ 8,858,914
Public Safety	11,294,518	11,103,334	10,878,656	10,205,096	9,899,717
Education (4)	40,453,881	38,634,325	39,158,773	37,800,199	35,184,612
Public Services (5)	21,241,076	20,596,484	20,385,334	17,681,475	16,999,641
Human Services	776,270	825,912	927,768	866,940	861,553
Culture & Recreation	2,438,677	2,359,679	2,447,061	2,276,548	2,187,518
State Charges	1,493,646	1,554,299	1,517,491	1,524,378	1,485,162
Capital Outlay	2,060,000	1,758,373	2,174,000	2,233,000	2,185,600
Abatements/Exemptions	576,197	800,000	815,239	800,000	850,000
Debt Service	6,137,009	4,981,312	5,216,455	5,281,506	5,123,181
Totals	\$ 96,420,310	\$ 92,225,159	\$ 93,299,155	\$ 88,681,875	\$ 83,635,898

- (1) Budgets for fiscal 2007, 2008, 2009 and 2010 are as appropriated at Annual Town Meeting. These budgets reflect neither revenues, mandatory items nor expenditures authorized for non-recurring (general capital) purposes under "special" warrant articles or transfers occurring subsequent to the annual town meeting.
- (2) Town appropriated \$500,000 and \$150,000 for OPEB benefits from General Fund in fiscal 2008 and 2009, respectively. This transfer from the General Fund to the Trust Fund is reflected under General Government.
- (3) General Government includes non-school retiree pension and health payments.
- (4) In fiscal year 2010, Education budget is supplemented by ARRA Education Funds of \$1,912,707 and by \$546,000 in fiscal 2011.
- (5) Includes public works, water and sewer. Water and sewer are enterprise funds.

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. Since its inception, the Town has funded its school operations above the level mandated by the Act.

Revenues

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

According to estimates released by the Commonwealth of Massachusetts, Division of Local Services, the Town of Belmont received \$7,373,452 in fiscal 2005, \$7,807,345 in fiscal 2006, \$7,695,013 in fiscal 2007, \$8,080,053 in fiscal 2008, and \$7,439,640 in fiscal 2009 (including \$537,455 school construction aid). The Town received \$7,119,423 in fiscal 2010 including MSBA (defined herein) grants in the amount of \$537,455. The Town expects to receive \$7,929,039 in fiscal 2011, including \$382,498 in MSBA grants.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 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.

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 ("MSBA" or the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

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

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such

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

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

Local Options Meals Tax

On November 6, 2009, the Town adopted the local meals excise tax to be effective January 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax is projected to be approximately \$100,000 in future years.

Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the 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, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. Following is a five-year history of motor vehicle excise tax receipts:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2010	\$2,508,286
2009	2,552,601
2008	2,777,170
2007	2,573,891
2006	2,877,589

(1) Net after refunds. Includes receipts from prior years' levies.

Water and Sewer Rates and Services: The Town is a member community of the Massachusetts Water Resources Authority for water and sewer services. Water and sewer services are enterprise funds. Water and sewer services are provided to 100% of the Town. Following are water and sewer revenues and expenditures for fiscal 2010 on a cash basis. Expenditures include prior year encumbrances.

<u>Fiscal 2010(1)</u>	<u>Water</u>	<u>Sewer</u>
Revenues	\$4,267,687	\$6,502,815
Expenses	<u>(4,643,741)</u>	<u>(6,630,709)</u>
Net Income (Loss)	\$ (376,054)	\$ (127,894)

(1) The water enterprise 2010 had budgeted \$300,000 of retained earnings for their budget to minimize rate increases. The sewer had budgeted \$550,000 from their retained earnings for the same reason. As of July 2010 the town adopted an entirely new rate structure which includes rates, rates based on size of lines, and a fixed base cost not dependent on use.

Annual Audits

The Town of Belmont is audited annually by the firm of Powers & Sullivan, Certified Public Accountants, of Boston, Massachusetts. A copy of the audit for fiscal year ending June 30, 2010 is attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal year ending June 30, 2010, June 30, 2009 and June 30, 2008, and a Comparative Statement of Revenues and Expenditures (Governmental Funds) for fiscal years 2010, 2009, 2008, 2007 and 2006. Said statements have been extracted from audited financial statements.

Town of Belmont, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2010 (1)

	General	Wellington School Construction	Reserved For Appropriations	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 13,046,744	\$ 22,309,466	\$ 4,876,882	\$ 5,204,882	\$ 45,437,974
Investments	-	-	2,761,399	1,608,176	4,369,575
Receivables, net of uncollectibles:					
Real estate and personal property taxes	689,600	-	-	-	689,600
Real estate tax deferrals	755,757	-	-	-	755,757
Tax liens	703,497	-	-	-	703,497
Motor vehicle excise taxes	152,034	-	-	-	152,034
Departmental and other	472,071	-	-	186,686	658,757
Intergovernmental	3,445,000	-	-	1,115,425	4,560,425
Total Assets	<u>\$ 19,264,703</u>	<u>\$ 22,309,466</u>	<u>\$ 7,638,281</u>	<u>\$ 8,115,169</u>	<u>\$ 57,327,619</u>
<u>Liabilities and Fund Equity</u>					
Warrants payable	\$ 1,187,058	\$ 2,278,817	\$ -	\$ 471,134	\$ 3,937,009
Tax refunds payable	294,000	-	-	-	294,000
Other liabilities	420,496	-	-	-	420,496
Deferred revenue	7,372,679	-	-	1,124,350	8,497,029
Total Liabilities	<u>9,274,233</u>	<u>2,278,817</u>	<u>-</u>	<u>1,595,484</u>	<u>13,148,534</u>
Fund Balance:					
Reserved for:					
Encumbrances and continuing appropriations	306,515	-	-	-	306,515
Perpetual permanent funds	-	-	-	1,747,394	1,747,394
Unreserved:					
Designated for subsequent year's expenditures	1,550,509	-	-	-	1,550,509
Designated for capital endowment	-	-	2,786,527	-	2,786,527
Undesignated, reported in:					
General Fund	8,133,446	-	-	-	8,133,446
Special Revenue Funds	-	-	4,851,754	1,857,562	6,709,316
Capital project funds	-	20,030,649	-	2,215,675	22,246,324
Permanent Funds	-	-	-	699,054	699,054
Total Fund Equity	<u>\$ 9,990,470</u>	<u>\$ 20,030,649</u>	<u>\$ 7,638,281</u>	<u>\$ 6,519,685</u>	<u>\$ 44,179,085</u>
Total Liabilities and Fund Equity	<u>\$ 19,264,703</u>	<u>\$ 22,309,466</u>	<u>\$ 7,638,281</u>	<u>\$ 8,115,169</u>	<u>\$ 57,327,619</u>

(1) Extracted from audited financial statements.

Town of Belmont, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2009(1)

	General	Reserved For Appropriations	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and investments	\$ 11,760,786	\$ 5,120,263	\$ 8,044,561	\$ 24,925,610
Investments	-	2,160,298	1,473,901	3,634,199
Receivables, net of uncollectibles:				
Real estate and personal property taxes	661,837	-	-	661,837
Real estate tax deferrals	786,734	-	-	786,734
Tax liens	477,062	-	-	477,062
Motor vehicle excise taxes	127,855	-	-	127,855
Departmental and other	440,283	-	16,220	456,503
Intergovernmental	2,324,000	-	1,203,786	3,527,786
Total Assets	<u>\$ 16,578,557</u>	<u>\$ 7,280,561</u>	<u>\$ 10,738,468</u>	<u>\$ 34,597,586</u>
<u>Liabilities and Fund Equity</u>				
Warrants payable	\$ 1,072,825	\$ -	\$ 1,166,296	\$ 2,239,121
Tax refunds payable	365,000	-	-	365,000
Other liabilities	392,315	-	-	392,315
Deferred revenue	5,887,102	-	1,212,016	7,099,118
Total Liabilities	<u>7,717,242</u>	<u>-</u>	<u>2,378,312</u>	<u>10,095,554</u>
Fund Balance:				
Reserved for:				
Encumbrances and continuing appropriations	209,138	-	-	209,138
Perpetual permanent funds	-	-	1,155,767	1,155,767
Unreserved:				
Designated for subsequent year's expenditures	2,013,004	-	-	2,013,004
Designated for capital endowment	-	2,673,214	-	2,673,214
Undesignated, reported in:				
General Fund	6,639,173	-	-	6,639,173
Special Revenue Funds	-	4,607,347	1,804,701	6,412,048
Capital project funds	-	-	4,445,823	4,445,823
Permanent Funds	-	-	953,865	953,865
Total Fund Equity	<u>\$ 8,861,315</u>	<u>\$ 7,280,561</u>	<u>\$ 8,360,156</u>	<u>\$ 24,502,032</u>
Total Liabilities and Fund Equity	<u>\$ 16,578,557</u>	<u>\$ 7,280,561</u>	<u>\$ 10,738,468</u>	<u>\$ 34,597,586</u>

(1) Extracted from audited financial statements.

Town of Belmont, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2008(1)

	General	Reserved For Appropriations	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and investments	\$ 13,937,162	\$ 5,540,448	\$ 6,963,793	\$ 26,441,403
Investments	-	2,951,981	2,102,762	5,054,743
Receivables, net of uncollectibles:				
Real estate and personal property taxes	509,133	-	-	509,133
Real estate tax deferrals	840,181	-	-	840,181
Motor vehicle excise taxes	163,611	-	-	163,611
Departmental and other	458,842	-	8,830	467,672
Intergovernmental	2,789,000	-	1,083,600	3,872,600
Tax foreclosures	540,420	-	-	540,420
Total Assets	<u>\$ 19,238,349</u>	<u>\$ 8,492,429</u>	<u>\$ 10,158,985</u>	<u>\$ 37,889,763</u>
<u>Liabilities and Fund Equity</u>				
Warrants payable	\$ 1,618,308	\$ -	\$ 379,782	\$ 1,998,090
Tax refunds payable	132,000	-	-	132,000
Other liabilities	403,264	-	-	403,264
Deferred revenue	6,064,346	-	818,302	6,882,648
Total Liabilities	<u>8,217,918</u>	<u>-</u>	<u>1,198,084</u>	<u>9,416,002</u>
Fund Balance:				
Reserved for:				
Encumbrances and continuing appropriations	467,782	-	-	467,782
Perpetual permanent funds	-	-	1,135,300	1,135,300
Unreserved:				
Designated for subsequent year's expenditures	3,556,359	2,997,900	-	6,554,259
Designated for capital endowment	-	-	-	-
Undesignated, reported in:				
General Fund	6,996,290	-	-	6,996,290
Special Revenue Funds	-	5,494,529	1,961,072	7,455,601
Capital project funds	-	-	5,438,873	5,438,873
Permanent Funds	-	-	425,656	425,656
Total Fund Equity	<u>\$ 11,020,431</u>	<u>\$ 8,492,429</u>	<u>\$ 8,960,901</u>	<u>\$ 28,473,761</u>
Total Liabilities and Fund Equity	<u>\$ 19,238,349</u>	<u>\$ 8,492,429</u>	<u>\$ 10,158,985</u>	<u>\$ 37,889,763</u>

(1) Extracted from audited financial statements.

Town of Belmont, Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

	Year Ended June 30, (1)				
	2010	2009	2008	2007	2006
Revenues:					
Real and personal property	\$ 63,620,531	\$ 61,817,512	\$ 59,514,301	\$ 57,221,568	\$ 55,340,293
Excises	2,508,266	2,689,466	2,777,170	2,573,891	2,877,590
Licenses and permits	718,062	729,272	746,872	673,208	824,491
Intergovernmental	15,472,741	15,008,150	15,199,366	14,324,565	17,005,497
Charges for services	1,681,112	1,662,955	1,554,421	1,568,418	1,834,976
Fines and forfeitures	169,187	292,432	464,373	421,924	1,121,421
Investment income	349,725	528,629	1,375,292	1,364,507	995,419
Contributions	-	-	-	-	13,489
Other	278,243	158,359	382,286	190,029	-
Total Revenues	\$ 84,797,867	\$ 82,886,775	\$ 82,014,081	\$ 78,338,110	\$ 80,013,176
Expenditures:					
Current:					
General government	\$ 2,869,674	\$ 3,134,013	\$ 2,976,190	\$ 2,915,257	\$ 2,422,679
Public safety	10,718,311	10,334,977	10,032,223	9,583,911	9,259,314
Education	46,613,548	46,514,490	44,540,126	42,052,948	39,508,764
Public works	7,864,464	8,305,963	7,486,441	7,174,528	6,188,189
Human services	791,435	846,812	851,174	867,090	829,361
Culture and recreation	2,330,792	2,417,591	2,327,021	2,154,012	2,200,632
Environmental remediation costs	-	-	-	-	-
State and county assessments	1,507,260	1,479,153	1,498,205	1,479,012	1,426,649
Pension	4,354,685	4,113,328	3,924,665	3,493,362	3,282,202
Medical and insurance	1,657,649	1,915,926	2,281,377	1,598,094	1,788,418
Capital outlay	-	-	-	-	546,658
Debt service	4,569,563	4,256,955	4,393,319	4,418,856	4,087,969
Total Expenditures	\$ 83,277,381	\$ 83,319,208	\$ 80,310,741	\$ 75,737,070	\$ 71,540,835
Excess (deficiency) of revenues over (under) expenditures	1,520,486	(432,433)	1,703,340	2,601,040	8,472,341
Other financing sources (uses):					
Proceeds from refunding Bonds	5,455,000				
Transfers in	1,188,059	1,198,788	1,269,086	1,410,544	1,064,324
Transfers out	(1,815,447)	(2,949,000)	(5,252,283)	(2,811,250)	(6,044,229)
Proceeds of long term debt	(5,583,305)	-	-	-	-
Premium on bond sale	364,342	23,529	-	40,000	40,441
Total other financing sources (uses)	(391,351)	(1,726,683)	(3,983,197)	(1,360,706)	(4,939,464)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,129,135	(2,159,116)	(2,279,857)	1,240,334	3,532,877
Fund balance, beginning of year, as restated	8,861,315	11,020,431	13,300,288	12,059,954	8,527,077
Fund balance, end of year	\$ 9,990,450	\$ 8,861,315	\$ 11,020,431	\$ 13,300,288	\$ 12,059,954

(1) Extracted from audited financial statements.

Undesignated General Fund Balances and Free Cash

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

The following table sets forth the trend in the Town's undesignated general fund balances and free cash:

<u>Year</u>	<u>Undesignated General Fund Balance for Fiscal Year Ending as of June 30 (1)</u>	<u>Free Cash For Fiscal Year Beginning July 1</u>
2010	\$8,133,446	\$4,019,916
2009	6,639,173	2,741,366
2008	6,996,290	2,594,800
2007	7,592,390	2,973,112
2006	10,221,267	5,039,482

(1) Source: Audited Financial Statements.

Capital Endowment Fund

At the 1994 Annual Town Meeting, the Town voted to authorize, through a special act of the legislature, the creation of a Capital Endowment Fund (the "Fund"). The Fund was capitalized with \$2,000,000 of the proceeds from the sale of Town's interest in the local cable television system. This Fund, which is managed by the Town Treasurer, is accounted for in the Town's trust funds and has specific procedures and requirements for its investment, appropriation, expenditure and reporting. Net income generated from the Fund's investments may be appropriated annually at the Town Meeting upon recommendation of the Board of Selectmen for various purposes for which the Town is authorized to borrow under the General Laws, except routine maintenance or repairs to any capital asset. Principal may also be appropriated upon recommendation by the Board of Selectmen and two-thirds vote of the Town Meeting. Any excess earnings not appropriated are reinvested and become part of the Fund. As of June 30, 2009 and June 30, 2010, the fund balance was \$2,673,213 and \$2,786,527, respectively.

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 the 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 no such districts.

Investment of Town Funds

Investments of funds of cities and town, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 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. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

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

Pension funds are under the jurisdiction of the Town of Belmont Employee's Retirement System (the "System"). Details regarding the System are discussed in Appendix A. See also "Retirement Systems" below.

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds 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. Refunding bonds and notes are authorized by the selectmen. 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 Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "PROPERTY TAXATION - Taxation to Meet Deficits," above). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

Types of Obligations

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 ("DOR"). 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 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. They must generally 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 and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by the increment financings. 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.

**Direct Debt Summary (1)
As of June 30, 2010 (including subsequent issues)**

Long Term Indebtedness (2)		
Within the General Debt Limit:		
Land Acquisition	\$ 1,650,000	
Departmental Equipment	220,000	
Schools	480,000	
Sewers and Drains	9,635,761	
Other Building	18,660,000	
Other Inside	700,000	
Total Within the General Debt Limit		<u>\$ 31,345,761</u>
Outside the General Debt Limit:		
Schools (3)	32,055,000	
Other	31,625	
Water	<u>2,604,785</u>	
Total Outside the General Debt Limit		34,691,410
Total Direct Debt (after this issue)		<u><u>\$ 66,037,171</u></u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) Based on the Town's equalized valuation, its normal general debt limit is \$286,638,170 and its double general debt limit is \$573,276,340. (See "Debt Limits," above.)
- (3) As of June 30, 2010, the unpaid balance of state school construction grants payable over the life outstanding issues is estimated at \$1,529,992.

Key Debt Ratios

The following table sets forth the percentage of debt to assessed and equalized valuations and per capita debt ratios as of the end of the last five fiscal years. The table considers the principal amount of general obligation bonds of the Town of Belmont only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or in part, by non-tax revenues.

	As of June 30				
	2010	2009	2008	2007	2006
Amount (1)	\$ 58,810,504	\$ 35,197,325	\$ 33,553,215	\$ 36,286,135	\$ 36,018,055
Per Capita (2)	1,511	1,511	1,409	1,409	1,541
Percent of Assessed Valuation (3)	1.11%	0.67%	0.63%	0.65%	0.68%
Percent of Equalized Valuation (4)	1.03%	0.61%	0.61%	0.66%	0.72%
Per Capita Debt as a % of Per Capita Income (2)	3.56%	3.56%	3.32%	3.32%	3.63%

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

Annual Debt Service (1) As of June 30, 2010

Fiscal Year	Outstanding		Less	Less	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest	MWPAT Subsidies	State School Constitution Aid		
2011	\$ 4,499,505	\$ 2,089,161	\$ (1,656)	\$ (382,498)	\$ 6,204,512	7.7 %
2012	4,075,755	1,949,020	(1,490)	(382,498)	5,640,787	14.7
2013	4,115,755	1,835,040	(1,316)	(382,498)	5,566,981	21.7
2014	3,930,755	1,720,615	(1,141)	(382,498)	5,267,731	28.2
2015	3,675,670	1,607,964	(965)	-	5,282,668	34.8
2016	2,590,613	1,495,565	(795)	-	4,085,383	39.9
2017	2,615,613	1,398,910	(623)	-	4,013,900	44.9
2018	2,640,613	1,302,493	(443)	-	3,942,663	49.8
2019	2,604,213	1,211,511	(263)	-	3,815,461	54.5
2020	2,542,013	1,115,987	(86)	-	3,657,914	59.1
2021	2,470,000	1,013,738	-	-	3,483,738	63.4
2022	2,520,000	917,945	-	-	3,437,945	67.7
2023	2,570,000	817,656	-	-	3,387,656	71.9
2024	2,015,000	719,213	-	-	2,734,213	75.3
2025	1,555,000	633,300	-	-	2,188,300	78.0
2026	1,555,000	570,625	-	-	2,125,625	80.7
2027	1,290,000	513,650	-	-	1,803,650	82.9
2028	1,240,000	461,800	-	-	1,701,800	85.0
2029	1,290,000	412,200	-	-	1,702,200	87.2
2030	1,345,000	360,600	-	-	1,705,600	89.3
2031	1,400,000	306,800	-	-	1,706,800	91.4
2032	1,465,000	250,800	-	-	1,715,800	93.5
2033	1,530,000	192,200	-	-	1,722,200	95.7
2034	1,600,000	131,000	-	-	1,731,000	97.8
2035	1,675,000	67,000	-	-	1,742,000	100.0
Total	<u>\$ 58,810,504</u>	<u>\$ 23,094,793</u>	<u>\$ (8,778)</u>	<u>\$ (1,529,992)</u>	<u>\$ 80,366,527</u>	

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

Authorized Unissued Debt and Prospective Financing

The Town has \$17,980,889 authorized but unissued debt for school, fire station, sewer and surface drains and senior center projects.

Description of Debt Authorization	Authorization	
	Year	Amount
Fire Station	2004	\$ 272,598
Senior Center Construction (1)	2005	133,206
Water	2007	988,785
Sewer & Surface Drain	2008	3,421,870
Wellington Elementary School Construction (1) (2)	2009	13,064,430
Total Authorized but Unissued		<u>\$ 17,880,889</u>

(1) Exempt from Proposition 2 ½.

(2) On June 8, 2009, the Town voted to exempt debt service on bonds and notes for the \$39,764,430 Roger Wellington Elementary School construction project (a portion of which will be financed by the Bonds) from the limitations of Proposition 2 ½. The MSBA has voted to provide grants totaling \$12,400,020 that will be used to reduce the Town's share of project costs.

Overlapping Debt (1)

Following are the principal entities whose indebtedness is chargeable to the Town of Belmont or payable from taxation of property within the Town as of the most recent date available:

	Outstanding Bonded Debt As of June 30, 2010	FY 2011 Assessment for Operations & Debt Service
Massachusetts Bay Transportation Authority (2)	\$5,522,119,947	\$1,425,183
Massachusetts Water Resources Authority (3)		
Water	1,965,302,000	\$2,183,280
Sewer	3,902,910,000	4,234,838
Minuteman Regional Vocational-Technical School District (4)	-	751,311

(1) Dollar assessment based upon total net operating expenses, inclusive of debt service where applicable.

(2) Source: Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is not generally permitted to increase by more than 2.5 percent per year. Assessment is for FY 2011.

(3) The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(4) 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.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed generally to serve its best interest, 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 appropriation of funds. Municipalities have specific authority in relatively few cases to enter long term contractual obligations not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be 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.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

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 of Belmont is a participant in the following long-term contracts:

<u>Name</u>	<u>Nature of Contract</u>	<u>Contract Expires</u>	<u>Estimated Annual Cost – Fiscal 2011</u>
Wheelabrator, North Andover	Solid waste disposal	June 30, 2015	\$ 594,000
Russell Disposal	Solid waste/recycling collection	June 30, 2011	1,736,200
Eastern Bus Company	School bus transportation (1)	June 30, 2011	312,120
Asplundh	Tree service	June 30, 2012	220,140
MP Building Services.	Cleaners – School Department	June 30, 2012	340,000

(1) Includes after school transportation.

RETIREMENT SYSTEMS

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.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must have been submitted to PERAC by September 27, 2010.

Town of Belmont Retirement System

The Town contributes to the Town of Belmont Employees' Retirement System (the "System"), a cost-sharing, multiple-employer, public employee retirement system that acts as the investment and administrative agent for the Town and the Belmont Housing Authority. The System provides retirement, disability and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System, to which the Town does not contribute.

The annual contributions of the Town to the Retirement System for calendar years 2006 through 2010 and budgeted for 2011 are as follows:

<u>Calendar Year</u>	<u>Town Contribution (1)</u>
2011 (budgeted)	\$6,183,032
2010	5,283,307
2009	4,979,020
2008	4,662,975
2007	4,146,259
2006	3,872,033

Source: Town of Belmont Contributory Retirement System.

(1) Includes Municipal Light Department, water and sewer enterprises, does not include Belmont Housing Authority.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than 40 years. In addition, Chapter 697 contains significant financial incentives for each local governmental unit to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. Annual state pension funding grants are to be provided for the first fifteen years of an approved funding schedule, beginning with the fiscal year ending June 30, 1990; the grants would be funded from designated percentages of increases in state revenues. The funding provisions for local systems are subject to local acceptance. The Town has reviewed the legislation and formulated plans to meet this schedule. The Town has not applied for state grants and has adopted a plan to fully fund its current unfunded pension liability by 2025.

The unfunded pension benefit obligation of the system at January 1, 2010 was as follows:

Benefits payable on account of present retired members and beneficiaries	\$73,597,136
Benefits payable on account of present active members	75,726,145
Benefits payable on account of present inactive members	<u>880,203</u>
	\$150,203,484
<i>Present value of future members contributions</i>	<i>(16,287,003)</i>
Present value of future normal contributions by Town	<u>(10,231,931)</u>
	\$123,684,550
Present assets	<u>(63,499,612)</u>
Unfunded pension benefit obligation	\$ 60,184,938

The foregoing data does not include the retirement system costs or liabilities of any larger entity of which the Town is a constituent part and for which it is assessed a share of expenses.

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 pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2010	\$ 2,965,341
2009	3,134,037
2008	3,011,610
2007	3,040,535
2006	2,900,706

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, 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 the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. 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. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits 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 2009. The Town has had an actuarial valuation of its non-pension, post employment benefit liability as of January 1, 2008. The unfunded accrued liability for all funds including the three enterprise funds of Water, Sewer and Light is \$166.6 million. Another actuarial study will be performed as of January 1, 2010.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Other Postemployment Benefit Trust Fund (OPEB). During fiscal years 2008 and 2009, the Town contributed \$500,000 and \$150,000 to pre-fund future post-employment benefit liabilities, respectively. In both fiscal year 2010 and fiscal year 2011 \$200,000 has been appropriated. The Town and unions agreed to health insurance changes in percentage contributions from 90-10 to 80-20 for employees' HMO plans, and 50-50 for employees' PPO plans, effective January 1, 2009.

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment.

The following table indicates union representation for Town employees:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires (1)</u>
Town - Clerical/Asst. Dept. Head	SEIU #888	45	6/30/2010
School – Teachers and Nurses	Belmont Education Assoc. (Unit A)	301	8/31/2011
School Administrators	Belmont Education Assoc. (Unit B)	13	6/30/2010
School -Custodians/School Lunch Staff	AFSCME #408	51	6/30/2010
School - Support Staff	Belmont Education Assoc. (Unit D)	85	8/31/2011
School - Secretaries	Belmont Public School Secretaries Assoc.	27	6/30/2011
Town - Electric/Light	IBEW #103	16	6/30/2011
Town Water/Highway	AFSCME #408	37	6/30/2011
Town Custodians	AFSCME #408	3	6/30/2011
Town - Police	Assoc. of Prof. Belmont Police Officers	29	6/30/2010
Town - Superior Police Officers	IBPO #521	15	6/30/2011
Town - Firefighters	IAFF #1637	53	6/30/2010
Town Librarians	Belmont Librarians Association	10	6/30/2010
Town – Public Safety Dispatchers	Joint Public Safety Communications Officers Association	<u>8</u>	6/30/2010
Total		685	

(1) Expired contracts are under negotiation.

LITIGATION

At present there are a number of suits pending in which the Town is a defendant. In the opinion of Town Counsel, none of the pending litigation is considered likely to result, either individually or in the aggregate, in final judgments, which would materially affect the financial position of the Town.

TOWN OF BELMONT, MASSACHUSETTS
/s/ Floyd S. Carman, Treasurer

March 25, 2011