

## **THE TOWN OF LEE, MASSACHUSETTS**

The Town of Lee incorporated in 1777 and is governed by a representative town meeting form of government.

### **CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT**

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A town is not an independent sovereignty. It is merely a subordinate agency of the State Government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law; these powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the Governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee except in those towns whose educational functions are carried out entirely through a regional school district.

**GOVERNING BODIES AND OFFICERS**

Local legislative decisions are made by a representative town meeting consisting of fifty-four registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of three selectmen who are elected on an at-large basis for staggered three-year terms.

School affairs are administered by an elected school committee of six persons, while local taxes are assessed by a board of three assessors, appointed for staggered three year terms on an at-large basis.

The following is a list of the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	David Consolati, Chairman	Elected/3 years	2015
	Patricia Carlino	Elected/3 years	2016
	Thomas Wickham	Elected/3 years	2017
Town Administrator	Robert Nason	Appointed/3 years	2017
Treasurer/Collector	Donna M. Toomey	Appointed/Indefinite	--
Clerk	Suzanne M. Scarpa	Appointed/Indefinite	--
Town Accountant	Lynn Browne	Appointed/Indefinite	--
Town Counsel	Jeremia Pollard	Appointed/1 year	2015

**SERVICES**

The Town provides general governmental services for the territory within its boundaries including sewer and water services for 86% and 89% of the Town, respectively, a library, education for pre-school through high school, building inspection, a planning board and fire and police protection.

Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was partly in response to a default by the County in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth’s expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in other remaining counties.

## **AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES**

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. 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 the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred 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 for the Town 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, composed of the State Treasurer, the State Auditor, the Attorney General 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, and 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 per cent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas and community antenna television systems and telecommunications systems (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). 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 "Taxation to Meet Deficits" below). 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 equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. 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 five 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 payment 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 ten nor more than thirty years from their date of issue and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

**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, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, 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. The Town does not have an electric department.

**DEBT (1)**

The following shows the direct debt to be outstanding as of March 15, 2015:

General Obligation Bonds:

Within General Debt Limit (2)		
Sewers and Drains	\$ 15,000	
Schools	<u>1,590,000</u>	
Total Within the General Debt Limit		\$1,605,000
Outside General Debt Limit		
Sewers	\$13,557,970	
Schools	6,175,000	
Water	<u>4,248,282</u>	
Total Outside the General Debt Limit		<u>23,981,252</u>
Total Outstanding General Obligation Bonds		<u>\$25,586,252</u>

Temporary Loans in Anticipation of:

Revenue	\$ 0	
Bonds	448,608	
Grants	<u>0</u>	
Total Temporary Loans		<u>448,608</u>
Total Direct Debt (3)		<u>\$26,134,860</u>

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

(2) *Currently the normal general debt limit is \$46,550,945 and the double general debt limit is \$93,101,890.*

(3) **\$7,765,000 has been excluded from the provisions of Proposition 2½.**

**AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCINGS**

The Town has authorized unissued long-term debt in the amount of \$872,156, which represents the remainder of an authorization of \$22,300,000 for the design and construction of a new wastewater treatment facility. The Town does not expect to borrow against this remaining authorization.

The Town also has \$448,608 authorized unissued debt for water system improvements; this amount is currently outstanding as bond anticipation notes.

## **FIVE YEARS OUTSTANDING DEBT (1)**

	<b>As of June 30</b>				
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Long Term Indebtedness					
Within the General Debt Limit:					
Schools	\$ 1,590,000	\$ 1,805,000	\$ 2,010,000	\$ 2,205,000	\$ 2,395,000
Departmental Equipment	0	0	0	0	10,000
Architectural and Engineering Svcs.	0	45,000	60,000	75,000	88,547
Other Building	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>60,000</u>
Total Within the General Debt Limit	<u>\$ 1,620,000</u>	<u>\$ 1,850,000</u>	<u>\$ 2,070,000</u>	<u>\$ 2,310,000</u>	<u>\$ 2,553,547</u>
Outside the General Debt Limit					
Schools	\$ 7,065,000	\$ 7,750,000	\$ 8,350,000	\$ 8,925,000	\$ 9,475,000
Sewer	14,547,704	15,517,840	16,468,765	17,400,860	18,314,497
Other Outside General	0	0	0	0	0
Water	<u>4,328,498</u>	<u>4,439,997</u>	<u>4,546,694</u>	<u>4,648,798</u>	<u>4,746,504</u>
Total Outside the General Debt Limit	<u>25,941,201</u>	<u>27,707,836</u>	<u>29,365,459</u>	<u>30,974,658</u>	<u>32,536,001</u>
Total Long Term Indebtedness	<u>\$27,561,201</u>	<u>\$29,557,836</u>	<u>\$31,435,459</u>	<u>\$33,284,658</u>	<u>\$35,089,548</u>
Short Term Indebtedness					
Revenue Anticipation Notes	0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	0	0
Bond Anticipation Notes	<u>448,608</u>	<u>0</u>	<u>21,505,845</u>	<u>0</u>	<u>220,000</u>
Total Short Term Indebtedness	<u>448,608</u>	<u>0</u>	<u>21,505,845</u>	<u>0</u>	<u>220,000</u>
Total Outstanding Indebtedness	<u>\$28,009,809</u>	<u>\$29,557,836</u>	<u>\$52,941,304</u>	<u>\$33,284,658</u>	<u>\$35,089,548</u>

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

## **BOND DEBT VS. POPULATION, VALUATIONS AND INCOME**

	<b>As of June 30</b>				
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Amount (000 omitted) (1)	\$27,561	\$29,558	\$31,435	\$33,285	\$35,090
Per Capita (2)	4,655	\$5,012	\$5,322	\$5,601	\$6,113
Percent of Assessed Valuation (3)	3.13	3.36%	3.57%	3.72%	3.95%
Percent of Equalized Valuation (4)	2.96	3.17%	3.11%	3.30%	3.73%
Amount per Capita as a Percent of Personal Income Per Capita (2)	23.51%	25.21%	26.92%	28.46%	29.82%

(1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post employment benefits liability.

(2) Source: U.S. Department of Commerce, Bureau of Census - latest applicable actuals or estimates.

(3) Assessed valuation used here is the assessed valuation for that fiscal year.

(4) Equalized valuation used here is the equalized valuation in effect for that fiscal year.

## **REVENUE ANTICIPATION BORROWING**

The Town has not issued revenue anticipation notes in any of the last five fiscal years.

## ANNUAL DEBT SERVICE (1)

The following table presents the debt service payable on the Town's outstanding debt as of March 15, 2015:

<u>Fiscal Year</u>	<u>Outstanding 03/15/15 (2)</u>		<u>Total Debt Service</u>	<u>Cumulative % Principal Retired</u>
	<u>Principal</u>	<u>Interest</u>		
2015	\$ 256,301	\$ 167,276	\$ 423,577	1.0%
2016	2,091,488	658,951	2,750,440	9.2
2017	2,122,366	607,173	2,729,540	17.5
2018	2,168,903	554,037	2,722,940	25.9
2019	2,221,117	501,973	2,723,090	34.6
2020	2,289,030	444,535	2,733,565	43.6
2021	2,182,662	381,278	2,563,940	52.1
2022	2,122,034	322,931	2,444,965	60.4
2023	2,177,168	267,672	2,444,840	68.9
2024	1,358,089	224,001	1,582,090	74.2
2025	1,389,819	192,271	1,582,090	79.6
2026	1,422,383	159,707	1,582,090	85.2
2027	1,455,807	126,283	1,582,090	90.9
2028	206,490	104,809	311,299	91.7
2029	215,782	95,517	311,299	92.5
2030	225,493	85,806	311,299	93.4
2031	235,640	75,659	311,299	94.3
2032	246,244	65,055	311,299	95.3
2033	257,324	53,975	311,299	96.3
2034	268,904	42,395	311,299	97.4
2035	279,639	30,294	309,933	98.5
2036	201,961	17,711	219,672	99.3
2037	191,606	8,622	200,228	100.0%
	<u>\$25,586,252</u>	<u>\$5,187,931</u>	<u>\$30,774,183</u>	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post employment benefits liability.

(2) Principal amount of \$7,765,000 and the interest totaling \$1,008,750 has been excluded from the provisions of Proposition 2½.

## CONTRACTS

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

Cities and towns are authorized to lease (as lessee) off-street parking facilities, school buildings, hospital equipment, data process equipment, energy conservation equipment and educational equipment for periods ranging up to 10 years. They may also lease equipment, with option to purchase, for a period up to 10 years.

Contracts may also be made for the installment purchase of energy conservation equipment over a period up to 10 years. Cities and towns may also lease various properties as lessor. The Town has not entered into any lease or installment purchase contracts of a substantial nature.

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 has two contracts of significance. The Town has a five year contract with DuFour Busing for school busing services, terminating on June 30, 2017. The Town expended \$306,531.00\_ for such services in fiscal 2014 and has appropriated \$314,806.00 for fiscal 2015. The Town has a two year contract with Waste Water Services, Inc. for sludge hauling and disposal relating to the operation of its wastewater treatment plant, terminating on March 31, 2015. The Town expended \$148,850.00 for such services in fiscal 2014 and has appropriated \$186,382.00 for fiscal 2015.

**OVERLAPPING DEBT (1)**

The following table sets forth the portion of overlapping debt assessed to the Town:

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated Share of Lee</u>	<u>Assessment for Operations and Debt Service Fiscal Year 2015</u>
Berkshire Regional Transit Authority (2)	\$0	\$0	0%	\$92,408.00

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Administrator, Berkshire Regional Transit Authority. Debt is as of March 15, 2015.

**RETIREMENT PLAN**

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.

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 Town has no such non-contributory system.

The Town participates in the Berkshire Regional Retirement System (the “System”). The annual contributions of the Town to the System for the most recent fiscal years and the amount budgeted for fiscal 2015 are as follows:

<b><u>Year</u></b>	<b><u>Total</u></b>
2015 (budgeted)	\$873,532
2014 (unaudited)	843,430
2013	790,203
2012	742,893
2011	737,001

As of January 1, 2013, the estimated total actuarial liability of the System was \$199,926,528. The assets of the System were \$155,094,412, leaving an estimated unfunded actuarial liability of \$44,832,116, based on a discount rate of 7.75 percent. The System is on a funding schedule that will fully amortized the unfunded liability by June 30, 2026. (Source: PERAC, January 1, 2013, also available at the following link: <http://www.mass.gov/perac/index.htm>.)

There is no separate valuation of the Town's share of the liability currently available. The Town of Lee's payment to the system in fiscal year 2014 is 10.91 percent of the total payments to be made to the BRRS for the current fiscal year. Based on this percentage, the Town's estimated unfunded actuarial liability is \$3,241,347.

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 approved by the local legislative body, which acceptance may not be revoked.

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

### **OTHER POST-EMPLOYMENT BENEFITS.**

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

The Governmental Accounting Standards Board ("GASB") Statement Nos. 43 and 45 require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. 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. Cities and towns with general legal authority 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 is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2010. As of June 30, 2012, the accrued unfunded liability was \$25,398,408, and the annual required contribution was \$2,019,372, assuming a 4.75 percent rate of return on investments. The Town established a trust fund for OPEB funding in 2010; as of June 30, 2013, the Town has \$191,359 in that trust fund. The Town appropriated an additional \$45,000 to the trust fund for fiscal 2014. The Town intends to continue to make contributions into the trust fund.

### **PROPERTY TAXATION AND VALUATION**

**Tax Rate and Valuation - General.** 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 per cent of their share of the total valuation. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre. In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized valuation". See "Debt Limits" herein.

## **VALUATIONS**

The following shows the assessed and equalized valuations for the most recent fiscal years:

	<b>For Fiscal Year</b>				
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>(1)</b>					
Real Property (2)	\$849,746,199	\$824,156,418	\$824,843,507	\$830,731,247	\$847,208,290
Personal Property (2)	<u>59,493,270</u>	<u>57,303,840</u>	<u>53,750,330</u>	<u>49,224,000</u>	<u>48,602,050</u>
Total	<u>\$909,239,469</u>	<u>\$881,460,258</u>	<u>\$878,593,837</u>	<u>\$879,955,247</u>	<u>\$895,810,340</u>
Equalized Valuation (3)	\$931,018,900	\$931,018,900	\$931,018,900	\$1,009,572,700	\$940,282,200
Percent of Total Assessed to Equalized Valuation	97.7%	94.7%	94.4%	87.2%	95.3%

(1) Revaluation year. In accordance with the direction of the Department of Revenue, the next revaluation will be performed for use in fiscal 2015.

(2) As of January 1, of the previous year.

(3) Based on equalized valuation in effect for each year.

The following table shows the breakdown of the total assessed valuation for fiscal years 2013 through 2015 by classification:

<b><u>Class</u></b>	<b><u>Fiscal 2015</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>	<b><u>% of Total</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>	<b><u>Fiscal 2014</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>	<b><u>% of Total</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>	<b><u>Fiscal 2013</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>	<b><u>% of Total</u></b> <b><u>Assessed</u></b> <b><u>Valuation</u></b>
Residential	\$633,671,855	69.7%	\$613,218,654	69.6%	\$614,777,704	70.0%
Commercial	169,128,643	18.6	163,564,364	18.6	163,780,304	18.6
Industrial	46,945,701	5.2	47,373,400	5.4	46,285,499	5.3
Personal Property	<u>59,493,270</u>	<u>6.5</u>	<u>57,303,840</u>	<u>6.5</u>	<u>53,750,330</u>	<u>6.1</u>
Total	<u>\$909,239,469</u>	<u>100.0%</u>	<u>\$881,460,258</u>	<u>100.0%</u>	<u>\$878,593,837</u>	<u>100.0%</u>

The Town completed a full revaluation of all the property in the Town for use in fiscal 2011.

## **TAX RATES**

The following shows the actual tax rate per \$1,000 of assessed valuation and the full value rate based on the equalized valuations for the current and most recent fiscal years:

<b><u>Fiscal Year</u></b>	<b><u>Actual Tax Rate</u></b>	<b><u>Full Value Rate</u></b>
2015	\$14.08	13.75
2014	14.15	13.40
2013	14.09	12.26
2012	13.67	11.91
2011	13.06	12.44

## **LARGEST TAXPAYERS (1)**

The following is a list of the ten largest taxpayers for fiscal year 2015:

<b><u>Name</u></b>	<b><u>Nature of Business</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Amount of Tax</u></b>
Prime Outlets at Lee	Outlet Village	\$ 43,295,100	\$ 609,595
Western Massachusetts Electric Co.	Utility	25,178,550	354,514
Silverleaf Resort & Timeshare	Resort	23,519,770	331,158
HCRI Mass Properties (Laurel Lake)	Geriatric Facility	12,134,300	170,851
Highlawn Realty LLC	Farm	8,458,860	119,101
Onyx Specialty Papers	Paper Manufacturer	8,212,000	115,625
Country Curtains	Manufacturer/Retail	6,193,020	87,198
The Ponds Association	Timeshare Resort	5,304,500	74,687
Southdown Quarry	Quarry	5,297,200	74,585
Lenox Development LLC	Manufacturing	3,926,380	55,283
Total		<u>\$141,519,680</u>	<u>\$1,992,597</u>

(1) All of the largest taxpayers are current in their payments of real and personal property taxes.

## **TAX LEVIES**

**Levy - General.** The principal tax of Massachusetts cities and towns 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" herein. As to the inclusion of debt service and final judgments, see "Security and Remedies" herein.

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” herein) 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” herein).

**Taxation to Meet Deficits.** As noted elsewhere (see “Abatements and Overlay” herein) 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 2.5 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 7.5 percent by majority vote of the voters, or to less than 7.5 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 2.5 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 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 calculations 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.

**The Town has voted to exempt the debt service on \$7,765,000 of currently outstanding bonds from the limitations of Proposition 2½.**

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures. 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) 2.5 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.

**Pledged Taxes.** Taxes on 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" herein.)

**Initiative Petitions.** Various other 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.

## CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the calculation of the tax levies for the current and most recent fiscal years:

	<u>For Fiscal Year (000 omitted)</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Gross Amount to be Raised:					
Appropriations	\$22,065	\$21,848	\$22,103	\$20,949	\$21,111
Other Local Expenditures	638	669	561	645	668
State & County Charges	594	538	481	489	527
Overlay Reserve	<u>201</u>	<u>204</u>	<u>200</u>	<u>197</u>	<u>198</u>
Total Gross Amount to be Raised	<u>\$23,497</u>	<u>\$23,259</u>	<u>\$23,346</u>	<u>\$22,280</u>	<u>\$22,504</u>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts – State	\$ 3,863	\$ 3,890	\$ 3,794	\$ 3,819	\$ 3,856
Estimated Receipts – Local	5,114	5,258	5,089	5,066	5,048
Available Funds Appropriated:					
Free Cash	784	871	582	673	891
Other Available Funds	934	768	1,503	693	1,009
Free Cash & Other Revenue					
Used to Reduce Tax Rate	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Estimated Receipts & Revenue	<u>10,695</u>	<u>10,786</u>	<u>10,967</u>	<u>10,251</u>	<u>10,804</u>
Net Amount To Be Raised (Tax Levy)	<u>\$12,802</u>	<u>\$12,473</u>	<u>\$12,379</u>	<u>\$12,029</u>	<u>\$11,699</u>

The following shows the calculation of levy limits for the current and most recent fiscal years:

	<u>For Fiscal Year (000 omitted)</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Primary Levy Limit (1)	\$22,731	\$22,037	\$21,965	\$21,999	\$22,395
Prior Fiscal Year Levy Limit	13,251	\$12,767	\$12,289	\$11,864	\$11,446
2.5% Levy Growth	331	319	307	297	286
New Growth (2)	164	164	171	129	131
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	13,746	\$13,251	\$12,767	\$12,289	\$11,863
Debt Exclusions	683	624	621	614	620
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	14,429	13,874	13,388	12,903	12,483
Tax Levy	<u>12,802</u>	<u>12,473</u>	<u>12,379</u>	<u>12,029</u>	<u>11,699</u>
Unused Levy Capacity (3)	<u>\$ 1,627</u>	<u>\$ 1,402</u>	<u>\$ 1,009</u>	<u>\$ 874</u>	<u>\$ 784</u>
Unused Primary Levy Capacity (4)	<u>\$ 8,985</u>	<u>\$ 9,198</u>	<u>\$ 9,710</u>	<u>\$10,532</u>	<u>\$10,781</u>

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy limit less Growth Levy Limit.

## TAX COLLECTIONS AND ABATEMENTS

**Payment Dates.** 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 a city or town accepts a statute providing for quarterly tax payments. Under the statute, preliminary tax payments are to be due on 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 per cent per annum. The Town has not accepted this statute; it continues to issue semi-annual tax bills.

**Lien.** 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 rebates. 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.

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

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the current and most recent fiscal years.

	<b>For Fiscal Year</b>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Tax Levy	\$12,802,092	\$12,472,663	\$12,379,387	\$12,028,988	\$11,699,283
Overlay Reserve for Abatements	<u>200,529</u>	<u>203,703</u>	<u>200,480</u>	<u>196,549</u>	<u>197,688</u>
Net Tax Levy (1)	<u>12,601,563</u>	<u>\$12,268,960</u>	<u>\$12,178,907</u>	<u>\$11,832,439</u>	<u>\$11,501,595</u>
Amount Collected During					
Fiscal Year Payable (2)	n.a.	<b>\$12,098,820</b>	\$11,904,488	\$11,533,726	\$11,163,023
Percent of Net Tax Levy		99%	98%	97.5%	97.1%
<b>Amount Collected thru 12/31/14</b>	<b>\$4,873,236</b>	<b>\$12,266,907</b>	<b>\$12,234,138</b>	<b>\$11,679,711</b>	<b>\$11,530,782</b>
Percent of Net Tax Levy (3)	38%	99.2%	100.2%	98.7%	100.3%

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections of levy less refunds, amounts refundable and abatements and other credits. Due to the late setting of the fiscal 2015 tax rate, the first mailing of tax bills did not occur until December 5, 2014, payable January 5, 2014.

**Abatements and Overlay.** A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with 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 shows the abatements granted during the fiscal year as well as through a more recent date for the current and most recent fiscal years:

	<b>For Fiscal Year</b>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Levy	\$12,802,092	\$12,472,663	\$12,379,387	\$12,028,988	\$11,699,283
Overlay Reserve for Abatements	200,529	\$203,703	\$200,480	\$196,549	\$197,688
Percent of Tax Levy	1.6%	1.6%	1.6%	1.6%	1.7%
Abatements Granted:					
During Fiscal Year of Levy		\$99,259	\$133,255	\$148,570	\$142,363
Through 12/31/14	\$73,613	\$99,441	\$133,255	\$148,570	\$142,363

**Sale of Tax Receivables.** Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

**Taking and Sale.** 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.

## **TOWN FINANCES**

**Budget and Appropriation Process.** The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. 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.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. 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 total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. 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. 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. In fiscal years 1994 through 2013, the Town's net spending exceeded the minimum required local contribution and is expected to do so in fiscal 2014.

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. (See Property Taxation and Valuation herein.)

## **BUDGET COMPARISON**

The following table sets forth the budgets for fiscal years 2011-2015.

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
General Government	\$4,523,242	\$ 4,365,854	\$ 4,529,920	\$ 4,380,969	\$ 4,101,859
Public Safety	\$1,837,362	1,830,361	1,894,592	1,867,467	1,409,179
Education	\$8,237,245	8,144,175	7,982,171	7,688,288	7,539,377
Public Works	\$1,096,697	1,068,249	1,374,189	1,142,096	920,264
Human Services	\$195,415	225,121	175,315	169,629	169,362
Culture & Recreation	310,918	306,056	298,463	292,425	295,425
Debt Service	\$1,345,700	1,242,934	1,241,134	1,234,059	1,241,184
Total	<b><u>\$17,546,579</u></b>	<b><u>\$17,182,750</u></b>	<b><u>\$17,495,784</u></b>	<b><u>\$16,774,933</u></b>	<b><u>\$15,676,650</u></b>

## **STATE AID**

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 of Massachusetts provides financial assistance to cities and towns for current purposes. Payment of local aid to cities and towns is 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. Payments of state aid to cities and towns are based upon numerous separate 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 for the next fiscal year but the actual State aid payments may vary from the estimates.

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 limits 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, these measures could restrict the amount of state revenues available for state aid to local communities.

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

The following table sets forth the amount of State aid received by the Town in recent years and budgeted to be received in the current fiscal year:

<b><u>Fiscal Year</u></b>	<b><u>Total From State</u></b>
2015 (budgeted)	\$3,313,060
2014 (unaudited)	3,321,983
2013	3,153,555
2012	3,242,619
2011	3,245,788

## **STATE SCHOOL BUILDING ASSISTANCE PROGRAM**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. It is expected that the Authority will continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

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. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for such projects are expected to be paid 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, shall be included in the approved costs of such projects.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. Prior to that date, the Authority is required to engage in a comprehensive review of the school building assistance program, to recommend legislative changes, to adopt new maximum eligible cost and size standards, and to promulgate new regulations. The Authority expects to pay grants for such projects in lump sum payments as project costs are incurred. None of the interest expense incurred on debt issued by municipalities to finance new projects will be included in the approved project costs eligible for reimbursement.

## **MOTOR VEHICLE EXCISE**

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 manufacturer's list price and year of manufacture. Bills are payable within 30 days of their issue and when not paid 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.

The following table shows the actual motor vehicle receipts in each of the most recent fiscal years and the amount budgeted to be received during the current fiscal year.

<b><u>Fiscal Year</u></b>	<b><u>Receipts (1)</u></b>
2015 (budgeted)	\$615,000
2014 (unaudited)	704,394
2013	658,473
2012	638,246
2011	646,769

(1) Net after refunds. Includes receipts for prior years.

## **COMMUNITY PRESERVATION ACT**

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

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

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

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

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

The Town has not accepted this legislation.

**OTHER TAXES**

Three additional sources of revenue for local governments are the room occupancy excise tax, local meals excise tax, and the aviation fuel tax. All taxes take effect only where accepted by individual municipalities. Under the room occupancy excise tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed six percent of the cost of renting such rooms. The tax is paid by the owner of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located.

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent 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 Town has voted to impose the room occupancy and meals taxes. The following table shows the actual receipts of the room occupancy and meals tax for the most recent fiscal years and budgeted for fiscal 2015:

<b><u>Fiscal Year</u></b>	<b><u>Balance</u></b>
2015 (budgeted)	\$350,000
2014 (unaudited)	383,996
2013	341,133
2012	400,500
2011	355,421

**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 projects in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see “Tax Limitations” under “TAX LEVIES” above.)

The Town has not established any development districts and currently has no plans to do so.

**UNDESIGNATED GENERAL FUND BALANCE 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 Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated general fund balance and certified free cash for the most recent fiscal years:

<u>June 30</u>	<u>Undesignated General Fund Balance</u>	<u>Free Cash</u>
2014 (unaudited)	\$1,664,897	\$1,131,700
2013	2,925,552	1,256,387
2012	2,069,569	1,616,026
2011	1,832,248	941,552
2010	1,779,885	871,822

(1) Unassigned fund balance commencing in fiscal 2011, in accordance with GASB 54. 2012 figure does not include the Stabilization Fund; the Stabilization Fund is included in the Committed Fund balance.

**STABILIZATION FUND**

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated by a two-thirds vote of the town meeting from the Fund for any municipal purpose. The Town has typically used the Stabilization Fund to pay for one-time expenditures or for pay-as-you-go capital acquisitions. The following is the balance in the account at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2014 (unaudited)	\$955,078
2013	1,058,594
2012	1,246,718
2011	1,240,450
2010	1,182,622

The Town has appropriated \$200,000 from the Stabilization Fund for use in fiscal year 2015. The Town also has separate stabilization funds for fire equipment purchases (\$256,244 as of June 30, 2014) and Main Street design costs (\$100,382 as of June 30, 2014). In fiscal 2011, in accordance with GASB 54, the Stabilization Fund is included in the Committed Fund Balance.

## INVESTMENTS

Investments of funds of cities and towns, 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 of SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

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

Trust funds, unless otherwise provided by the donor, may be invested in accordance with 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 section 54 and 55 do not apply to city and town retirement systems.

## COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. **The Town has approximately 475 full time and permanent part time employees** of which approximately 34 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Contract Expiration (1)</u>
Teamsters	DPW	8	06/30/2016
Teamsters	Police	10	06/30/2016
Lee Education Association/MTA	School	82	08/31/2016
Teamsters	Dispatchers	4	06/30/2016
Lee Administrators Association	School	0	Dissolved
Cafeteria Workers	School	10	06/30/2016
Paraprofessionals/MTA	School	28	06/30/2016
Lee Secretaries, Clerks, Typist Association	School	5	06/30/2016
Custodians	School	8	06/30/2016
		<u>155</u>	

(1) Lee Administrators Association has dissolved and each administrator has an individual contract.

## **PHYSICAL AND ECONOMIC CHARACTERISTICS**

The Town of Lee is located in western Massachusetts in Berkshire County approximately 122 miles from Boston and 9 miles from Pittsfield. It is bordered on the south by the Towns of Tyringham and Great Barrington, on the northwest by the Town of Lenox, on the east by the Town of Becket, on the northeast by the Town of Washington and on the west by the Town of Stockbridge. The Town occupies a land area of approximately 26.4 square miles.

Lee has maintained its small town New England character through decades of growth and change, attracting many tourists who visit the area each year. The Town is located within minutes of such cultural attractions as Tanglewood, Berkshire Performing Arts, Jacobs Pillow, and the Edith Wharton Estate. The new National Music Center is located in Lenox, just four miles north of Lee. Lee serves as a host town to many motels, bed-and-breakfasts and inns, as well as many fine restaurants. The Berkshires offer a variety of lakes, streams and rivers, wooded trails for hiking and many ski areas. Lee is also home to “the best courtroom in the county”, where its most famous case was that of young Arlo Guthrie, whose day in court was remembered as lyrics in Guthrie’s famous war protest song, “Alice’s Restaurant.”

Lee’s prime location at Massachusetts Turnpike Exit 2 has helped pave the way for its designation by the Commonwealth of Massachusetts as an “economic opportunity area.” As such, the Town is eligible for funding under HUD for technical and other economic studies.

Previously known as a mill town, Lee has over the years evolved into much more. While papermaking still employs a large share of the labor force, Lee is also home to the famous Country Curtains Warehouse. Small businesses and services also contribute substantially to employment in the Town.

## **PRINCIPAL EMPLOYERS**

The following are the largest employers, other than the Town itself, located in the Town:

<b><u>Company</u></b>	<b><u>Nature of Business</u></b>	<b><u>Approximate number of Employees</u></b>
Prime Outlets of Lee	Retail	610
Country Curtains	Retail	175
Lee Visiting Nurse Association	Service Industry	186
Village at Laurel Lake	Nursing Home Facility	165
Onyx	Paper Manufacturing	152
Oak’n Spruce Resort	Resort	158
Big Y	Grocery Store	100
Price Chopper	Grocery Store	66

*Source: The Town, January 2015.*

## **BUILDING PERMITS**

The following table presents the number of building permits issued, and the estimated value, of construction activity in the Town for the past five calendar years.

<b><u>Calendar Year</u></b>	<b><u>Number</u></b>	<b><u>Estimated Value</u></b>
2014	455	\$14,372,669
2013	495	12,552,614
2012	375	10,412,777
2011	377	10,414,805
2010	384	10,254,382

## **EMPLOYMENT BY INDUSTRY**

	<b><u>Calendar Year Average</u></b>				
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Construction & Natural Resources	207	200	213	230	233
Manufacturing	314	314	317	297	304
Trade, Transportation & Utilities	1,436	1,387	1,302	1,260	1,203
Financial Activities	120	121	117	117	133
Professional & Business Services	194	168	263	271	263
Education & Health Services	452	455	478	452	432
Leisure & Hospitality	736	710	596	582	661
Information & Other Services	242	257	238	224	206
Public Administration	<u>116</u>	<u>122</u>	<u>117</u>	<u>124</u>	<u>122</u>
Total Employment	4,011	3,929	3,928	3,846	3,557
Number of Establishments	319	320	335	343	346
Total Annual Wage (000)	\$140,964	\$139,438	\$141,548	\$137,380	\$130,272
Average Weekly Wage	\$676	\$682	\$693	\$687	\$655

## **PUBLIC SCHOOL ENROLLMENTS (1)**

The following table presents the school enrollment of students in Town public schools as of October 1, 2010, through October 1, 2014. The Town believes the capacity of the schools will be sufficient for the foreseeable future.

	<b><u>Actual</u></b>				
	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
Pre School-K	66	64	54	58	59
Grades 1-4	192	199	205	184	180
Grades 5-6	99	87	96	107	109
Grades 7-8	121	133	117	97	104
Grades 9-12	342	305	281	275	235
Ungraded	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>820</u>	<u>788</u>	<u>753</u>	<u>721</u>	<u>687</u>

(1) As of October 1, each year.

## OTHER DATA

### Unemployment (1)

<u>Year</u>	<u>Lee</u>	<u>Berkshire County</u>	<u>Massachusetts</u>	<u>United States</u>
2014 (November)	4.1%	5.4%	5.2%	5.5%
2013	5.6	7.1	7.1	7.4
2012	5.3	6.8	6.8	8.1
2011	5.5	7.2	7.3	8.9
2010	7.0	8.0	8.3	9.6

(1) Massachusetts Executive Office of Labor & Workforce Development. Full year annual averages except for 2014 which is for the month indicated.

### Population (1)

<u>Year</u>	<u>Lee</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2012 (Est)	5,898	(0.8)%	130,016	(0.9)%	6,646,144	1.5%
2010	5,943	(0.7)	131,219	(2.8)	6,547,629	3.1
2000	5,985	2.3	134,953	(3.2)	6,349,097	5.5
1990	5,849	(6.4)	139,352	(4.0)	6,016,425	4.9
1980	6,247		145,110		5,737,037	

(1) Source: U.S. Department of Commerce for actuals, Massachusetts Institute for Social & Economic Research (MISER) for projections.

### Population Density (1)

<u>Year</u>	<u>Lee</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density (2)</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2012 (Est)	5,898	223.4	130,016	139.6	6,646,144	847.9
2010	5,943	225.1	131,219	140.9	6,547,629	835.4
2000	5,985	226.7	134,953	144.9	6,349,097	810.0
1990	5,849	221.6	139,352	149.6	6,016,425	767.6
1980	6,247	236.6	145,110	155.8	5,737,037	732.0

(1) Source: U.S. Department of Commerce.

(2) Based on 26.4 square miles.

## Population Composition 2012 5-year estimates (1)

<u>Age</u>	<u>Lee</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	192	3.2%	6,001	4.6%	366,952	5.6%
5 Years to 19 Years	1,180	19.9	23,534	18.0	1,257,302	19.2
20 Years to 64 Years	3,585	60.5	76,745	58.6	4,025,262	61.4
65 Years & Over	<u>968</u>	<u>16.3</u>	<u>24,586</u>	<u>18.8</u>	<u>911,079</u>	<u>13.9</u>
Total	<u>5,925</u>	<u>100.0%</u>	<u>130,866</u>	<u>100.0%</u>	<u>6,560,595</u>	<u>100.0%</u>
Median Age	44.2		44.6		39.1	
Median Age (2000)	40.4		40.5		36.5	

(1) Source: U.S. Department of Commerce.

## Income Levels (1)

<u>Year</u>	<u>Lee</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>
2012 (estimate)	\$29,606	49.5%	\$28,939	32.7%	\$34,485	36.7%
1999	19,799	29.5	21,207	46.8	25,952	50.7
1989	15,289	122.5	14,857	117.1	17,224	131.0
1979	6,870		6,842		7,457	
Median Family Income (2012)	\$68,156		\$64,830		\$84,380	
Median Household Income (2012)	\$53,467		\$47,513		\$66,658	
% Below Poverty Level (2012)	9.5%		12.4%		11.0%	

(1) Source: U.S. Department of Commerce.

## Family Income Distribution 2012 5-year estimates (1)

<u>Income for Families</u>	<u>Lee</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	72	4.1%	1,280	3.9%	57,204	3.6%
\$10,000 - \$24,999	195	12.0	3,718	11.4	132,790	8.3
\$25,000 - \$49,999	293	18.1	7,139	21.9	260,930	16.3
\$50,000 - \$74,999	383	23.6	7,067	21.7	257,973	16.1
\$75,000 - \$99,999	263	16.2	4,721	14.5	235,746	14.7
\$100,000 - \$149,999	229	14.1	5,250	16.1	331,738	20.7
\$150,000 or more	<u>185</u>	<u>11.4</u>	<u>3,359</u>	<u>10.3</u>	<u>327,825</u>	<u>20.4</u>
Total	<u>1,620</u>	<u>100.0%</u>	<u>32,534</u>	<u>100.0%</u>	<u>1,604,206</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

### Household Income Distribution 2012 5-year estimates (1)

<b>Income for Households</b>	<b>Lee</b>		<b>Berkshire County</b>		<b>Massachusetts</b>	
	<b>Households</b>	<b>Percent</b>	<b>Households</b>	<b>Percent</b>	<b>Households</b>	<b>Percent</b>
Less than \$10,000	102	4.2%	4,026	7.2%	159,535	6.35
\$10,000 - \$24,999	481	19.7	11,000	19.8	345,816	13.7
\$25,000 - \$49,999	534	21.9	13,723	24.7	472,301	18.7
\$50,000 - \$74,999	495	20.3	10,435	18.8	412,921	16.3
\$75,000 - \$99,999	311	12.7	6,446	11.6	329,572	13.0
\$100,000 - \$149,999	315	12.9	6,122	11.0	422,194	16.7
\$150,000 or more	<u>202</u>	<u>8.3</u>	<u>3,860</u>	<u>6.9</u>	<u>383,355</u>	<u>15.2</u>
Total	<u>2,440</u>	<u>100.0%</u>	<u>55,612</u>	<u>100.0%</u>	<u>2,525,694</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

### Value Distribution of Specified Owner-Occupied Housing Units 2012 5-year estimates (1)

<b>Units</b>	<b>Lee</b>		<b>Berkshire County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than \$100,000	202	11.6%	4,114	10.8%	55,908	3.5%
\$100,000 - \$199,999	396	22.8	14,054	36.8	201,702	12.6
\$200,000 - \$299,999	670	38.6	8,999	23.6	402,530	25.2
\$300,000 - \$499,999	414	23.8	7,425	19.5	603,907	37.8
\$500,000 - \$999,999	54	3.1	2,732	7.2	276,805	17.3
\$1,000,000 or more	<u>0</u>	<u>0.0</u>	<u>820</u>	<u>2.1</u>	<u>55,107</u>	<u>3.5</u>
Total	<u>1,736</u>	<u>100.0%</u>	<u>38,144</u>	<u>100.0%</u>	<u>1,595,959</u>	<u>100.0%</u>
Median Value	\$252,400		\$209,200		\$335,500	

(1) Source: U.S. Department of Commerce.

### Age Distribution of Housing Units 2012 5-year estimates (1)

<b>Year Built</b>	<b>Lee</b>		<b>Berkshire County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
2000 or later	243	8.1%	3,204	4.7%	199,233	7.1%
1980 to 1999	339	11.3	10,777	15.7	508,334	18.1
1940 to 1979	1,614	53.8	28,538	41.7	1,115,159	39.8
1939 or Earlier	<u>806</u>	<u>26.8</u>	<u>25,930</u>	<u>37.9</u>	<u>981,480</u>	<u>35.0</u>
Total	<u>3,002</u>	<u>100.0%</u>	<u>68,449</u>	<u>100.0%</u>	<u>2,804,206</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

### Housing Unit Inventory 2012 5-year estimates (1)

<b>Units in Structure</b>	<b>Lee</b>		<b>Berkshire County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
1, Detached	1,922	64.0%	44,043	64.3%	1,471,460	52.5%
1, Attached	102	3.4	1,835	2.7	141,098	5.0
2 to 4	435	14.5	13,145	19.2	5963,892	21.3
5 to 9	63	2.1	2,68	3.9	168,231	6.0
10 to 19	73	2.4	1,876	2.7	120,233	4.3
20 or More	230	7.7	3,051	4.5	281,775	10.0
Mobil Home, Trailer, or Other	177	5.9	1,818	2.7	24,517	0.9
Total	<u>3,002</u>	<u>100.0%</u>	<u>68,449</u>	<u>100.0%</u>	<u>2,804,206</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

### Educational Attainment 2012 5-year estimates (1)

<b>Years of School Completed</b>	<b>Lee</b>		<b>Berkshire County</b>		<b>Massachusetts</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th Grade	165	3.9%	2,627	2.8%	216,669	4.9%
9th to 12th Grade, No Diploma	90	2.2	5,724	6.1	268,218	6.0
High School Graduate	1,273	30.5	31,143	33.5	1,156,650	25.9
Some College, No Degree	1,009	24.2	18,149	19.8	739,171	16.6
Associate's Degree	359	8.6	7,444	8.0	344,724	7.7
Bachelor's Degree	944	22.6	15,977	17.2	989,299	22.2
Graduate or Professional Degree	338	8.1	11,749	12.6	751,167	16.8
Total	<u>4,178</u>	<u>100.0%</u>	<u>93,083</u>	<u>100.0%</u>	<u>4,465,898</u>	<u>100.0%</u>
High School Graduate or Higher	3,923	93.9%	84,732	91.0%	3,981,011	89.1%
Bachelor's Degree or Higher	1,282	30.7%	27,726	29.8%	1,740,466	39.0%

(1) Source: U.S. Department of Commerce.

## **LITIGATION**

In the opinion of the Town Counsel, there is no litigation, either pending or threatened, which is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the Town's financial position.

**TOWN OF LEE  
Massachusetts**

By: /s/ Donna M. Toomey  
Treasurer/Collector

Dated: March 15, 2015

## ***APPENDIX A***

The following Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance for June 30, 2013, have been extracted from the draft June 30, 2013, audited financial statements.

The following Balance Sheets for June 30, 2008 through 2012, and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years ending June 30, 2008 through 2012 have been taken from the audited financials of the Town.

There follows in Appendix B the draft audited financial statements for the Town for fiscal year ended June 30, 2014.

**TOWN OF LEE  
MASSACHUSETTS  
BALANCE SHEET (1)  
GENERAL FUND  
June 30,**

<b><u>ASSETS</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and Cash Equivalents	4,747,166	\$4,378,822	\$5,126,441	\$4,850,285	\$3,344,389
Receivables:					
Property Taxes and Excises	384,729	634,642	637,466	636,259	533,083
Departmental and other		0	3,248	3,443	4,054
Other Assets	<u>3,382</u>	<u>3,598</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>5,135,277</u>	<u>\$5,017,062</u>	<u>\$5,767,155</u>	<u>\$5,489,987</u>	<u>\$3,881,526</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities:					
Warrants Payable	130,220	\$ 124,596	\$ 127,602	\$ 68,140	\$ 98,186
Payroll Withholding	200,253	129,407	147,096	145,678	86,973
Deferred Revenue	384,729	634,642	586,148	507,394	409,847
Accounts Payable	0	0	0	0	14,630
Other Liabilities	<u>0</u>	<u>0</u>	<u>37,865</u>	<u>8,364</u>	<u>18,803</u>
Total Liabilities	<u>715,202</u>	<u>\$ 888,645</u>	<u>\$ 898,711</u>	<u>\$ 729,576</u>	<u>\$ 628,439</u>
Fund Equity:					
Reserved for Expenditures	0	\$ 0	\$ 0	\$ 0	\$ 805,984
Reserved for Encumbrances	0	0	0	0	610,116
Reserved for Other Specific Purposes	0	0	0	0	57,102
Unreserved Undesignated	0	0	0	0	1,779,885
Restricted	348,881	(65,838)			
Committed (2)	456,542	970,808	2,140,489	1,541,961	0
Assigned	1,230,849	297,895	658,386	1,386,202	0
Unassigned	<u>2,383,803</u>	<u>2,925,552</u>	<u>2,069,569</u>	<u>1,832,248</u>	<u>0</u>
Total Fund Equity	<u>4,420,075</u>	<u>4,128,417</u>	<u>4,868,444</u>	<u>4,760,411</u>	<u>3,253,087</u>
Total Liabilities and Fund Equity	<u>5135,277</u>	<u>\$5,017,062</u>	<u>\$5,767,155</u>	<u>\$5,489,987</u>	<u>\$3,881,526</u>

(1) Extracted from the draft 2013 audit and the final audits for fiscal 2009 through 2012 as prepared by Melanson Heath & Company, P.C. of Greenfield, Massachusetts.

(2) In accordance with GASB 54, includes the Stabilization Fund in fiscal 2011 and 2012.

**TOWN OF LEE**  
**Combined Statement of Revenues,**  
**Expenditures and Changes in Fund Balance (1)**  
**GENERAL FUND**

**June 30,**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>					
Property Taxes	12,398,782	\$12,130,982	\$11,798,392	\$11,505,799	\$11,021,662
Taxes and Excises	1,109,686	1,141,581	1,038,720	1,000,899	765,275
Licenses and Permits	21,312	21,291	21,189	19,724	21,569
Charges for Services	511,156	532,734	509,050	567,956	592,801
Penalties, Interest and Other Taxes	111,910	152,153	94,471	89,047	121,867
Intergovernmental	6,002,677	5,610,238	5,485,117	5,299,296	5,287,523
Fines and Forfeits	0	0	42,833	44,175	47,100
Interest on Investments	10,972	12,213	16,272	20,469	47,278
Sale of Assets	0	0	0	0	0
Miscellaneous	<u>143,177</u>	<u>79,613</u>	<u>181,582</u>	<u>100,517</u>	<u>76,150</u>
Total Revenues	<u>20,309,672</u>	<u>\$19,680,805</u>	<u>\$19,187,626</u>	<u>\$18,647,882</u>	<u>\$17,981,225</u>
<b>Expenditures:</b>					
General Government	787,596	\$ 890,071	\$ 851,593	\$ 788,573	\$ 1,124,506
Public Safety	1,292,683	1,763,887	1,384,797	1,328,240	1,358,943
Education	10,473,853	10,246,232	9,931,686	9,682,986	9,509,212
Public Works	1,166,579	1,523,869	1,216,927	1,121,981	1,316,455
Human Services	188,682	212,570	171,436	165,550	157,441
Culture and Recreation	341,578	328,226	330,732	365,188	336,270
Employee Benefits	3,405,736	3,458,282	3,313,245	3,092,698	2,859,523
Debt Service	1,361,173	1,239,350	1,239,309	1,240,434	1,234,503
Intergovernmental	598,636	522,030	496,042	492,405	528,245
Insurance	<u>132,996</u>	<u>124,788</u>	<u>104,810</u>	<u>119,894</u>	<u>124,182</u>
Total Expenditures	<u>19,749,512</u>	<u>\$20,309,305</u>	<u>\$19,040,577</u>	<u>\$18,397,949</u>	<u>\$18,549,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>560,160</u>	<u>(628,500)</u>	<u>147,049</u>	<u>249,933</u>	<u>(568,055)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Operating Transfers In	62,551	13,028	78,268	16,217	415,107
Operating Transfers Out	<u>331,053</u>	<u>(124,555)</u>	<u>(117,284)</u>	<u>(161,680)</u>	<u>(223,709)</u>
Total Other Financing Sources (Uses)	<u>(268,502)</u>	<u>\$ (111,527)</u>	<u>\$ (39,016)</u>	<u>\$ (145,463)</u>	<u>\$ 191,398</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	560,160	(740,027)	108,033	104,470	(376,657)
Fund Equity, Beginning (2)	<u>4,128,417</u>	<u>\$ 4,868,444</u>	<u>\$ 4,760,411</u>	<u>\$ 4,655,941</u>	<u>\$ 3,629,744</u>
Fund Equity, Ending	<u>4,420,075</u>	<u>\$ 4,128,417</u>	<u>\$ 4,868,444</u>	<u>\$ 4,760,411</u>	<u>\$ 3,253,087</u>

(1) Extracted from the draft 2013 audit and the final audits for fiscal 2009 through 2012 as prepared by Melanson Heath & Company, P.C. of Greenfield, Massachusetts.

(2) Restated as of July 1, 2011, to include the Stabilization Fund in accordance with GASB 54. .

## **APPENDIX B**

There follows in this Appendix B a copy of the draft June 30, 2014, audit prepared by Melanson, Heath & Company, P.C., Greenfield, Massachusetts. Copies of prior year audits are available on request.