

TOWN OF BELLINGHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Bellingham,, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bellingham, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bellingham, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Norfolk County Contributory Retirement System schedules of funding progress, employer contributions, Town's proportionate share of the net pension liability, Town's contribution, and Massachusetts Teachers Retirement System's proportionate share of the net pension liability, and other post-employment benefits – schedules of funding progress and employer contributions and notes to the retirement system on pages 3 – 10, 64 - 66, 67, 68 – 69 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the Town of Bellingham, Massachusetts June 30, 2016 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bellingham, Massachusetts June 30, 2016 internal control over financial reporting and compliance.



May 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bellingham (the Town), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in this report.

Overview of the Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis:

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

Net position of \$57.8 million reflect the Town's investment in capital assets (e.g. land, buildings, machinery and equipment, vehicles, infrastructure, and construction in progress) less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities. Total net position decreased from \$51.3 to \$45.3 million from the prior fiscal year, a decrease of \$6.0 million. Of this change in net position, a decrease of \$7,212,177 was attributable to governmental activities and an increase of \$1,180,984 was attributable to business-type activities. A decrease in net position means that the change in total liabilities exceeded the change in total assets. An increase in net position means that the change in total assets exceeded the change in total liabilities.

The Town increased its total liabilities by \$4,956,588 over the previous fiscal year. This increase is directly attributable to the changes in postemployment benefits and net pension liabilities. Correspondingly, the Town's total assets decreased by \$(1,661,785) over the previous year. This decrease is directly attributable to expenditures on infrastructure and buildings.

An additional portion of the Town's net position totaling \$10.1 million represents resources that are subject to external restrictions on how they may be used. The restricted net position relates to governmental activities.

Town of Bellingham - Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Assets:						
Current assets	\$ 25,825,245	\$ 30,946,903	\$ 4,367,554	\$ 4,110,600	\$ 30,192,799	\$ 35,057,503
Noncurrent assets (excluding capital)	10,422,583	12,599,873	-	-	10,422,583	12,599,873
Capital assets	76,247,393	73,167,161	29,607,778	27,307,801	105,855,171	100,474,962
Total assets	112,495,221	116,713,937	33,975,332	31,418,401	146,470,553	148,132,338
Deferred Outflows of Resources:	3,418,016	891,239	195,873	51,073	3,613,889	942,312.00
Liabilities:						
Current liabilities (excluding debt)	5,198,395	5,621,803	444,118	516,384	5,642,513	6,138,187
Noncurrent liabilities (excluding debt)	45,367,747	39,858,802	2,066,042	1,848,128	47,433,789	41,706,930
Current debt	6,353,887	4,251,722	857,997	12,137,875	7,211,884	16,389,597
Noncurrent debt	26,295,900	29,934,787	16,157,003	3,615,000	42,452,903	33,549,787
Total liabilities	83,215,929	79,667,114	19,525,160	18,117,387	102,741,089	97,784,501
Deferred Inflows of Resources:	1,971,423	-	112,974	51,073	2,084,397	51,073.00
Net Position:						
Net investment in capital assets	45,122,721	41,554,844	12,715,740	12,277,461	57,838,461	53,832,305
Restricted	10,107,668	9,319,081	-	-	10,107,668	9,319,081
Unrestricted	(24,504,504)	(12,935,863)	1,817,331	1,074,626	(22,687,173)	(11,861,237)
Total net position	\$ 30,725,885	\$ 37,938,062	\$ 14,533,071	\$ 13,352,087	\$ 45,258,956	\$ 51,290,149

The remaining balance of unrestricted net position totals a negative balance of (\$22.7 million).

At the end of the current fiscal year, the Town is able to report positive total net position for the government as a whole, as well as the total net position for its separate governmental and business-type activities.

The governmental activities net position decreased by \$7,212,177 as a result of current operations, i.e. current year's expenditures exceeded current year's revenues. The Town's governmental activities revenues increased by \$4.0 million or 6.5%. The primary contributors to the increase in revenues were operating grants and contributions \$3,169,374 and real estate and personal property taxes \$1,373,067. The Town's governmental activities expenses increased by \$7,563,394 million over the prior fiscal year, or 11.6%. The largest contributor to the expense increase was employee benefits \$4,864,330 and education \$1,832,805 as compared with the prior year.

The business-type activities net position increased by \$1,180,984 as a result of current operations.

Town of Bellingham - Condensed Statement of Activities						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 7,409,369	\$ 7,427,388	\$ 4,868,528	\$ 4,853,874	\$ 12,277,897	\$ 12,281,262
Operating grants and contributions	17,839,944	14,670,570	70,547	39,021	17,910,491	14,709,591
Capital grants and contributions	526,387	548,926	-	-	526,387	548,926
<i>General Revenues:</i>						
Real Estate and personal property taxes	35,213,768	33,840,701	-	-	35,213,768	33,840,701
Motor vehicle and other excise taxes	2,608,402	2,431,957	-	-	2,608,402	2,431,957
Nonrestricted grants and contributions	2,013,193	1,889,791	-	-	2,013,193	1,889,791
Unrestricted investment income	39,891	134,459	-	-	39,891	134,459
Other revenues	264,308	973,821	-	-	264,308	973,821
Total Revenues	65,915,262	61,917,613	4,939,075	4,892,895	70,854,337	66,810,508
Expenses:						
General Government	3,362,400	3,539,987	-	-	3,362,400	3,539,987
Public Safety	6,769,918	6,534,297	-	-	6,769,918	6,534,297
Education	31,638,472	29,805,667	-	-	31,638,472	29,805,667
Public Works	3,103,055	3,326,263	-	-	3,103,055	3,326,263
Sewer	1,203,553	1,086,707	-	-	1,203,553	1,086,707
Human Services	1,086,963	856,170	-	-	1,086,963	856,170
Culture and Recreation	875,537	844,783	-	-	875,537	844,783
Employee Benefits	22,034,925	17,170,595	-	-	22,034,925	17,170,595
State and County Assessments	1,377,403	924,687	-	-	1,377,403	924,687
Interest	1,188,528	988,204	-	-	1,188,528	988,204
Water	-	-	2,632,355	2,151,785	2,632,355	2,151,785
Sanitation	-	-	1,612,421	1,530,833	1,612,421	1,530,833
Total Expenses	72,640,754	65,077,360	4,244,776	3,682,618	76,885,530	68,759,978
Transfers	(486,685)	(231,169)	486,685	231,169	-	-
Change in Net Position	(7,212,177)	(3,390,916)	1,180,984	1,441,446	(6,031,193)	(1,949,470)
Net Position - beginning	\$ 37,938,062	\$ 41,328,978	\$ 13,352,087	\$ 11,910,641	51,290,149	53,239,619
Net Position - ending	\$ 30,725,885	\$ 37,938,062	\$ 14,533,071	\$ 13,352,087	\$ 45,258,956	\$ 51,290,149

The water and sanitation business-type activities revenues increased by \$46,180 in FY 2016 due to an increase in the charges for services revenues. The water and sanitation business-type activities expenses increased \$562,158 in FY 2016 as a result of operations.

Financial Analysis of the Governmental Funds

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

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11.5 million, a decrease of \$4,417,902 in comparison with the prior year. Approximately \$1.9 million of this amount constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 4.4 million, while the total fund balance was \$7.9 million. Unassigned fund balance represents 7.5% of total general fund expenditures.

General fund revenues for FY 2016 were \$56.4 million with property taxes \$35.3 million and intergovernmental \$16.6 million the major components of the Town's revenue sources. General Fund expenditures were \$58.4 million for FY 2016 with education \$27.7 million, employee benefits \$12.0 million and public safety \$6.2 million the major components of spending. The fund balance of the general fund decreased by \$1,764,628.

The Town has established multiple stabilization funds, which are found within the General Fund fund balance. The stabilization fund has accumulated a fund balance of nearly \$1.5 million which represents 2.5% of general fund expenditures. The capital stabilization fund has an ending fund balance of \$0.6 million or 1.1% of general fund expenditures. The Town also maintains a tax stabilization fund, with an ending fund balance of approximately \$2.0 million or 3.5% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. Town Meeting authorized a one-time transfer of \$116,000 from the capital stabilization fund to provide resources for the repair/replacement of the South Elementary School roof in FY 2017.

General Fund Budget Highlights

There were modest overall changes between the original and final expenditures budget of the Town in most functional areas; additional public works expenses attributable to snow and ice removal costs resulting from severe winter weather represent most of the increases. The Town budgeted \$51.5 million in revenues and \$55.9 million of expenditures. There were increases of \$949,025 between the original and final expenditure budgets of the Town which were primarily attributable to an increase in public works expenses related to snow and ice removal costs.

Capital Assets and Debt Administration

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

The Town's investment in capital assets for governmental and business-type activities as of June 30, 2016, amounts to \$105.9 million, net of accumulated depreciation, which represents an increase of nearly \$5.4 million over the previous fiscal year. The most significant contributors to this increase were attributable to expenditures on roadway improvements (infrastructure) of \$1.3 million , and the acquisition of a new tower-style fire engine of \$940,000, within the governmental activities, and the ongoing construction of two new state-of-the-art water treatment facilities (\$1.9 million) in the water business-type activities. The investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, software, furniture and fixtures, other, infrastructure, and construction in process.

	Governmental Activities	Business-type Activities	Total
Land	\$ 12,307,759	\$ 3,573,100	\$ 15,880,859
Buildings and Improvements	41,857,532	-	41,857,532
Machinery and Equipment	1,816,074	375,651	2,191,725
Vehicles	2,273,474	151,510	2,424,984
Software	80,568	22,605	103,173
Furniture & Fixtures	1,088	-	1,088
Other	7,375	-	7,375
Infrastructure	16,589,203	10,058,286	26,647,489
Construction in Progress	1,314,320	15,426,626	16,740,946
Total	<u>\$ 76,247,393</u>	<u>\$ 29,607,778</u>	<u>\$ 105,855,171</u>

Long term debt – Governmental activities outstanding long-term debt as of June 30, 2016, totaled \$29.9 million of which \$15.9 million (53.4%) is for school building construction, subject to an annual reimbursement from the Commonwealth of Massachusetts of 76% of principal and interest for twenty (20) years, and \$6.6 million (22.2%) is for construction of the new police station. The governmental activities (business-type activities debt is not included) long-term debt consists of the following:

Education (reimbursable)	\$ 14,490,000	48.49%
Educational (non-reimbursable)	195,000	0.65%
Sewer	1,187,333	3.97%
Public Works	4,445,000	14.88%
Human Services	215,000	0.72%
New Police Station	6,565,000	21.97%
New Fire Pumper Station	505,000	1.69%
High School Athletic Field	1,270,000	4.25%
Ch 90 Supplemental	470,000	1.57%
General Government	<u>540,000</u>	<u>1.81%</u>
Total	<u>\$ 29,882,333</u>	<u>100.00%</u>

The Town's credit rating was reviewed in September 2013. Moody's Investors Service assigned a rating of Aa2, and Standard & Poor's upgraded its previous of AA to AA+.

Economic Factors and Next Year's Budgets and Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2017 budget and tax rates including the following:

- There are indications the local economy is improving steadily over the previous fiscal year as evidenced by an uptick in new residential and commercial property development.
- The fiscal 2017 residential tax rate was set at \$14.34 and the commercial/industrial tax rate was set at \$20.72. Residential property values increased a modest 3% over FY 2016 and commercial/industrial/personal property values increased an average of 2%. The excess levy capacity for fiscal 2017 was \$127,269.
- The Board of Selectmen voted during their classification hearing to maintain the split tax rate for the various classes of property within the Town. On a state wide ranking, the Town of Bellingham ranked 224th (FY 2016) in the amount of tax dollars paid by the average single family taxpayer; with a rank of 1 being the highest bill in the state and 338 being the lowest reported bill in the state.
- The Board of Selectmen voted to increase trash rates by an average of 13.7% in FY 2017.
- Fiscal 2017 and beyond may prove to be better than the most recent past fiscal years as the current economic condition of the local, state and federal governments continue to show signs of improvement. There is an upward trend in local receipts attributable to motor vehicle excise taxes, as well as the local option meals tax, and building permits. State aid is remaining relatively unchanged in the upcoming fiscal year.

Request for Information

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

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 19,189,386	\$ 3,283,107	\$ 22,472,493
INVESTMENTS	36,455	-	36,455
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	756,592	-	756,592
TAX LIENS	1,110,187	-	1,110,187
MOTOR VEHICLE EXCISE TAXES	266,860	-	266,860
USER FEES	322,470	1,084,447	1,406,917
DEPARTMENTAL AND OTHER	1,178,305	-	1,178,305
INTERGOVERNMENTAL	2,916,388	-	2,916,388
SPECIAL ASSESSMENTS	48,602	-	48,602
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	9,742,464	-	9,742,464
SPECIAL ASSESSMENTS	680,119	-	680,119
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	76,247,393	29,607,778	105,855,171
TOTAL ASSETS	112,495,221	33,975,332	146,470,553
DEFERRED OUTFLOWS OF RESOURCES			
RELATED TO PENSIONS	3,418,016	195,873	3,613,889
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,654,496	287,084	1,941,580
ACCRUED LIABILITIES	1,756,712	19,643	1,776,355
HEALTH CLAIMS PAYABLE	1,087,484	-	1,087,484
OTHER LIABILITIES	9,000	-	9,000
ACCRUED INTEREST	297,067	137,391	434,458
DEFERRED AMOUNT ON REFUNDING	3,591	-	3,591
BONDS AND NOTES PAYABLE	6,350,296	857,997	7,208,293
LANDFILL POSTCLOSURE CARE COSTS	3,000	-	3,000
COMPENSATED ABSENCES	390,636	-	390,636
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	48,863	-	48,863
BONDS AND NOTES PAYABLE	26,247,037	16,157,003	42,404,040
POSTEMPLOYMENT BENEFITS	21,158,434	725,528	21,883,962
NET PENSION LIABILITY	23,392,203	1,340,514	24,732,717
LANDFILL POSTCLOSURE CARE COSTS	24,000	-	24,000
COMPENSATED ABSENCES	793,110	-	793,110
TOTAL LIABILITIES	83,215,929	19,525,160	102,741,089
DEFERRED INFLOWS OF RESOURCES			
RELATED TO PENSIONS	1,971,423	112,974	2,084,397
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	45,122,721	12,715,740	57,838,461
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	41,447	-	41,447
OTHER PURPOSES	10,066,221	-	10,066,221
UNRESTRICTED	(24,504,504)	1,817,331	(22,687,173)
TOTAL NET POSITION	\$ 30,725,885	\$ 14,533,071	\$ 45,258,956

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,362,400	\$ 247,197	\$ 447,029	\$ -	\$ (2,668,174)
PUBLIC SAFETY	6,769,918	1,537,189	235,274	-	(4,997,455)
EDUCATION	31,638,472	1,445,018	10,515,476	-	(19,677,978)
PUBLIC WORKS	3,103,055	140,820	152,844	519,980	(2,289,411)
SEWER	1,203,553	1,327,035	2,055	-	125,537
HUMAN SERVICES	1,086,963	425,870	256,912	6,407	(397,774)
CULTURE & RECREATION	875,537	23,567	86,827	-	(765,143)
EMPLOYEE BENEFITS	22,034,925	2,262,673	6,143,527	-	(13,628,725)
STATE & COUNTY ASSESSMENTS	1,377,403	-	-	-	(1,377,403)
INTEREST	1,188,528	-	-	-	(1,188,528)
TOTAL GOVERNMENTAL ACTIVITIES	72,640,754	7,409,369	17,839,944	526,387	(46,865,054)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,632,355	3,367,579	70,320	-	805,544
SANITATION	1,612,421	1,500,949	227	-	(111,245)
TOTAL BUSINESS-TYPE ACTIVITIES	4,244,776	4,868,528	70,547	-	694,299
TOTAL PRIMARY GOVERNMENT	\$ 76,885,530	\$ 12,277,897	\$ 17,910,491	\$ 526,387	\$ (46,170,755)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (46,865,054)	\$ 694,299	\$ (46,170,755)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	34,875,236	-	34,875,236
TAX LIENS	338,532	-	338,532
MOTOR VEHICLE EXCISE TAXES	2,608,402	-	2,608,402
PENALTIES AND INTEREST ON TAXES	245,269	-	245,269
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,013,193	-	2,013,193
UNRESTRICTED INVESTMENT INCOME	39,891	-	39,891
MISCELLANEOUS	19,039	-	19,039
TRANSFERS, NET	(486,685)	486,685	-
TOTAL GENERAL REVENUES AND TRANSFERS	39,652,877	486,685	40,139,562
CHANGE IN NET POSITION	(7,212,177)	1,180,984	(6,031,193)
NET POSITION:			
BEGINNING OF YEAR	37,938,062	13,352,087	51,290,149
END OF YEAR	\$ 30,725,885	\$ 14,533,071	\$ 45,258,956

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF BELLINGHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 10,452,485	\$ 6,396,119	\$ 16,848,604
INVESTMENTS	-	36,455	36,455
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	756,592	-	756,592
TAX LIENS	1,110,187	-	1,110,187
MOTOR VEHICLE EXCISE TAXES	266,860	-	266,860
USER FEES	-	322,470	322,470
DEPARTMENTAL AND OTHER	-	810,694	810,694
INTERGOVERNMENTAL	12,005,343	653,509	12,658,852
SPECIAL ASSESSMENTS	65,254	663,467	728,721
TOTAL ASSETS	24,656,721	8,882,714	33,539,435
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	989,584	664,912	1,654,496
ACCRUED LIABILITIES	1,621,459	135,253	1,756,712
OTHER LIABILITIES	9,000	-	9,000
NOTES PAYABLE	-	2,715,000	2,715,000
TOTAL LIABILITIES	2,620,043	3,515,165	6,135,208
DEFERRED INFLOWS OF RESOURCES:			
UNAVAILABLE REVENUE	14,098,151	1,796,631	15,894,782
FUND BALANCES:			
RESTRICTED	2,020,739	6,059,992	8,080,731
COMMITTED	864,759	-	864,759
ASSIGNED	664,735	-	664,735
UNASSIGNED	4,388,294	(2,489,074)	1,899,220
TOTAL FUND BALANCES	7,938,527	3,570,918	11,509,445
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 24,656,721	\$ 8,882,714	\$ 33,539,435

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2016**

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES,			
NET OF TAX REFUNDS	\$ 35,304,578	\$ -	\$ 35,304,578
MOTOR VEHICLE EXCISE TAXES	2,578,837	-	2,578,837
PENALTIES AND INTEREST ON TAXES	245,269	-	245,269
INTERGOVERNMENTAL	16,624,524	4,352,605	20,977,129
CHARGES FOR SERVICES	-	2,535,310	2,535,310
CHARGES FOR SERVICES - SEWER	-	1,223,400	1,223,400
INVESTMENT INCOME	37,737	4,757	42,494
CONTRIBUTIONS & DONATIONS	-	195,785	195,785
DEPARTMENTAL	1,602,959	576,314	2,179,273
	<u>56,393,904</u>	<u>8,888,171</u>	<u>65,282,075</u>
TOTAL REVENUES			
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	2,790,141	348,210	3,138,351
PUBLIC SAFETY	6,221,843	1,320,336	7,542,179
EDUCATION	27,748,182	3,552,404	31,300,586
PUBLIC WORKS	2,253,868	3,435,529	5,689,397
SEWER	-	1,396,055	1,396,055
HUMAN SERVICES	370,959	665,552	1,036,511
CULTURE & RECREATION	926,381	93,670	1,020,051
EMPLOYEE BENEFITS	12,026,612	-	12,026,612
STATE & COUNTY ASSESSMENTS	1,377,403	-	1,377,403
DEBT SERVICE:			
PRINCIPAL	3,575,281	-	3,575,281
INTEREST	1,110,866	-	1,110,866
	<u>58,401,536</u>	<u>10,811,756</u>	<u>69,213,292</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,007,632)</u>	<u>(1,923,585)</u>	<u>(3,931,217)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
OPERATING TRANSFERS IN	890,204	75,515	965,719
OPERATING TRANSFERS OUT	(647,200)	(805,204)	(1,452,404)
	<u>243,004</u>	<u>(729,689)</u>	<u>(486,685)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(1,764,628)	(2,653,274)	(4,417,902)
FUND BALANCES AT BEGINNING OF YEAR	<u>9,703,155</u>	<u>6,224,192</u>	<u>15,927,347</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,938,527</u>	<u>\$ 3,570,918</u>	<u>\$ 11,509,445</u>

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL GOVERNMENTAL FUND BALANCES		\$ 11,509,445
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		76,247,393
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		15,894,782
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION		1,620,909
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(297,067)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(29,882,333)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(21,158,434)	
NET PENSION LIABILITY	(23,392,203)	
DEFERRED OUTFLOWS OF RESOURCES	3,418,016	
DEFERRED INFLOWS OF RESOURCES	(1,971,423)	
DEFERRED AMOUNT ON REFUNDING	(52,454)	
COMPENSATED ABSENCES	(1,183,746)	
LANDFILL POSTCLOSURE CARE COSTS	(27,000)	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(74,249,577)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 30,725,885</u></u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (4,417,902)**

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.

CAPITAL OUTLAY	5,917,779	
DEPRECIATION EXPENSE	<u>(2,837,547)</u>	

NET EFFECT OF REPORTING CAPITAL ASSETS		3,080,232
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REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE (3,142,430)

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

DEBT SERVICE PRINCIPAL PAYMENTS	3,575,281	
DEFERRED AMOUNT ON REFUNDING	<u>3,591</u>	

NET EFFECT OF REPORTING LONG-TEM DEBT		3,578,872
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SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	45,816	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	3,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	(81,253)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(3,732,703)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	2,526,777	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	(1,971,423)	
NET CHANGE IN NET PENSION LIABILITY	<u>(1,809,939)</u>	

NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(5,019,725)
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INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE, UNEMPLOYMENT, WORKERS' COMPENSATION, AND BUILDING INSURANCE ACTIVITIES

THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>(1,291,224)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (7,212,177)**

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2016**

		BUDGETED AMOUNTS						
	PRIOR YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	CURRENT YEAR INITIAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BUDGETARY AMOUNTS	CURRENT YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	VARIANCE OVER (UNDER)	
REVENUES:								
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ -	\$ 34,596,452	\$ 34,596,452	\$ 34,596,452	\$ 35,304,578	\$ -	\$ 708,126	
MOTOR VEHICLE EXCISE TAXES	-	2,390,000	2,390,000	2,390,000	2,578,837	-	188,837	
PENALTIES & INTEREST ON TAXES	-	202,171	202,171	202,171	245,269	-	43,098	
INTERGOVERNMENTAL	-	12,662,100	12,662,100	12,662,100	12,756,957	-	94,857	
INVESTMENT INCOME	-	34,000	34,000	34,000	25,822	-	(8,178)	
DEPARTMENTAL	-	1,640,640	1,640,640	1,640,640	1,602,959	-	(37,681)	
TOTAL REVENUES	-	51,525,363	51,525,363	51,525,363	52,514,422	-	989,059	
EXPENDITURES:								
CURRENT:								
GENERAL GOVERNMENT	175,500	2,949,749	3,125,249	3,178,970	2,790,141	113,334	275,495	
PUBLIC SAFETY	32,619	6,275,395	6,308,014	6,626,012	6,221,843	320,623	83,546	
EDUCATION	269,413	27,921,509	28,190,922	28,298,028	27,748,182	409,140	140,706	
PUBLIC WORKS	77,569	1,842,029	1,919,598	2,376,998	2,253,868	23,410	99,720	
HUMAN SERVICES	-	342,228	342,228	381,228	370,960	-	10,268	
CULTURE & RECREATION	45,021	886,549	931,570	932,170	926,381	1,588	4,201	
EMPLOYEE BENEFITS	1,231	8,193,334	8,194,565	8,194,565	8,165,452	-	29,113	
STATE & COUNTY ASSESSMENTS	-	1,217,965	1,217,965	1,217,965	1,377,403	-	(159,438)	
DEBT SERVICE:								
PRINCIPAL	-	3,575,281	3,575,281	3,575,281	3,575,281	-	-	
INTEREST	-	1,167,434	1,167,434	1,140,634	1,104,459	-	36,175	
TOTAL EXPENDITURES	601,353	54,371,473	54,972,826	55,921,851	54,533,970	868,095	519,786	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(601,353)	(2,846,110)	(3,447,463)	(4,396,488)	(2,019,548)	(868,095)	1,508,845	
OTHER FINANCING SOURCES (USES):								
OPERATING TRANSFERS IN	-	546,104	546,104	846,104	890,204	-	44,100	
OPERATING TRANSFERS OUT	-	(647,200)	(647,200)	(647,200)	(647,200)	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	-	(101,096)	(101,096)	198,904	243,004	-	44,100	
NET CHANGE IN FUND BALANCE	(601,353)	(2,947,206)	(3,548,559)	(4,197,584)	(1,776,544)	(868,095)	1,552,945	
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	5,854,595	5,854,595	5,854,595	5,854,595	5,854,595	-	-	
BUDGETARY FUND BALANCE, END OF YEAR	\$ 5,253,242	\$ 2,907,389	\$ 2,306,036	\$ 1,657,011	\$ 4,078,051	\$ (868,095)	\$ 1,552,945	

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 2,999,070	\$ 284,037	\$ 3,283,107	\$ 2,340,782
USER FEES	658,560	425,887	1,084,447	-
DEPARTMENTAL	-	-	-	367,611
TOTAL CURRENT ASSETS	3,657,630	709,924	4,367,554	2,708,393
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,607,778	-	29,607,778	-
TOTAL ASSETS	33,265,408	709,924	33,975,332	2,708,393
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	185,754	10,119	195,873	-
LIABILITIES				
CURRENT:				
ACCOUNTS PAYABLE	169,617	117,467	287,084	-
ACCRUED LIABILITIES	18,316	1,327	19,643	-
HEALTH CLAIMS PAYABLE	-	-	-	1,087,484
ACCRUED INTEREST	137,391	-	137,391	-
BONDS AND NOTES PAYABLE	857,997	-	857,997	-
TOTAL CURRENT LIABILITIES	1,183,321	118,794	1,302,115	1,087,484
NONCURRENT:				
BONDS AND NOTES PAYABLE	16,157,003	-	16,157,003	-
NET PENSION LIABILITY	1,271,262	69,252	1,340,514	-
OTHER POSTEMPLOYMENT BENEFITS	680,631	44,897	725,528	-
TOTAL NONCURRENT LIABILITIES	18,108,896	114,149	18,223,045	-
TOTAL LIABILITIES	19,292,217	232,943	19,525,160	1,087,484
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	107,138	5,836	112,974	-
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	12,715,740	-	12,715,740	-
UNRESTRICTED	1,336,067	481,264	1,817,331	1,620,909
TOTAL NET POSITION	\$ 14,051,807	\$ 481,264	\$ 14,533,071	\$ 1,620,909

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 3,367,579	\$ 1,500,949	\$ 4,868,528	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	5,280,109
EMPLOYEE CONTRIBUTIONS	-	-	-	2,262,673
DEPARTMENTAL& OTHER INCOME	66,648	-	66,648	1,506,592
TOTAL OPERATING REVENUES	3,434,227	1,500,949	4,935,176	9,049,374
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	1,948,588	1,612,421	3,561,009	-
DEPRECIATION	398,481	-	398,481	-
TOTAL OPERATING EXPENSES	2,347,069	1,612,421	3,959,490	10,346,950
OPERATING INCOME (LOSS)	1,087,158	(111,472)	975,686	(1,297,576)
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INVESTMENT INCOME	3,672	227	3,899	6,352
INTEREST EXPENSE	(285,286)	-	(285,286)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(281,614)	227	(281,387)	6,352
INCOME (LOSS) BEFORE OPERATING TRANSFERS	805,544	(111,245)	694,299	(1,291,224)
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	382,000	265,200	647,200	-
OPERATING TRANSFERS OUT	(160,515)	-	(160,515)	-
TOTAL OPERATING TRANSFERS	221,485	265,200	486,685	-
CHANGE IN NET POSITION	1,027,029	153,955	1,180,984	(1,291,224)
NET POSITION AT BEGINNING OF YEAR	13,024,778	327,309	13,352,087	2,912,133
NET POSITION AT END OF YEAR	\$ 14,051,807	\$ 481,264	\$ 14,533,071	\$ 1,620,909

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2016

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ 5,280,109
EMPLOYEE CONTRIBUTIONS	-	-	-	2,262,673
RECEIPTS FROM CUSTOMERS AND USERS	3,521,603	1,511,895	5,033,498	1,506,592
PAYMENTS TO SUPPLIERS	(944,046)	(1,559,698)	(2,503,744)	(10,304,906)
PAYMENTS TO EMPLOYEES	(828,879)	(32,768)	(861,647)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,748,678	(80,571)	1,668,107	(1,255,532)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	382,000	265,200	647,200	-
OPERATING TRANSFERS OUT	(160,515)	-	(160,515)	-
NET CASH PROVIDED (USES) BY NONCAPITAL FINANCING ACTIVITIES	221,485	265,200	486,685	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,487,125	-	1,487,125	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(225,000)	-	(225,000)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,908,540)	-	(2,908,540)	-
INTEREST EXPENSE	(157,000)	-	(157,000)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(1,803,415)	-	(1,803,415)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	3,672	227	3,899	6,352
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	170,420	184,856	355,276	(1,249,180)
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	2,828,650	99,181	2,927,831	3,589,962
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	2,999,070	284,037	3,283,107	2,340,782
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	1,087,158	(111,472)	975,686	(1,297,576)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	398,481	-	398,481	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	87,376	10,946	98,322	-
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	(311,081)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(137,319)	(7,481)	(144,800)	-
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	3,402	6,128	9,530	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	353,125
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	104,080	10,113	114,193	-
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	107,138	5,836	112,974	-
INCREASE (DECREASE) IN NET PENSION LIABILITY	98,362	5,359	103,721	-
TOTAL ADJUSTMENTS	661,520	30,901	692,421	42,044
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,748,678	\$ (80,571)	\$ 1,668,107	\$ (1,255,532)

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 502,476	\$ 450,451	\$ 1,010,764
INVESTMENTS	-	25,472	-
TOTAL ASSETS	<u>502,476</u>	<u>475,923</u>	<u>1,010,764</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	3,826
ACCRUED LIABILITIES	-	-	50,752
OTHER LIABILITIES	-	-	956,186
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,010,764</u>
<u>NET POSITION</u>			
NET POSITION - HELD IN TRUST FOR OPEB AND OTHER PURPOSES	<u>\$ 502,476</u>	<u>\$ 475,923</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2016**

	POSTEMPLOYMENT BENEFITS TRUSTS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
CONTRIBUTIONS FROM GOVERNMENT	\$ 100,000	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	1,112	824
	<hr/>	<hr/>
TOTAL ADDITIONS	101,112	824
	<hr/>	<hr/>
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	-	8,000
	<hr/>	<hr/>
CHANGE IN NET POSITION	101,112	(7,176)
	<hr/>	<hr/>
NET POSITION AT BEGINNING OF YEAR	401,364	483,099
	<hr/>	<hr/>
NET POSITION AT END OF YEAR	\$ 502,476	\$ 475,923
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Primary Government

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

Joint Venture

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

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Blackstone Valley Vocational Regional School District	To provide vocational education	65 Pleasant Street Upton, MA 01568	\$1,161,785

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

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

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

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

Proprietary Fund Financial Statements

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

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

The following major proprietary funds are reported:

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

Additionally, the following proprietary fund type is reported:

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

Fiduciary Fund Financial Statements

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The following fiduciary fund types are reported:

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 3 – Fair Market Value of Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

Special Assessments

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

Intergovernmental

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

G. Deferred Amount on Refunding

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

H. Inventories

Government-Wide and Fund Financial Statements

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

I. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings	40
Improvements (other than buildings)	5-30
Machinery and equipment	5-10
Vehicles	5-15
Furniture & Fixture	10
Infrastructure	50
Software	5-10
Other	5-10

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

Governmental Fund Financial Statements

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reported deferred outflows of resource related to pensions in this category.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resource related to pensions in this category.

Governmental Funds Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

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

Net position have been “restricted” for the following:

- *Permanent funds - expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

- For *committed* fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Investment Income

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

P. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2016 is recorded in the governmental fund financial statement.

Q. Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

R. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

S. Use of Estimates

Government-Wide and Fund Financial Statements

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

T. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

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

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2016 approved budget authorized \$54,371,473 in current year appropriations and other amounts to be raised and \$601,353 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$949,025 were approved at one Town Meeting during fiscal year 2016.

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

B. Budgetary -GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis	\$ (1,776,544)
Basis of accounting differences:	
Net stabilization fund activity	11,916
Increase in revenue for on-behalf payments - MTRS	3,861,160
Increase in expenditures for on-behalf payments - MTRS	(3,861,160)
Increase in revenue for the MWPAT subsidy	6,407
Increase in expenditures for the MWPAT subsidy	<u>(6,407)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (1,764,628)</u></u>

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds and governmental and water enterprise capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2017.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

▪ *Custodial Credit Risk - Deposits*

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

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

The Town carries deposits that are fully insured by FDIC insurance, DIF insurance and SIF insurance. The Town also carries deposits that are not collateralized and are uninsured, or collateral held by the pledging bank's trust department not in the Town's name.

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The following table illustrates how much of the Town's bank deposits are insured, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2016:

TOTAL BANK BALANCES		\$ 25,381,210
<hr/>		
BANK BALANCES COVERED BY DEPOSIT INSURANCE		
FDIC	2,789,836	
DIF	5,747,476	
SIF	<u>6,936,604</u>	
TOTAL INSURED BALANCES		15,473,916
BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		
BANK BALANCES COLLATERALIZED WITH SECURITIES HELD BY THE PLEDGING FINANCIAL INSTITUTION'S TRUST DEPARTMENT OR AGENT BUT NOT IN THE TOWN'S NAME	5,037,035	
BANK BALANCES UNINSURED & UNCOLLATERALIZED	<u>4,870,259</u>	
TOTAL BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		<u>9,907,294</u>
TOTAL BANK BALANCES		<u>\$ 25,381,210</u>

Investments

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

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

a) Credit Risk

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

TOWN OF BELLINGHAM, MASSACHUSETTS
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Presented below is the actual rating as of year-end for each investment type of the Town.

<u>Investment type</u>	<u>Fair value</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>
Certificates of Deposit	<u>\$ 61,927</u>	<u>N/A</u>	<u>\$ 61,927</u>

b) Custodial Credit Risk

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

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

c) Interest Rate Risk

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

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

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years) Less than 1</u>
Certificates of Deposits	<u>\$ 61,927</u>	<u>\$ 61,927</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
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d) Concentration of Credit Risk

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

Issuer	Percentage of Total Investments
Middlesex Savings Bank - Certificate of Deposit	41.13%
Rockland Trust Company - Certificates of Deposit	13.49%
Charles River Bank - Certificate of Deposit	16.43%
Rockland Trust Company - Certificates of Deposit	13.34%
Rockland Trust Company - Certificates of Deposit	8.83%

e) Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurement as of June 30, 2016:

Investment Type	June 30, 2016	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of Deposit	\$ 61,927	\$ 61,927	\$ -	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	211,848			
Total Investments	\$ 273,775			

Certificates of Deposit, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TOWN OF BELLINGHAM, MASSACHUSETTS
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Massachusetts Municipal Depository Trust (MMDT) investments are valued at amortized cost. Under the amortized cost method an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 4 – RECEIVABLES

The receivables at June 30, 2016 for the Town's individual major, nonmajor governmental, internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 806,792	\$ (50,200)	\$ 756,592
Tax liens	1,110,187	-	1,110,187
Motor vehicles excise taxes	384,260	(117,400)	266,860
User fees	322,470	-	322,470
Departmental and other	2,318,514	(1,140,209)	1,178,305
Intergovernmental	12,658,852	-	12,658,852
Special assessments	728,721	-	728,721
Total	<u>\$ 18,329,796</u>	<u>\$ (1,307,809)</u>	<u>\$ 17,021,987</u>

The receivables at June 30, 2016 for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 658,560	\$ -	\$ 658,560
<i>Sanitation</i>			
User fees	425,887	-	425,887
Total	<u>\$ 1,084,447</u>	<u>\$ -</u>	<u>\$ 1,084,447</u>

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

Deferred Inflows of Resources Analysis

Deferred Inflows:	General Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 650,507	\$ -	\$ 650,507
Deferred Other Revenue	1,442,301	1,796,631	3,238,932
Deferred Intergovernmental Revenues	12,005,343	-	12,005,343
	<u>\$ 14,098,151</u>	<u>\$ 1,796,631</u>	<u>\$ 15,894,782</u>

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

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>					
Land	\$ 12,307,759	\$ -	\$ -	\$ -	\$ 12,307,759
Construction in progress	7,474,730	1,238,716	(7,399,126)	-	1,314,320
Total capital assets not being depreciated	19,782,489	1,238,716	(7,399,126)	-	13,622,079
<i>Capital assets being depreciated:</i>					
Buildings	66,161,850	272,953	7,048,050	-	73,482,853
Improvements (other than buildings)	1,252,045.00	-	233,261	-	1,485,306
Machinery and equipment	9,979,632	287,844	-	-	10,267,476
Vehicles	5,049,589	1,102,065	-	-	6,151,654
Software	616,280	-	-	-	616,280
Furniture & fixtures	37,496	-	-	-	37,496
Other	1,001,076	-	-	-	1,001,076
Infrastructure	23,754,525	3,016,201	117,815	-	26,888,541
Total capital assets being depreciated	107,852,493	4,679,063	7,399,126	-	119,930,682
<i>Less accumulated depreciation for:</i>					
Buildings	(31,571,924)	(1,356,742)	-	-	(32,928,666)
Improvements (other than buildings)	(112,529)	(69,432)	-	-	(181,961)
Machinery and equipment	(8,037,308)	(414,094)	-	-	(8,451,402)
Vehicles	(3,514,512)	(363,668)	-	-	(3,878,180)
Software	(502,495)	(33,217)	-	-	(535,712)
Furniture & fixtures	(33,445)	(2,963)	-	-	(36,408)
Other	(987,951)	(5,750)	-	-	(993,701)
Infrastructure	(9,707,657)	(591,681)	-	-	(10,299,338)
Total accumulated depreciation	(54,467,821)	(2,837,547)	-	-	(57,305,368)
Total capital assets being depreciated, net	53,384,672	1,841,516	7,399,126	-	62,625,314
Total governmental activities capital assets, net	\$ 73,167,161	\$ 3,080,232	\$ -	\$ -	\$ 76,247,393

TOWN OF BELLINGHAM, MASSACHUSETTS
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Business-Type Activities:	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,573,100	\$ -	\$ -	\$ 3,573,100
Construction in progress	13,550,868	2,268,458	(392,700)	15,426,626
Total capital assets not being depreciated	17,123,968	2,268,458	(392,700)	18,999,726
<i>Capital assets being depreciated:</i>				
Machinery and equipment	1,245,270	60,000	-	1,305,270
Vehicles	794,158	-	-	794,158
Software	341,100	-	-	341,100
Infrastructure	14,209,464	370,000	392,700	14,972,164
Total capital assets being depreciated	16,589,992	430,000	392,700	17,412,692
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(865,083)	(64,536)	-	(929,619)
Vehicles	(611,456)	(31,192)	-	(642,648)
Software	(314,385)	(4,110)	-	(318,495)
Infrastructure	(4,615,235)	(298,643)	-	(4,913,878)
Total accumulated depreciation	(6,406,159)	(398,481)	-	(6,804,640)
Total capital assets being depreciated, net	10,183,833	31,519	392,700	10,608,052
Total business-type activities capital assets, net	\$ 27,307,801	\$ 2,299,977	\$ -	\$ 29,607,778

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

Governmental Activities:	
General government	\$ 233,999
Public safety	539,700
Education	1,247,277
Public works	685,268
Sewer	36,688
Human services	50,452
Culture and recreation	44,163
	<hr/>
Total depreciation expense - governmental activities	<u><u>\$ 2,837,547</u></u>
Business-Type Activities:	
Water	\$ 398,481
Sanitation	-
	<hr/>
Total depreciation expense - business-type activities	<u><u>\$ 398,481</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

	Operating Transfers In:				Total	
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sanitation Enterprise Fund		
Operating Transfers Out:						
General Fund	\$ -	\$ -	\$ 382,000	\$ 265,200	\$ 647,200	(1)
Nonmajor Governmental Funds	786,704	-	-	-	786,704	(2)
Nonmajor Governmental Funds	18,500	-	-	-	18,500	(3)
Water Enterprise Fund	85,000	75,515	-	-	160,515	(3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u><u>\$ 890,204</u></u>	<u><u>\$ 75,515</u></u>	<u><u>\$ 382,000</u></u>	<u><u>\$ 265,200</u></u>	<u><u>\$ 1,612,919</u></u>	

(1) Represents budgeted transfers to the sanitation and the water enterprise funds.

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

(3) Represents other transfers.

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

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2016:

Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
<u>Governmental Funds</u>						
Multi-purpose	0.75%	6/24/2016	\$ 500,000	\$ -	\$ (500,000)	\$ -
MWPAT Interm Loan Note	0.10%	6/24/2016	172,850	127,150	-	300,000
Multi-purpose	0.85%	6/23/2017	-	2,415,000	-	2,415,000
Total Governmental Funds			<u>\$ 672,850</u>	<u>\$ 2,542,150</u>	<u>\$ (500,000)</u>	<u>\$ 2,715,000</u>
<u>Water Enterprise Fund</u>						
MWPAT Interm Loan Note	0.00%		\$ 11,762,875	\$ -	\$ (11,762,875)	\$ -
Multi-purpose	0.75%	6/24/2016	150,000	-	(150,000)	-
Pulaski Blvd Watermains	0.85%	6/23/2017	-	100,000	-	100,000
Total Business-Type Activities			<u>\$ 11,912,875</u>	<u>\$ 100,000</u>	<u>\$ (11,912,875)</u>	<u>\$ 100,000</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Tile V Septic	Var.%	\$ 52,105	\$ -	\$ 10,421	\$ 41,684
School - Refunding	2.57%	11,875,000	-	1,820,000	10,055,000
Senior Center - Refunding	2.48%	260,000	-	45,000	215,000
Title V Septic	Var.%	80,240	-	9,972	70,268
Land Acquisition	3.96%	550,000	-	55,000	495,000
Town Hall Construction	3.96%	600,000	-	60,000	540,000
Title V Septic	Var.%	165,000	-	15,000	150,000
Multiple Purposes	3.74%	680,000	-	110,000	570,000
Title V Septic	0.00%	180,269	-	9,888	170,381
School Construction - Refunding	1.87%	5,110,000	-	675,000	4,435,000
Multiple Purposes	1.47%	4,450,000	-	375,000	4,075,000
Title V Septic	0.00%	270,000	-	15,000	255,000
Police Station	2.94%	6,800,000	-	235,000	6,565,000
Multiple Purposes	Var.%	2,385,000	-	140,000	2,245,000
Total		<u>\$ 33,457,614</u>	<u>\$ -</u>	<u>\$ 3,575,281</u>	<u>\$ 29,882,333</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
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The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,635,296	\$ 989,689	\$ 4,624,985
2018	3,670,311	892,006	4,562,317
2019	3,775,325	762,359	4,537,684
2020	3,885,340	619,872	4,505,212
2021	3,999,934	473,126	4,473,060
2022-2026	6,105,443	1,210,826	7,316,269
2027-2031	2,990,413	466,581	3,456,994
2032-2035	1,820,271	119,259	1,939,530
	<u>\$ 29,882,333</u>	<u>\$ 5,533,718</u>	<u>\$ 35,416,051</u>

Massachusetts School Building Authority Reimbursements

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

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

The Town has been approved for a 76% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$2,262,880 from scheduled annual payments in FY 2016 from the MSBA for completed school construction projects.

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

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Water	3.78%	\$ 550,000	\$ -	\$ 50,000	\$ 500,000
Water - 2005	3.96%	250,000	-	25,000	225,000
Water - 2008	3.86%	520,000	-	40,000	480,000
Water - 2008	3.82%	355,000	-	30,000	325,000
Water - 2014	Var %	2,165,000	-	80,000	2,085,000
MWPAT Water Treatment Plant	2.00%	-	13,300,000	-	13,300,000
Total		<u>\$ 3,840,000</u>	<u>\$ 13,300,000</u>	<u>\$ 225,000</u>	<u>\$ 16,915,000</u>

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 757,997	\$ 380,901	\$ 1,138,898
2018	769,691	381,928	1,151,619
2019	786,638	362,434	1,149,072
2020	798,844	342,464	1,141,308
2021	821,316	322,037	1,143,353
2022-2026	4,323,352	1,277,282	5,600,634
2027-2031	4,238,406	743,450	4,981,856
2032-2036	<u>4,418,756</u>	<u>272,692</u>	<u>4,691,448</u>
Total	<u>\$ 16,915,000</u>	<u>\$ 4,083,188</u>	<u>\$ 20,998,188</u>

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

As of June 30, 2016, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Remediated Sewer	5/24/1995	\$ 50,000
Remediated Sewer	5/26/2010	300,000
Remediated Sewer	5/25/2011	300,000
Middle School Boilers	6/13/2011	277,129
Remediated Sewer	5/23/2012	300,000
Old Mill Pond Dam	5/28/2014	312,000
Water Mains	5/28/2014	100,000
Salt Shed	10/8/2014	475,000
Fire Engine	10/8/2014	940,000
South Elementary School Roof	5/28/2015	1,450,000
Pearl Street Dam Demolition	10/14/2015	645,000
Roadway Improvements	10/14/2015	1,000,000
Pine Grove Sewer Pumping Station	5/25/2016	135,000
Pearl Street Mill Complex Demolition	5/25/2016	575,000
Total		<u>\$ 6,859,129</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 33,457,614	\$ -	\$ (3,575,281)	\$ 29,882,333	\$ 3,635,296
Compensated absences	1,229,562	-	(45,816)	1,183,746	390,636
Landfill postclosure care costs	30,000	-	(3,000)	27,000	3,000
Net Pension Liability	21,582,264	1,809,939	-	23,392,203	-
OPEB	17,425,731	3,732,703	-	21,158,434	-
Total governmental activities long-term liabilities	<u>\$ 73,725,171</u>	<u>\$ 5,542,642</u>	<u>\$ (3,624,097)</u>	<u>\$ 75,643,716</u>	<u>\$ 4,028,932</u>
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 3,840,000	\$ 13,300,000	\$ (225,000)	\$ 16,915,000	\$ 757,997
Net Pension Liability	1,236,793	103,721	-	1,340,514	-
OPEB	611,335	114,193	-	725,528	-
Total business-type activities long-term liabilities	<u>\$ 5,688,128</u>	<u>\$ 13,517,914</u>	<u>\$ (225,000)</u>	<u>\$ 18,981,042</u>	<u>\$ 757,997</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
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The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2016:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	\$ 11,830,000	1.820%	\$ 215,306
Blackstone Valley Vocational Regional School District			
School Construction Bonds	<u>3,500,000</u>	4.90%	<u>171,500</u>
	<u>\$ 15,330,000</u>		<u>\$ 386,806</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
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JUNE 30, 2016

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
Restricted For:			
General Government	\$ -	\$ 625,928	\$ 625,928
Public Safety	-	398,716	398,716
Education	-	1,367,848	1,367,848
Public Works	-	746,934	746,934
Sewer	-	672,207	672,207
Human Services	-	792,813	792,813
Culture & Recreation	-	130,841	130,841
Employee Benefits	-	1,283,258	1,283,258
Tax Stabilization	2,020,739	-	2,020,739
Expendable Trust Funds	-	41,447	41,447
	<u>2,020,739</u>	<u>6,059,992</u>	<u>8,080,731</u>
Committed To:			
Continuing Appropriations			
General Government	110,268	-	110,268
Public Safety	320,489	-	320,489
Education	409,140	-	409,140
Public Works	23,275	-	23,275
Culture & Recreation	1,587	-	1,587
	<u>864,759</u>	<u>-</u>	<u>864,759</u>
Assigned To:			
Encumbered For:			
General Government	3,065	-	3,065
Public Safety	135	-	135
Public Works	135	-	135
Capital Stabilization Fund	661,400	-	661,400
	<u>664,735</u>	<u>-</u>	<u>664,735</u>
Unassigned			
General Fund	2,909,957	-	2,909,957
General Fund Stabilization	1,478,337	-	1,478,337
Nonmajor Governmental Funds	-	(717,677)	(717,677)
Capital Projects			
Public Safety	-	(939,889)	(939,889)
Education	-	(129,076)	(129,076)
Public Works	-	(675,495)	(675,495)
Sewer	-	(26,937)	(26,937)
	<u>4,388,294</u>	<u>(2,489,074)</u>	<u>1,899,220</u>
Total Governmental Fund Balances	<u>\$ 7,938,527</u>	<u>\$ 3,570,918</u>	<u>\$ 11,509,445</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 10 – STABILIZATION FUNDS

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

- The *Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the Annual or Special Town Meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$1,478,337 as of June 30, 2016. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- The *Capital Investment Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The capital investment stabilization fund balance is \$661,400 as of June 30, 2016. This fund was established under Chapter 40 sub-section 5B of **MGL**.
- The *Tax Rate Stabilization Fund* may be used to mitigate the loss of taxes and revenues resulting from the termination of any in lieu of tax agreement between the Town and any power and electric generating plant located in the Town. Town Meeting may appropriate an amount not to exceed 30% of the amount raised in the preceding fiscal year by the taxation of real estate and tangible personal property. The tax stabilization fund balance is \$2,020,739 as of June 30, 2016.

NOTE 11 – RISK FINANCING

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

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$10,000 per incident. Buildings are fully insured against flood and earthquake damage, to the extent that losses exceed \$25,000 per incident.

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2016.

TOWN OF BELLINGHAM, MASSACHUSETTS
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The Town has a variety of contributory health care options including self-insured and third party insured health care programs for its employees and retirees. There are 616 employees and retirees who participate in the Town's health care programs. For those 392 employees electing a Health Maintenance Organization (HMO), the town contributes 80% of the costs. For those 24 employees and retirees over 65 years old electing a Health Maintenance Organization (HMO), the Town contributes 80% for the active employees and 50% of the costs for the retired employees. For those 2 active employees electing the Blue Cross and Blue Shield Master Health Plus (self-insured full indemnity plan), the Town contributes either 65% or 75% of the premium costs for active school employees based on their date of hire. There are 2 retirees on the Master Health Plus for whom the Town contributes 50%. For active employees eligible for Part A Medicare they are required to enroll at the age of 65 and stay on the HMO plan at 80/20. Any retiree eligible for Part A and B at the age of 65 must enroll and then will be moved to the Medex supplemental plan at 50/50. There are 196 retirees currently enrolled in the Medex Supplemental plan.

Stop loss insurance is carried on all self-insured health care claims in excess of \$150,000 individually.

The Town's health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2016 and June 30, 2015, the only such liabilities are those related to the Town's self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2016 and 2015 were as follows:

	Healthcare	
	2016	2015
Liability at beginning of fiscal year	\$ 734,359	\$ 1,403,569
Claims incurred for current fiscal year and Changes in provisions for prior year	9,487,582	8,194,097
Claims payments for current fiscal year	<u>(9,134,457)</u>	<u>(8,863,307)</u>
Liability at end of fiscal year	<u>\$ 1,087,484</u>	<u>\$ 734,359</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by Town Meeting vote. The required contribution is based on the projected pay-as-you-go financing requirements. For Fiscal Year 2016, total Town premiums plus implicit costs for the retiree medical program are \$1,239,795.

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

	Primary Government Total
	<hr/>
Annual required contribution	\$ 4,040,559
Interest on net OPEB obligation	631,299
Adjustment to annual required contribution (ARC)	(947,536)
Amortization of actuarial <gains>/losses	<hr/> 1,362,369
Annual OPEB cost (expense)	5,086,691
Contributions made	<hr/> (1,239,795)
Increase in net OPEB obligation	3,846,896
Net OPEB obligation - beginning of year	<hr/> 18,037,066
Net OPEB obligation - end of year	<hr/> <hr/> \$ 21,883,962

TOWN OF BELLINGHAM, MASSACHUSETTS
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the seven preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 2,956,183	23.8%	\$ 2,252,798	\$ 4,408,887
6/30/2010	\$ 2,915,339	33.6%	\$ 1,936,906	\$ 6,345,793
6/30/2011	\$ 2,868,492	35.0%	\$ 1,864,667	\$ 8,210,460
6/30/2012	\$ 2,878,755	30.3%	\$ 2,007,140	\$ 10,217,600
6/30/2013	\$ 3,020,362	40.1%	\$ 1,809,076	\$ 12,026,676
6/30/2014	\$ 4,026,322	27.7%	\$ 2,910,203	\$ 14,936,879
6/30/2015	\$ 4,299,156	27.9%	\$ 3,100,187	\$ 18,037,066
6/30/2016	\$ 5,086,691	24.4%	\$ 3,846,896	\$ 21,883,962

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the plan was 0.79% funded. The actuarial liability for benefits was \$51.002 million, and the actuarial value of assets was \$401,364, resulting in an unfunded actuarial accrued liability (UAAL) of \$50.600 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26.647 million, and the ratio of the UAAL to the covered payroll was 189.9%.

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

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

TOWN OF BELLINGHAM, MASSACHUSETTS
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In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5% in 2015 and thereafter. Both rates included a 2.75% inflation assumption. The actuarial value of assets is equal to the market value of the plan's assets. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2016, was 21 years.

NOTE 13 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Norfolk County Contributory Retirement System (The System), a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the 41 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. Substantially all employees are members of the system except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS) to which the Town does not contribute.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees.

The System issues a publically available audited financial report that may be obtained by contacting the system's executive director at 480 Neponset Street, Building #15, Canton, Massachusetts 02021. The report can also be obtained online at www.norfolkcountyretirement.org. The MTRS issues a publically available audited financial report that may be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

B. Benefits Provided

The System and MTRS provide retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consist of positions that have even been specified as hazardous. Lastly, group 4 consist of police officers, firefighters, and other hazardous positions.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service in group 1, 50 years of age with 10 years of service if in group 2 and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not disability is work related, the employees age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of living adjustments granted through June 30, 1998, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted subsequent to June 30, 1998 must be approved by the system and all costs are borne by the system.

C. Contributions

Norfolk County Contributory Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross compensation. Members joining the system after January 1, 1979 must contribute an additional 2.0% on regular compensation earnings at a rate in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended June 30, 2016 which was \$2,341,492 and 19.09% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Massachusetts Teachers' Retirement System

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributes to the MTRS. The Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth of Massachusetts, and thus the Town is not required to contribute. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$3,861,160 for fiscal year 2016. In accordance with GASB Statement No. 68, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2016 the Town reported a liability of \$24,732,717 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015, the Town's proportion was 4.55% which was a slight increase from its proportion measured as of December 31, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016 the Town recognized pension expense of \$2,848,463. At June 30, 2016 the Town reported deferred outflows/inflows of resources related to pensions of \$1,529,492 from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The deferred outflows/inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2017	\$ 417,704
2018	417,704
2019	417,704
2020	276,380
Totals	<u>\$ 1,529,492</u>

E. Actuarial assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015.

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Open-level percent of payroll.
Cost of Living Increase	3.0% of first \$15,000 of retirement income

TOWN OF BELLINGHAM, MASSACHUSETTS
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JUNE 30, 2016

Asset valuation method	market value
Inflation rate	4.0%
Projected Salary increases	3.5% - 5.5%
Mortality rates	The RP-2014 blue collar mortality table adjusted with scale MP-2014.
Investment rate of return	8.0%

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32.0%	9.40%
International Equities	17.5%	9.70%
Fixed Income	19.0%	3.40%
Private Equity	8.5%	13.60%
Real Estate	9.0%	7.70%
Real Assets	5.0%	7.90%
Hedge Funds	9.0%	7.90%
Total	<u>100%</u>	

For the year ended December 31, 2015 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was -.75%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

G. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that member employer contributions will be made at contractually required rates actually determined. Under Chapter 32 of Massachusetts General Laws, employers are required to make the necessary contributions such that the plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the net pension liability to changes on the discount rate

The following presents the net pension liability of the system, as of December 31, 2015 calculated using the discount rate of 8.00%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
The Towns proportionate share of the net pension liability	\$ 31,017,705	\$ 24,732,717	\$ 19,367,854

Detailed information about the pension plan's fiduciary net position is available in a separately issued Norfolk County Contributory Retirement System financial report.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2016, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town's landfill was closed in 1996 by order of the Department of Environmental Protection (DEP). The DEP approved the capping construction of the landfill in December 1996. The Town is responsible for post-closure monitoring of the site for thirty years (9 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$27,000 reported as landfill post-closure liability at June 30, 2016 is based on what it would cost to perform all post-closure care at June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – GREATER ATTLEBOROUGH TAUNTON REGIONAL TRANSIT AUTHORITY

The Town participates in the Greater Attleborough Taunton Regional Transit Authority (GATRA) Dial-A-Ride program. The Town receives monthly reimbursements for the cost of the program net of any donations received. The following table summarizes the program expenses for fiscal year 2016.

<u>Description</u>	<u>Amount</u>
Dial-A-Ride Program costs	<u>\$ 165,216</u>

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2016, the following GASB pronouncements were implemented:

The GASB issued **Statement #72**, *Fair Value Measurement and Application*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #79**, *Tax Abatement Disclosures* which is required to be implemented in 2015. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

Future GASB Pronouncements:

The GASB issued **Statement #73**, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statements 68, which are effective for 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #77**, *Tax Abatement Disclosures* which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #78**, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #81**, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2016**

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

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2016	\$ 814,225,634	\$ 1,310,561,438	\$ 496,335,804	62.1%	\$267,454,300	185.6%
1/1/2014	696,682,779	1,247,596,772	550,913,993	55.8%	246,722,941	223.3%
1/1/2012	608,235,096	1,128,960,288	520,725,192	53.9%	229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Bellingham	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2016	\$ 53,201,068	\$ 53,201,068	100%	\$ 2,341,492	4.40%
2015	48,383,549	48,383,549	100%	2,128,834	4.40%
2014	42,461,369	42,461,369	100%	1,841,366	4.34%
2013	44,800,000	44,800,000	100%	1,761,179	3.93%
2012	42,714,639	42,714,639	100%	1,727,382	4.04%
2011	41,206,587	41,206,587	100%	1,700,781	4.13%
2010	39,749,857	39,749,857	100%	1,647,627	4.14%
2009	38,920,499	38,920,499	100%	1,567,321	4.03%
2008	33,104,903	33,104,903	100%	1,402,912	4.24%
2007	32,877,890	32,877,890	100%	1,374,851	4.18%
2006	31,755,708	31,755,708	100%	1,177,162	3.71%

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2016**

The following schedules are presented in accordance with GASB Statement No. 68

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	4.55%	4.40%
Town's proportionate share of the net pension liability	\$ 24,732,717	\$ 22,819,057
Town's covered-employee payroll	\$ 12,264,210	\$ 11,153,168
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	201.67%	204.60%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	60.10%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2016**

SCHEDULE OF TOWN'S CONTRIBUTION

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Actuarially determined contribution	\$ 2,341,492	\$ 2,128,834
Contribution in relation to the actuarially determined contribution	<u>(2,341,492)</u>	<u>(2,128,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 12,264,210	\$ 11,153,168
Contribution as a percentage of covered - employee payroll	19.09%	19.09%

Note: This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
JUNE 30, 2016**

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY**

Teacher's Pension Plan

	<u>2016</u>	<u>2015</u>
Towns' proportion of the net pension liability (asset)	0%	0%
Commonwealth's proportion of the net pension liability (assets)	100%	100%
Commonwealth's proportionate share of the net pension liability associated with the district	\$ 47,604,645	\$ 37,503,034
Employer pension expense and revenue for Commonwealth support	\$ 3,861,160	\$ 2,605,516

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2016**

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

Schedules of Funding Progress and Employer Contributions

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2007	\$ -	\$ 26,373,114	\$ 26,373,114	0.0%	\$ 20,187,489	130.6%
7/1/2008	\$ -	\$ 28,880,529	\$ 28,880,529	0.0%	\$ 21,249,635	135.9%
7/1/2009	\$ -	\$ 32,709,572	\$ 32,709,572	0.0%	\$ 22,648,000	144.4%
7/1/2011	\$ -	\$ 30,634,032	\$ 30,634,032	0.0%	\$ 21,363,804	143.4%
7/1/2013	\$ 250,115	\$ 41,028,677	\$ 40,778,562	0.6%	\$ 24,329,350	167.6%
7/1/2015	\$ 401,364	\$ 51,001,792	\$ 50,600,428	0.8%	\$ 26,646,528	189.9%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2008	\$ 2,896,269	25.6%	\$ 2,156,089	\$ 2,156,089
2009	\$ 2,956,183	23.8%	\$ 2,252,798	\$ 4,408,887
2010	\$ 2,915,338	33.6%	\$ 1,936,906	\$ 6,345,793
2011	\$ 2,868,492	35.0%	\$ 1,864,667	\$ 8,210,460
2012	\$ 2,878,755	30.3%	\$ 2,007,140	\$ 10,217,600
2013	\$ 3,020,362	31.8%	\$ 1,809,076	\$ 12,026,676
2014	\$ 4,026,322	27.7%	\$ 2,910,203	\$ 14,936,879
2015	\$ 4,299,156	27.9%	\$ 3,100,187	\$ 18,037,066
2016	\$ 5,086,691	24.4%	\$ 3,846,896	\$ 21,883,962

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2016**

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

Valuation date	July 1, 2015
Discount Rate	3.50%
Medical Trend	5% in Year 2015 and thereafter
Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Dollar Amortization over 30 years at transition
Remaining Amortization Period	21 years at July 1, 2016
Mortality	RP-2000 Table with scale BB for males RP-2000 Table with scale BB for females

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

Current retirees, beneficiaries, and dependants	262
Current active members/participants	<u>471</u>
Total	<u><u>733</u></u>

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2016**

Pension Plan Schedules

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contribution

Governmental employees are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based in covered payroll.