

TOWN OF BELLINGHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Bellingham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Bellingham, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Bellingham, Massachusetts'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Town of Bellingham, Massachusetts as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in Fiscal Year 2018 the Town adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

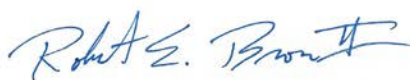
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Norfolk County Contributory Retirement System schedules - Town's proportionate share of the net pension liability, and Town's contribution, Massachusetts Teachers Retirement System's schedule of the Commonwealth's Collective amounts of the Net Pension Liability, Other Postemployment Benefit schedules - Town's Net OPEB Liability and Related Ratios, Town's contribution, and investment return, and notes to required supplementary information on pages 3 – 10, 71 – 72, 73, 74 – 76 and 77 - 78 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 23, 2019, on our consideration of Town of Bellingham, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Bellingham, Massachusetts's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bellingham, Massachusetts's internal control over financial reporting and compliance.



Certified Public Accountant

May 23, 2019

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, 2018. 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 \$69.8 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 \$40.7 to \$4.3 million from the prior fiscal year, a decrease of \$36.4 million. Of this change in net position, a decrease of \$37.1 million was attributable to governmental activities and an increase of \$0.7 million 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 \$42,278,312 over the previous fiscal year. This increase is directly attributable to the changes in debt service, postemployment benefits and net pension liabilities. The Town's total assets increased by a modest \$140,722 over the previous year.

An additional portion of the Town's net position totaling \$3.5 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 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Assets:						
Current assets	\$ 24,330,069	\$ 22,587,880	\$ 4,318,752	\$ 4,378,188	\$ 28,648,821	\$ 26,966,068
Noncurrent assets (excluding capital)	5,962,661	8,301,397	-	-	5,962,661	8,301,397
Capital assets	77,894,107	77,543,157	30,234,833	29,789,078	108,128,940	107,332,235
Total assets	<u>108,186,837</u>	<u>108,432,434</u>	<u>34,553,585</u>	<u>34,167,266</u>	<u>142,740,422</u>	<u>142,599,700</u>
Deferred Outflows of Resources:	<u>10,349,235</u>	<u>2,802,396</u>	<u>410,311</u>	<u>160,594</u>	<u>10,759,546</u>	<u>2,962,990</u>
Liabilities:						
Current liabilities (excluding debt)	4,822,791	4,690,522	308,940	340,009	5,131,731	5,030,531
Noncurrent liabilities (excluding debt)	90,631,044	48,598,427	2,766,215	2,135,113	93,397,259	50,733,540
Current debt	12,252,340	8,163,521	786,638	769,691	13,038,978	8,933,212
Noncurrent debt	19,344,805	23,150,540	14,600,674	15,387,312	33,945,479	38,537,852
Total liabilities	<u>127,050,980</u>	<u>84,603,010</u>	<u>18,462,467</u>	<u>18,632,125</u>	<u>145,513,447</u>	<u>103,235,135</u>
Deferred Inflows of Resources:	<u>3,466,866</u>	<u>1,530,300</u>	<u>198,673</u>	<u>87,695</u>	<u>3,665,539</u>	<u>1,617,995.00</u>
Net Position:						
Net investment in capital assets	54,945,297	50,908,778	14,863,251	13,695,338	69,808,548	64,604,116
Restricted	3,459,997	6,357,196	-	-	3,459,997	6,357,196
Unrestricted	(70,387,068)	(32,164,454)	1,439,505	1,912,702	(68,947,563)	(30,251,752)
Total net position	<u>\$ (11,981,774)</u>	<u>\$ 30,725,885</u>	<u>\$ 16,302,756</u>	<u>\$ 14,533,071</u>	<u>\$ 4,320,982</u>	<u>\$ 40,709,560</u>

The remaining balance of unrestricted net position totals a negative balance of (\$68.9 million).

At the end of the current fiscal year, the Town is able to report positive total net position of \$4.3 million for the government as a whole; however, its governmental activities had negative total net position (-\$12.0 million), while the business-type activities had a positive total net position (\$16.3 million)

The governmental activities net position decreased by \$5,230,167 as a result of current operations, i.e. current year's expenditures exceeded current year's revenues. In addition, a prior period adjustment for OPEB reporting further reduced net position by \$31.8 million. The Town's governmental activities revenues increased by \$5.7 million or 8.06%. The primary contributors to the increase in revenues were charges for services \$4,439,427 and real estate and personal property \$1,245,803. The Town's governmental activities expenses increased by \$5,341,416 over the prior fiscal year, or 7.05%. The largest contributor to the expense increase was employee benefits \$4,590,082 and education \$782,043 as compared with the prior year.

The business-type activities net position increased by \$1,078,310 as a result of current operations. In addition, a prior period adjustment for OPEB reporting reduced net position by \$0.4 million.

Town of Bellingham - Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 12,782,234	\$ 8,342,807	\$ 5,182,011	\$ 5,005,683	\$ 17,964,245	\$ 13,348,490
Operating grants and contributions	19,204,780	19,227,041	146,016	139,213	19,350,796	19,366,254
Capital grants and contributions	463,057	1,110,172	-	-	463,057	1,110,172
<i>General Revenues:</i>						
Real Estate and personal property taxes	38,195,245	36,949,442	-	-	38,195,245	36,949,442
Motor vehicle and other excise taxes	2,653,297	2,640,725	-	-	2,653,297	2,640,725
Nonrestricted grants and contributions	2,057,337	2,107,228	-	-	2,057,337	2,107,228
Unrestricted investment income	100,365	34,213	-	-	100,365	34,213
Other revenues	885,120	232,872	-	-	885,120	232,872
Total Revenues	76,341,435	70,644,500	5,328,027	5,144,896	81,669,462	75,789,396
Expenses:						
General Government	3,428,427	3,586,508	-	-	3,428,427	3,586,508
Public Safety	7,589,113	7,087,897	-	-	7,589,113	7,087,897
Education	32,778,404	31,996,361	-	-	32,778,404	31,996,361
Public Works	3,734,429	4,188,829	-	-	3,734,429	4,188,829
Sewer	1,244,073	1,174,792	-	-	1,244,073	1,174,792
Human Services	958,039	1,023,567	-	-	958,039	1,023,567
Culture and Recreation	914,973	900,259	-	-	914,973	900,259
Employee Benefits	27,934,955	23,344,873	-	-	27,934,955	23,344,873
State and County Assessments	1,609,367	1,507,283	-	-	1,609,367	1,507,283
Interest	920,761	960,756	-	-	920,761	960,756
Water	-	-	3,063,307	2,910,466	3,063,307	2,910,466
Sanitation	-	-	1,645,471	1,657,201	1,645,471	1,657,201
Total Expenses	81,112,541	75,771,125	4,708,778	4,567,667	85,821,319	80,338,792
Transfers	(459,061)	(497,740)	459,061	497,740	-	-
Change in Net Position	(5,230,167)	(5,624,365)	1,078,310	1,074,969	(4,151,857)	(4,549,396)
Prior Period Adjustment - OPEB	(31,853,127)	-	(383,594)	-	(32,236,721)	-
Net Position - beginning	\$ (6,751,607)	\$ 30,725,885	\$ 15,224,446	\$ 14,533,071	8,472,839	45,258,956
Net Position - ending	\$ (11,981,774)	\$ 25,101,520	\$ 16,302,756	\$ 15,608,040	\$ 4,320,982	\$ 40,709,560

The water and sanitation business-type activities revenues increased by \$183,131 in FY 2018 primarily due to an increase in the charges for services revenues. The water and sanitation business-type activities expenses increased \$141,111 in FY 2018 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 \$5.7 million, a decrease of \$2.7 million in comparison with the prior year. Approximately \$(3.6) million of this amount constitutes *unassigned fund balance*.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.7 million, while the total fund balance was \$6.9 million. Unassigned fund balance represents 6.0% of total general fund expenditures.

General fund revenues for FY2018 were \$61.6 million with property taxes \$37.9 million and intergovernmental \$18.7 million the major components of the Town's revenue sources. General Fund expenditures were \$62.4 million for FY2018 with education \$27.7 million, employee benefits \$15.4 million and public safety \$6.9 million the major components of spending. The fund balance of the general fund increased by \$25,818.

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 \$0.9 million which represents 1.5% of general fund expenditures. The capital stabilization fund has an ending fund balance of \$0.3 million or .5% of general fund expenditures. The Town also maintains a tax stabilization fund, with an ending fund balance of approximately \$2.0 million or 3.3% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval.

General Fund Budget Highlights

There were modest overall changes between the original and final expenditures budget of the Town in many functional areas. The Town budgeted \$55.7 million in revenues and \$57.4 million of expenditures. There were increases of \$0.8 million between the original and final expenditure budgets of the Town, which was primarily attributable to an increase in public safety and education expenses.

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 investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, software, furniture and fixtures, other, infrastructure, and construction in process.

The Town's investment in capital assets for governmental and business-type activities as of June 30, 2018, amounts to \$108.1 million, net of accumulated depreciation, which represents an increase of nearly \$0.8 million over the previous fiscal year. The most significant contributors to this increase were attributable to expenditures on infrastructure, building improvements, and software.

	Governmental Activities	Business-type Activities	Total
Land	\$ 12,307,759	\$ 3,573,100	\$ 15,880,859
Buildings	39,934,126	-	39,934,126
Improvements (Other than build	1,155,481	-	1,155,481
Machinery and Equipment	1,670,848	317,706	1,988,554
Vehicles	1,987,468	94,994	2,082,462
Software	157,508	14,385	171,893
Furniture & Fixtures	-	-	-
Other	4,500	-	4,500
Infrastructure	19,832,360	9,543,265	29,375,625
Construction in Progress	844,057	16,691,383	17,535,440
Total	<u>\$ 77,894,107</u>	<u>\$ 30,234,833</u>	<u>\$ 108,128,940</u>

Long term debt – Governmental activities outstanding long-term debt as of June 30, 2018, totaled \$23.15 million of which \$9.3 million (40.2%) 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 \$6.1 million (26.3%) 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)	\$ 9,300,000	40.17%
Educational (non-reimbursable)	135,000	0.58%
Sewer	1,261,940	5.45%
Public Works	3,868,600	16.71%
Human Services	125,000	0.54%
New Police Station	6,080,000	26.26%
New Fire Pumper Station	450,000	1.94%
High School Athletic Field	1,100,000	4.75%
Ch 90 Supplemental	410,000	1.77%
General Government	420,000	1.81%
Total	<u>\$ 23,150,540</u>	<u>100.00%</u>

The Town's credit rating was reviewed in December 2017. Moody's Investors Service assigned a rating of Aa2, and Standard & Poor's confirmed its previous of AA+.

Economic Factors and Next Year's Budgets and Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2019 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 increase in new residential and commercial property development.
- The fiscal 2019 residential tax rate was set at \$14.21 and the commercial/industrial tax rate was set at \$20.67. Residential property values increased by 7.56% over FY 2018 and commercial/industrial/personal property values increased an average of 4.58%. The excess levy capacity for fiscal 2019 was \$17,462.
- 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 222nd (FY 2018) 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 335 being the lowest reported bill in the state.
- Fiscal 2019 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.

Requests 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, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 17,826,576	\$ 3,043,877	\$ 20,870,453
INVESTMENTS	35,083	-	35,083
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	950,400	-	950,400
TAX LIENS	1,214,812	-	1,214,812
MOTOR VEHICLE EXCISE TAXES	319,655	-	319,655
USER FEES	456,972	1,274,875	1,731,847
DEPARTMENTAL AND OTHER	428,017	-	428,017
INTERGOVERNMENTAL	2,286,454	-	2,286,454
SPECIAL ASSESSMENTS	57,963	-	57,963
PREPAID EXPENSES	754,137	-	754,137
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	5,216,706	-	5,216,706
SPECIAL ASSESSMENTS	745,955	-	745,955
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	77,894,107	30,234,833	108,128,940
TOTAL ASSETS	108,186,837	34,553,585	142,740,422
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
RELATED TO POST EMPLOYMENT BENEFITS	5,111,924	110,182	5,222,106
RELATED TO PENSIONS	5,237,311	300,129	5,537,440
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,349,235	410,311	10,759,546
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,402,254	143,213	1,545,467
ACCRUED LIABILITIES	2,159,934	23,545	2,183,479
HEALTH CLAIMS PAYABLE	500,384	-	500,384
OTHER LIABILITIES	63,265	-	63,265
ACCRUED INTEREST	230,477	142,182	372,659
BONDS AND NOTES PAYABLE	12,252,340	786,638	13,038,978
LANDFILL POSTCLOSURE CARE COSTS	7,500	-	7,500
COMPENSATED ABSENCES	458,977	-	458,977
NONCURRENT:			
BONDS AND NOTES PAYABLE	19,344,805	14,600,674	33,945,479
POSTEMPLOYMENT BENEFITS	66,332,208	1,429,726	67,761,934
NET PENSION LIABILITY	23,321,975	1,336,489	24,658,464
LANDFILL POSTCLOSURE CARE COSTS	45,000	-	45,000
COMPENSATED ABSENCES	931,861	-	931,861
TOTAL LIABILITIES	127,050,980	18,462,467	145,513,447
<u>DEFERRED INFLOWS OF RESOURCES</u>			
RELATED TO PENSIONS	3,466,866	198,673	3,665,539
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	54,945,297	14,863,251	69,808,548
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	43,823	-	43,823
OTHER PURPOSES	3,416,174	-	3,416,174
UNRESTRICTED	(70,387,068)	1,439,505	(68,947,563)
TOTAL NET POSITION	\$ (11,981,774)	\$ 16,302,756	\$ 4,320,982

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

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	\$ 3,428,427	\$ 354,936	\$ 457,394	\$ -	\$ (2,616,097)
PUBLIC SAFETY	7,589,113	1,664,780	251,350	-	(5,672,983)
EDUCATION	32,778,404	1,824,318	11,090,978	114,917	(19,748,191)
PUBLIC WORKS	3,734,429	329,385	38,351	343,903	(3,022,790)
SEWER	1,244,073	1,415,853	816	4,237	176,833
HUMAN SERVICES	958,039	328,836	385,160	-	(244,043)
CULTURE & RECREATION	914,973	40,259	62,463	-	(812,251)
EMPLOYEE BENEFITS	27,934,955	6,823,867	6,918,268	-	(14,192,820)
STATE & COUNTY ASSESSMENTS	1,609,367	-	-	-	(1,609,367)
INTEREST	920,761	-	-	-	(920,761)
TOTAL GOVERNMENTAL ACTIVITIES	81,112,541	12,782,234	19,204,780	463,057	(48,662,470)
BUSINESS-TYPE ACTIVITIES:					
WATER	3,063,307	3,488,635	145,214	-	570,542
SANITATION	1,645,471	1,693,376	802	-	48,707
TOTAL BUSINESS-TYPE ACTIVITIES	4,708,778	5,182,011	146,016	-	619,249
TOTAL PRIMARY GOVERNMENT	\$ 85,821,319	\$ 17,964,245	\$ 19,350,796	\$ 463,057	\$ (48,043,221)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF BELLINGHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (48,662,470)	\$ 619,249	\$ (48,043,221)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	37,902,245	-	37,902,245
TAX LIENS	293,000	-	293,000
MOTOR VEHICLE EXCISE TAXES	2,653,297	-	2,653,297
PENALTIES AND INTEREST ON TAXES	259,604	-	259,604
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,057,337	-	2,057,337
UNRESTRICTED INVESTMENT INCOME	100,365	-	100,365
MISCELLANEOUS	625,516	-	625,516
TRANSFERS, NET	(459,061)	459,061	-
TOTAL GENERAL REVENUES AND TRANSFERS	43,432,303	459,061	43,891,364
CHANGE IN NET POSITION	(5,230,167)	1,078,310	(4,151,857)
NET POSITION:			
BEGINNING OF YEAR	(6,751,607)	15,224,446	8,472,839
END OF YEAR	\$ (11,981,774)	\$ 16,302,756	\$ 4,320,982

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF BELLINGHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

<u>ASSETS</u>	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 9,635,303	\$ 7,937,468	\$ 17,572,771
INVESTMENTS	-	35,083	35,083
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	950,400	-	950,400
TAX LIENS	1,214,812	-	1,214,812
MOTOR VEHICLE EXCISE TAXES	319,655	-	319,655
USER FEES	-	456,972	456,972
DEPARTMENTAL AND OTHER	-	428,017	428,017
INTERGOVERNMENTAL	7,479,585	23,575	7,503,160
SPECIAL ASSESSMENTS	32,786	771,132	803,918
TOTAL ASSETS	\$ 19,632,541	\$ 9,652,247	\$ 29,284,788
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 933,248	\$ 469,006	\$ 1,402,254
ACCRUED LIABILITIES	1,961,822	198,112	2,159,934
OTHER LIABILITIES	9,000	54,265	63,265
NOTES PAYABLE	-	8,446,605	8,446,605
TOTAL LIABILITIES	2,904,070	9,167,988	12,072,058
DEFERRED INFLOWS OF RESOURCES:			
UNAVAILABLE REVENUE	9,819,519	1,656,121	11,475,640
FUND BALANCES:			
RESTRICTED	2,033,713	6,123,627	8,157,340
COMMITTED	333,554	-	333,554
ASSIGNED	810,201	-	810,201
UNASSIGNED	3,731,484	(7,295,489)	(3,564,005)
TOTAL FUND BALANCES	6,908,952	(1,171,862)	5,737,090
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 19,632,541	\$ 9,652,247	\$ 29,284,788

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, 2018**

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES,			
NET OF TAX REFUNDS	\$ 37,904,356	\$ -	\$ 37,904,356
MOTOR VEHICLE EXCISE TAXES	2,594,303	-	2,594,303
PENALTIES AND INTEREST ON TAXES	259,604	-	259,604
INTERGOVERNMENTAL	18,668,238	3,236,080	21,904,318
CHARGES FOR SERVICES	-	3,086,209	3,086,209
CHARGES FOR SERVICES - SEWER	-	1,345,232	1,345,232
INVESTMENT INCOME	48,347	12,324	60,671
CONTRIBUTIONS & DONATIONS	-	119,864	119,864
DEPARTMENTAL	2,162,977	832,674	2,995,651
	<u>61,637,825</u>	<u>8,632,383</u>	<u>70,270,208</u>
TOTAL REVENUES			
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	2,653,159	577,381	3,230,540
PUBLIC SAFETY	6,928,155	261,030	7,189,185
EDUCATION	27,718,703	3,925,602	31,644,305
PUBLIC WORKS	2,233,541	3,483,689	5,717,230
SEWER	-	1,400,779	1,400,779
HUMAN SERVICES	423,046	497,677	920,723
CULTURE & RECREATION	793,305	73,841	867,146
EMPLOYEE BENEFITS	15,428,512	-	15,428,512
STATE & COUNTY ASSESSMENTS	1,609,367	-	1,609,367
DEBT SERVICE:			
PRINCIPAL	3,700,697	-	3,700,697
INTEREST	959,302	-	959,302
	<u>62,447,787</u>	<u>10,219,999</u>	<u>72,667,786</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(809,962)</u>	<u>(1,587,616)</u>	<u>(2,397,578)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
OPERATING TRANSFERS IN	1,486,938	96,088	1,583,026
OPERATING TRANSFERS OUT	(651,158)	(1,232,890)	(1,884,048)
	<u>835,780</u>	<u>(1,136,802)</u>	<u>(301,022)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	25,818	(2,724,418)	(2,698,600)
FUND BALANCES AT BEGINNING OF YEAR	<u>6,883,134</u>	<u>1,552,556</u>	<u>8,435,690</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6,908,952</u>	<u>\$ (1,171,862)</u>	<u>\$ 5,737,090</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, 2018**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 5,737,090
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		77,894,107
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		11,475,640
INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR EMPLOYEES' AND RETIREES' HEALTH INSURANCE, UNEMPLOYMENT, WORKMEN'S COMPENSATION AND BUILDING INSURANCE ACTIVITIES.		
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION		507,558
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(230,477)
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	(23,150,540)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(66,332,208)	
DEFERRED OUTFLOWS OF RESOURCES - OPEB	5,111,924	
NET PENSION LIABILITY	(23,321,975)	
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	5,237,311	
DEFERRED INFLOWS OF RESOURCES	(3,466,866)	
COMPENSATED ABSENCES	(1,390,838)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(52,500)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(107,365,692)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (11,981,774)</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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (2,698,600)
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	(744,719)	
DEPRECIATION EXPENSE	<u>1,095,669</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		350,950
REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE 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.		
		(2,189,548)
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	<u>3,700,697</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		3,700,697
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	(98,958)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	(28,500)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	38,541	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(9,246,695)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - OPEB	5,111,924	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	2,434,915	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	(1,936,566)	
NET CHANGE IN NET PENSION LIABILITY	<u>(842,494)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(4,567,833)
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>174,167</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (5,230,167)</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2018**

		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)
<u>REVENUES:</u>							
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ -	\$ 38,202,393	\$ 38,202,393	\$ 38,202,393	\$ 37,904,356	\$ -	\$ (298,037)
MOTOR VEHICLE EXCISE TAXES	-	2,514,574	2,514,574	2,514,574	2,594,303	-	79,729
PENALTIES & INTEREST ON TAXES	-	214,744	214,744	214,744	259,604	-	44,860
INTERGOVERNMENTAL	-	13,072,714	13,072,714	13,072,714	13,182,641	-	109,927
INVESTMENT INCOME	-	16,378	16,378	16,378	30,372	-	13,994
DEPARTMENTAL	-	1,730,564	1,730,564	1,730,564	2,162,977	-	432,413
TOTAL REVENUES	-	55,751,367	55,751,367	55,751,367	56,134,253	-	382,886
<u>EXPENDITURES:</u>							
CURRENT:							
GENERAL GOVERNMENT	29,518	2,789,388	2,818,906	2,859,685	2,653,159	57,522	149,004
PUBLIC SAFETY	265,351	6,678,545	6,943,896	7,253,787	6,928,155	97,400	228,232
EDUCATION	229,198	27,953,077	28,182,275	28,184,419	27,718,703	308,825	156,891
PUBLIC WORKS	8,083	1,968,768	1,976,851	2,332,851	2,233,540	41,040	58,271
HUMAN SERVICES	-	421,052	421,052	434,752	423,046	-	11,706
CULTURE & RECREATION	1,400	798,553	799,953	863,990	793,305	64,000	6,685
EMPLOYEE BENEFITS	-	9,927,477	9,927,477	9,962,477	9,947,152	-	15,325
STATE & COUNTY ASSESSMENTS	-	1,600,705	1,600,705	1,600,705	1,609,367	-	(8,662)
DEBT SERVICE:							
PRINCIPAL	-	3,700,697	3,700,697	3,700,697	3,700,697	-	-
INTEREST	-	1,003,007	1,003,007	1,003,007	955,066	-	47,941
TOTAL EXPENDITURES	533,550	56,841,269	57,374,819	58,196,370	56,962,190	568,787	665,393
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(533,550)	(1,089,902)	(1,623,452)	(2,445,003)	(827,937)	(568,787)	1,048,279
<u>OTHER FINANCING SOURCES (USES):</u>							
OPERATING TRANSFERS IN	-	1,135,558	1,135,558	1,379,214	1,486,938	-	107,724
OPERATING TRANSFERS OUT	-	(651,158)	(651,158)	(651,158)	(651,158)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	484,400	484,400	728,056	835,780	-	107,724
NET CHANGE IN FUND BALANCE	(533,550)	(605,502)	(1,139,052)	(1,716,947)	7,843	(568,787)	1,156,003
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	3,030,600	3,030,600	3,030,600	3,030,600	3,030,600	-	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 2,497,050	\$ 2,425,098	\$ 1,891,548	\$ 1,313,653	\$ 3,038,443	\$ (568,787)	\$ 1,156,003

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
<u>ASSETS</u>	<u>WATER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 2,631,639	\$ 412,238	\$ 3,043,877	\$ 253,805
USER FEES	786,073	488,802	1,274,875	-
PREPAID EXPENSES	-	-	-	754,137
TOTAL CURRENT ASSETS	3,417,712	901,040	4,318,752	1,007,942
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	30,234,833	-	30,234,833	-
TOTAL ASSETS	33,652,545	901,040	34,553,585	1,007,942
DEFERRED OUTFLOWS OF RESOURCES				
RELATED TO OPEB	103,841	6,341	110,182	-
RELATED TO PENSIONS	284,624	15,505	300,129	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	388,465	21,846	410,311	-
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	77,786	65,427	143,213	-
ACCRUED LIABILITIES	21,676	1,869	23,545	-
HEALTH CLAIMS PAYABLE	-	-	-	500,384
ACCRUED INTEREST	142,182	-	142,182	-
BONDS AND NOTES PAYABLE	786,638	-	786,638	-
TOTAL CURRENT LIABILITIES	1,028,282	67,296	1,095,578	500,384
NONCURRENT:				
BONDS AND NOTES PAYABLE	14,600,674	-	14,600,674	-
NET PENSION LIABILITY	1,267,445	69,044	1,336,489	-
OTHER POSTEMPLOYMENT BENEFITS	1,347,441	82,285	1,429,726	-
TOTAL NONCURRENT LIABILITIES	17,215,560	151,329	17,366,889	-
TOTAL LIABILITIES	18,243,842	218,625	18,462,467	500,384
<u>DEFERRED INFLOWS OF RESOURCES</u>				
RELATED TO PENSIONS	188,409	10,264	198,673	-
<u>NET POSITION</u>				
NET INVESTMENT IN CAPITAL ASSETS	14,863,251	-	14,863,251	-
UNRESTRICTED	745,508	693,997	1,439,505	507,558
TOTAL NET POSITION	\$ 15,608,759	\$ 693,997	\$ 16,302,756	\$ 507,558

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, 2018**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 3,488,635	\$ 1,693,376	\$ 5,182,011	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	2,778,553
EMPLOYEE CONTRIBUTIONS	-	-	-	6,823,867
DEPARTMENTAL & OTHER INCOME	137,232	-	137,232	1,431,134
TOTAL OPERATING REVENUES	3,625,867	1,693,376	5,319,243	11,033,554
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	2,159,526	1,639,329	3,798,855	-
DEPRECIATION	425,848	-	425,848	-
EMPLOYEE BENEFITS	102,627	6,142	108,769	10,707,122
TOTAL OPERATING EXPENSES	2,688,001	1,645,471	4,333,472	10,707,122
OPERATING INCOME (LOSS)	937,866	47,905	985,771	326,432
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INVESTMENT INCOME	7,982	802	8,784	5,774
INTEREST EXPENSE	(375,306)	-	(375,306)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(367,324)	802	(366,522)	5,774
INCOME (LOSS) BEFORE OPERATING TRANSFERS	570,542	48,707	619,249	332,206
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	601,251	-	601,251	17,109
OPERATING TRANSFERS OUT	(142,190)	-	(142,190)	(175,148)
TOTAL OPERATING TRANSFERS	459,061	-	459,061	(158,039)
CHANGE IN NET POSITION	1,029,603	48,707	1,078,310	174,167
NET POSITION AT BEGINNING OF YEAR	14,579,156	645,290	15,224,446	333,391
NET POSITION AT END OF YEAR	\$ 15,608,759	\$ 693,997	\$ 16,302,756	\$ 507,558

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	WATER	SANITATION	TOTAL	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ 2,778,553
EMPLOYEE CONTRIBUTIONS	-	-	-	6,823,867
RECEIPTS FROM CUSTOMERS AND USERS	3,452,038	1,645,896	5,097,934	1,431,133
PAYMENTS TO SUPPLIERS	(1,245,358)	(1,651,567)	(2,896,925)	(11,988,362)
PAYMENTS TO EMPLOYEES	(891,750)	(34,628)	(926,378)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,314,930	(40,299)	1,274,631	(954,809)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	601,251	-	601,251	17,109
OPERATING TRANSFERS OUT	(142,190)	-	(142,190)	(175,148)
NET CASH PROVIDED (USES) BY NONCAPITAL FINANCING ACTIVITIES	459,061	-	459,061	(158,039)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(769,691)	-	(769,691)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(871,603)	-	(871,603)	-
INTEREST EXPENSE	(381,928)	-	(381,928)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(2,023,222)	-	(2,023,222)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	7,982	802	8,784	5,774
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(241,249)	(39,497)	(280,746)	(1,107,074)
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	2,872,888	451,735	3,324,623	1,360,879
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 2,631,639</u>	<u>\$ 412,238</u>	<u>\$ 3,043,877</u>	<u>\$ 253,805</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ 937,866</u>	<u>\$ 47,905</u>	<u>\$ 985,771</u>	<u>\$ 326,432</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	425,848	-	425,848	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(173,829)	(47,481)	(221,310)	-
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	(555,360)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(236,167)	(13,550)	(249,717)	-
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	22,418	(46,865)	(24,447)	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	(725,881)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	187,764	11,464	199,228	-
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	105,244	5,734	110,978	-
INCREASE (DECREASE) IN NET PENSION LIABILITY	45,786	2,494	48,280	-
TOTAL ADJUSTMENTS	377,064	(88,204)	288,860	(1,281,241)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,314,930</u>	<u>\$ (40,299)</u>	<u>\$ 1,274,631</u>	<u>\$ (954,809)</u>

See accompanying notes to the basic financial statements

**TOWN OF BELLINGHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 506,868	\$ 441,019	\$ 1,169,953
INVESTMENTS	-	26,006	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	506,868	467,025	1,169,953
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	8,853
ACCRUED LIABILITIES	-	-	32,912
OTHER LIABILITIES	-	-	1,128,188
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	1,169,953
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
NET POSITION - HELD IN TRUST FOR OPEB AND OTHER PURPOSES	\$ 506,868	\$ 467,025	\$ -
	<hr/>	<hr/>	<hr/>

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, 2018**

	POSTEMPLOYMENT BENEFITS TRUSTS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
EMPLOYER CONTRIBUTIONS TO PAY FOR OPEB BENEFITS	\$ 1,525,583	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	2,884	1,664
TOTAL ADDITIONS	1,528,467	1,664
<u>DEDUCTIONS:</u>		
BENEFIT PAYMENTS	1,525,583	-
EDUCATIONAL SCHOLARSHIPS	-	8,000
TOTAL DEDUCTIONS	1,525,583	8,000
CHANGE IN NET POSITION	2,884	(6,336)
NET POSITION AT BEGINNING OF YEAR	503,984	473,361
NET POSITION AT END OF YEAR	<u>\$ 506,868</u>	<u>\$ 467,025</u>

See accompanying notes to the basic financial statements

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$1,017,089

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 6.90% in the joint venture.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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.

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, 2018

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 stature 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, 2018

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. 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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings	40
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.

I. Interfund Receivables and Payables

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Deferred 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 resources related to postemployment benefits and pensions in this category.

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 resources related to pensions in this category.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

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

Net position have been “restricted” for the following:

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

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

- 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.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

O. Compensated Absences

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 is recorded in the governmental fund financial statement.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Norfolk County Contributory Retirement System (NCCRS) and the Massachusetts Teachers Retirement System (MTRS), additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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.

R. 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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

S. 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 2018 approved budget authorized \$56,841,269 in current year appropriations and other amounts to be raised and \$533,550 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$821,551 were approved at two Town Meetings during fiscal year 2018.

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

TOWN OF BELLINGHAM, MASSACHUSETTS
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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, 2018, is presented below:

Net change in fund balance - budgetary basis	\$ 7,843
Basis of accounting differences:	
Net stabilization fund activity	17,975
Increase in revenue for on-behalf payments - MTRS	5,481,360
Increase in expenditures for on-behalf payments - MTRS	(5,481,360)
Increase in revenue for the MWPAT subsidy	4,237
Increase in expenditures for the MWPAT subsidy	<u>(4,237)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 25,818</u></u>

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue and governmental capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants, and/or proceeds from long-term debt during fiscal year 2019.

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 collateralized with securities held by the pledging bank's trust department not in the Town's name.

TOWN OF BELLINGHAM, MASSACHUSETTS
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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, 2018:

TOTAL BANK BALANCES		<u>\$ 23,397,929</u>
BANK BALANCES COVERED BY DEPOSIT INSURANCE		
FDIC	2,588,710	
DIF	6,865,695	
SIF	<u>8,047,412</u>	
TOTAL INSURED BANK BALANCES		17,501,817
BANK 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	4,921,705	
BANK BALANCES UNINSURED & UNCOLLATERALIZED	<u>974,407</u>	
TOTAL BANK BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		<u>5,896,112</u>
TOTAL BANK BALANCES		<u>\$ 23,397,929</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 the 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>\$ 61,089</u>	<u>N/A</u>	<u>\$ 61,089</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>\$ 61,089</u>	<u>\$ 61,089</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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	42.57%
Charles River Bank - Certificate of Deposit	17.11%
Rockland Trust Company - Certificates of Deposit	13.79%
Rockland Trust Company - Certificates of Deposit	13.63%
Rockland Trust Company - Certificates of Deposit	9.02%

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, 2018:

Investment Type	June 30, 2018	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	\$ 61,089	\$ 61,089	\$ -	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	526,867			
Total Investments	\$ 587,956			

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, 2018 for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 1,014,700	\$ (64,300)	\$ 950,400
Tax liens	1,214,812	-	1,214,812
Motor vehicles excise taxes	462,055	(142,400)	319,655
User fees	456,972	-	456,972
Departmental and other	1,514,154	(1,086,137)	428,017
Intergovernmental	7,503,160	-	7,503,160
Special assessments	803,918	-	803,918
Total	<u>\$ 12,969,771</u>	<u>\$ (1,292,837)</u>	<u>\$ 11,676,934</u>

The receivables at June 30, 2018 for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 786,073	\$ -	\$ 786,073
<i>Sanitation</i>			
User fees	488,802	-	488,802
Total	<u>\$ 1,274,875</u>	<u>\$ -</u>	<u>\$ 1,274,875</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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

<u>Deferred Inflows:</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Deferred Property Taxes	\$ 772,681	\$ -	\$ 772,681
Deferred Other Revenue	1,567,253	1,656,121	3,223,374
Deferred Intergovernmental Revenues	7,479,585	-	7,479,585
Total	<u>\$ 9,819,519</u>	<u>\$ 1,656,121</u>	<u>\$ 11,475,640</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, 2018 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,307,759	\$ -	\$ -	\$ 12,307,759
Construction in progress	476,521	367,536	-	844,057
Total capital assets not being depreciated	12,784,280	367,536	-	13,151,816
<i>Capital assets being depreciated:</i>				
Buildings	75,768,718	155,868	(4,091,736)	71,832,850
Improvements (other than buildings)	1,485,306	-	-	1,485,306
Machinery and equipment	10,304,975	476,258	-	10,781,233
Vehicles	6,624,994	34,458	(43,660)	6,615,792
Software	782,543	-	-	782,543
Furniture & fixtures	37,496	-	-	37,496
Other	1,001,076	-	-	1,001,076
Infrastructure	29,074,582	2,356,557	-	31,431,139
Total capital assets being depreciated	125,079,690	3,023,141	(4,135,396)	123,967,435
<i>Less accumulated depreciation for:</i>				
Buildings	(34,429,339)	(1,561,121)	4,091,736	(31,898,724)
Improvements (other than buildings)	(256,337)	(73,488)	-	(329,825)
Machinery and equipment	(8,814,934)	(295,450)	-	(9,110,384)
Vehicles	(4,283,560)	(388,425)	43,660	(4,628,325)
Software	(576,225)	(48,810)	-	(625,035)
Furniture & fixtures	(37,496)	-	-	(37,496)
Other	(996,576)	-	-	(996,576)
Infrastructure	(10,926,346)	(672,433)	-	(11,598,779)
Total accumulated depreciation	(60,320,813)	(3,039,727)	4,135,396	(59,225,144)
Total capital assets being depreciated, net	64,758,877	(16,586)	-	64,742,291
Total governmental activities capital assets, net	\$ 77,543,157	\$ 350,950	\$ -	\$ 77,894,107

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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	15,891,456	799,927	-	16,691,383
Total capital assets not being depreciated	19,464,556	799,927	-	20,264,483
<i>Capital assets being depreciated:</i>				
Machinery and equipment	1,355,270	70,376	-	1,425,646
Vehicles	848,664	-	-	848,664
Software	341,100	-	-	341,100
Infrastructure	15,070,175	1,300	-	15,071,475
Total capital assets being depreciated	17,615,209	71,676	-	17,686,885
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(1,018,329)	(89,611)	-	(1,107,940)
Vehicles	(729,199)	(24,471)	-	(753,670)
Software	(322,605)	(4,110)	-	(326,715)
Infrastructure	(5,220,554)	(307,656)	-	(5,528,210)
Total accumulated depreciation	(7,290,687)	(425,848)	-	(7,716,535)
Total capital assets being depreciated, net	10,324,522	(354,172)	-	9,970,350
Total business-type activities capital assets, net	\$ 29,789,078	\$ 445,755	\$ -	\$ 30,234,833

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

Governmental Activities:	
General government	\$ 197,887
Public safety	655,860
Education	1,294,135
Public works	751,046
Sewer	47,656
Human services	45,316
Culture and recreation	47,827
	<hr/>
Total depreciation expense - governmental activities	<u><u>\$ 3,039,727</u></u>
Business-Type Activities:	
Water	\$ 425,848
Sanitation	-
	<hr/>
Total depreciation expense - business-type activities	<u><u>\$ 425,848</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

	Operating Transfers In:					
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Internal Service Fund	Total	
Operating Transfers Out:						
General Fund	\$ -	\$ 49,908	\$ 601,251	-	\$ 651,159	(1)
Nonmajor Governmental Funds	1,204,214	-	-	-	1,204,214	(2)
Nonmajor Governmental Funds	22,724	-	-	5,951	28,675	(3)
Water Enterprise Fund	-	46,032	-	-	46,032	(2)
Water Enterprise Fund	85,000	-	-	11,158	96,158	(3)
Internal Service Fund	175,000	148	-	-	175,148	(2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u><u>\$ 1,486,938</u></u>	<u><u>\$ 96,088</u></u>	<u><u>\$ 601,251</u></u>	<u><u>\$ 17,109</u></u>	<u><u>\$ 2,201,386</u></u>	

- (1) Represents budgeted transfers to various funds.
- (2) Represents various budgeted transfers to supplement the operating budget.
- (3) Represents other transfers.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – SHORT -TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2018:

Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
<u>Governmental Funds</u>						
Multi-purpose	1.55%	6/22/2018	\$ 3,621,123	\$ -	\$ (3,621,123)	\$ -
Pearl St. Dam Demolition	1.68%	6/22/2018	541,701	-	(541,701)	-
MWPAT Intern Loan Note	0.00%	6/22/2018	300,000	170,500	-	470,500
Multi-purpose	2.75%	6/21/2019	-	7,976,105	-	7,976,105
Total Governmental Funds			<u>\$ 4,462,824</u>	<u>\$ 8,146,605</u>	<u>\$ (4,162,824)</u>	<u>\$ 8,446,605</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Tile V Septic	Var.%	\$ 31,263	\$ -	\$ 10,421	\$ 20,842
School - Refunding	2.57%	8,185,000	-	1,930,000	6,255,000
Senior Center - Refunding	2.48%	170,000	-	45,000	125,000
Title V Septic	Var.%	60,296	-	9,972	50,324
Land Acquisition	3.96%	440,000	-	55,000	385,000
Town Hall Construction	3.96%	480,000	-	60,000	420,000
Title V Septic	Var.%	135,000	-	15,000	120,000
Multiple Purposes	3.74%	470,000	-	60,000	410,000
Title V Septic	0.00%	160,478	-	9,918	150,560
School Construction - Refunding	1.87%	3,745,000	-	700,000	3,045,000
Multiple Purposes	1.47%	3,700,000	-	370,000	3,330,000
Title V Septic	0.00%	240,000	-	15,000	225,000
Police Station	2.94%	6,325,000	-	245,000	6,080,000
Multiple Purposes	Var.%	2,105,000	-	145,000	1,960,000
Old Mill Pond Demo	0.00%	604,200	-	30,386	573,814
Total		<u>\$ 26,851,237</u>	<u>\$ -</u>	<u>\$ 3,700,697</u>	<u>\$ 23,150,540</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,805,735	\$ 762,359	\$ 4,568,094
2020	3,915,772	619,872	4,535,644
2021	4,030,388	473,126	4,503,514
2022	1,875,657	343,441	2,219,098
2023	1,095,695	275,319	1,371,014
2024-2028	4,983,014	828,904	5,811,918
2029-2033	2,413,957	318,150	2,732,107
2034-2037	1,030,322	30,853	1,061,175
	<u>\$ 23,150,540</u>	<u>\$ 3,652,024</u>	<u>\$ 26,802,564</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 2018 from the MSBA for completed school construction projects.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Water	3.78%	\$ 450,000	\$ -	\$ 50,000	\$ 400,000
Water - 2005	3.96%	200,000	-	25,000	175,000
Water - 2008	3.86%	440,000	-	35,000	405,000
Water - 2008	3.82%	295,000	-	30,000	265,000
Water - 2014	Var %	2,010,000	-	80,000	1,930,000
MWPAT Water Treatment Plant	2.00%	12,762,003	-	549,691	12,212,312
Total		<u>\$ 16,157,003</u>	<u>\$ -</u>	<u>\$ 769,691</u>	<u>\$ 15,387,312</u>

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 786,638	\$ 362,434	\$ 1,149,072
2020	798,844	342,464	1,141,308
2021	821,316	322,036	1,143,352
2022	834,059	300,860	1,134,919
2023	852,079	278,817	1,130,896
2024-2028	4,370,810	1,052,800	5,423,610
2029-2033	4,266,465	555,647	4,822,112
2034-2036	<u>2,657,101</u>	<u>105,300</u>	<u>2,762,401</u>
Total	<u>\$ 15,387,312</u>	<u>\$ 3,320,358</u>	<u>\$ 18,707,670</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Loans Authorized and Unissued

As of June 30, 2018, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Remediated Sewer	5/24/1995	\$ 50,000
Remediated Sewer	5/25/2011	300,000
Middle School Boilers	6/13/2011	277,129
Remediated Sewer	5/23/2012	300,000
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
DPW Building Repairs	10/16/2016	715,000
Roadway Improvements	10/19/2016	5,000,000
Total		<u>\$ 11,962,129</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2018:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 26,851,237	\$ -	\$ (3,700,697)	\$ 23,150,540	\$ 3,805,735
Compensated absences	1,291,880	98,958	-	1,390,838	458,977
Landfill postclosure care costs	24,000	28,500	-	52,500	7,500
Net Pension Liability	22,479,481	842,494	-	23,321,975	-
OPEB	57,085,513	9,246,695	-	66,332,208	-
Total governmental activities long-term liabilities	<u>\$ 107,732,111</u>	<u>\$ 10,216,647</u>	<u>\$ (3,700,697)</u>	<u>\$ 114,248,061</u>	<u>\$ 4,272,212</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 16,157,003	\$ -	\$ (769,691)	\$ 15,387,312	\$ 786,638
Net Pension Liability	1,288,209	48,280	-	1,336,489	-
OPEB	1,230,498	199,228	-	1,429,726	-
Total business-type activities long-term liabilities	<u>\$ 18,675,710</u>	<u>\$ 247,508</u>	<u>\$ (769,691)</u>	<u>\$ 18,153,527</u>	<u>\$ 786,638</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2018:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Norfolk County	\$ 13,574,000	1.695%	\$ 230,079
Blackstone Valley Vocational Regional School District			
School Construction Bonds	<u>2,675,000</u>	6.90%	<u>184,575</u>
	<u>\$ 16,249,000</u>		<u>\$ 414,654</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
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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	\$ -	\$ 1,192,389	\$ 1,192,389
Public Safety	-	232,393	232,393
Education	-	1,948,568	1,948,568
Public Works	-	569,437	569,437
Sewer	-	499,349	499,349
Human Services	-	685,218	685,218
Culture & Recreation	-	140,765	140,765
Employee Benefits	-	811,684	811,684
Tax Rate Stabilization	2,033,713	-	2,033,713
Expendable Trust Funds	-	43,824	43,824
	<u>2,033,713</u>	<u>6,123,627</u>	<u>8,157,340</u>
Committed To:			
Continuing Appropriations			
General Government	43,873	-	43,873
Public Safety	94,675	-	94,675
Education	131,006	-	131,006
Culture & Recreation	64,000	-	64,000
	<u>333,554</u>	<u>-</u>	<u>333,554</u>
Assigned To:			
Encumbered For:			
General Government	13,650	-	13,650
Public Safety	2,725	-	2,725
Education	177,819	-	177,819
Public Works	41,040	-	41,040
Subsequent Years Expenditures	270,002	-	270,002
Capital Investment Stabilization Fund	304,965	-	304,965
	<u>810,201</u>	<u>-</u>	<u>810,201</u>
Unassigned			
General Fund	2,805,154	-	2,805,154
General Stabilization Fund	926,330	-	926,330
Nonmajor Governmental Funds	-	(542,166)	(542,166)
Capital Projects			
Public Safety	-	(940,000)	(940,000)
Education	-	(426,206)	(426,206)
Public Works	-	(5,286,279)	(5,286,279)
Sewer	-	(100,838)	(100,838)
	<u>3,731,484</u>	<u>(7,295,489)</u>	<u>(3,564,005)</u>
Total Governmental Fund Balances	<u>\$ 6,908,952</u>	<u>\$ (1,171,862)</u>	<u>\$ 5,737,090</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 \$926,330 as of June 30, 2018. 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 \$304,965 as of June 30, 2018. 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 \$2,033,713 as of June 30, 2018.

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 earthquake damage, to the extent that losses exceed \$25,000 per incident. The buildings are not insured for losses due to flood.

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 2018.

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 662 employees and retirees who participate in the Town's health care programs. For those 394 employees electing a Health Maintenance Organization (HMO), the town contributes 80% of the costs. For those 35 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. 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 220 retirees currently enrolled in the Medex Supplemental plan.

Stop loss insurance is carried on all self-insured health care claims in excess of \$160,000 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, 2018 and June 30, 2017, 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 2018 and 2017 were as follows:

	Healthcare	
	2018	2017
Liability at beginning of fiscal year	\$ 1,226,264	\$ 1,087,484
Claims incurred for current fiscal year and Changes in provisions for prior year	7,788,457	9,327,693
Claims payments for current fiscal year	<u>(8,514,337)</u>	<u>(9,188,913)</u>
Liability at end of fiscal year	<u>\$ 500,384</u>	<u>\$ 1,226,264</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical, dental, and life insurance benefits:

Plan Description. Town of Bellingham Other Postemployment Benefits Plan (The Plan) 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 50% of the premium cost of retirees' health, dental 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 projected pay-as-you-go financing requirements. For Fiscal Year 2018, total Town premiums plus implicit costs for the retiree medical program are \$1,525,583.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. As of June 30, 2018, the balance of this fund totaled \$506,868.

GASB Statement #74 – OPEB Plan Financial Reporting

Measurement Date - GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by and actuarial valuation as of July 1, 2017.

Plan Membership – The following table represents the Plan's membership as July 1, 2017:

Active Members	485
Inactive members currently receiving benefits	<u>288</u>
Total	<u><u>773</u></u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2017:

Total OPEB Liability	\$ 58,819,995
Less: OPEB plan's fiduciary net position	<u>(503,984)</u>
Net OPEB Liability	<u><u>\$ 58,316,011</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	0.86%
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TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018 to be in accordance with GASB Statement #74.

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2017.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2018
Investment Rate of Return	2.75%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate:	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20 year high grade index - SAPIHG)
Single Equivalent Discount Rate:	3.50% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2018 and for future periods
Salary Increases:	3.00% annually as of June 30, 2018 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Mortality Experience Study:	The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Investment Policy

Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate on investments, net of investments expense, was 0.57%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town's investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	0.00%	4.00%
Domestic equity - small/mid cap	0.00%	6.00%
International equity - developed market	0.00%	4.50%
International equity - emerging market	0.00%	7.00%
Domestic fixed income	0.00%	2.00%
International fixed income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real Estate	0.00%	6.25%
Cash	100.00%	0.00%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2018, and 3.25% as of June 30, 2017.

Changes in Plan Provisions – None

GASB Statement #75 – OPEB Employer Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Measurement Date - GASB #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Plan Membership – The following table represents the Plan's membership as July 1, 2017:

Active Members	485
Inactive members currently receiving benefits	<u>288</u>
Total	<u><u>773</u></u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2018:

Total OPEB Liability	\$ 68,268,802
Less: OPEB plan's fiduciary net position	<u>(506,868)</u>
Net OPEB Liability	<u><u>\$ 67,761,934</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	0.74%
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TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018 to be in accordance with GASB Statement #75.

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2017.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2018
Investment Rate of Return	2.75%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate:	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20 year high grade index - SAPIHG)
Single Equivalent Discount Rate:	3.50% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2018 and for future periods
Salary Increases:	3.00% annually as of June 30, 2018 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Mortality Experience Study:	The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Investment Policy

Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate on investments, net of investments expense, was 0.57%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town's investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	0.00%	4.00%
Domestic equity - small/mid cap	0.00%	6.00%
International equity - developed market	0.00%	4.50%
International equity - emerging market	0.00%	7.00%
Domestic fixed income	0.00%	2.00%
International fixed income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real Estate	0.00%	6.25%
Cash	<u>100.00%</u>	0.00%
	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2018, and 3.25% as of June 30, 2017.

TOWN OF BELLINGHAM, MASSACHUSETTS
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Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 58,819,995	\$ 503,984	\$ 58,316,011
Charges for the year:			
Service cost	2,517,169	-	2,517,169
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	2,120,333	-	2,120,333
Change in assumptions	4,502,203	-	4,502,203
Difference between actual and expected experience	1,834,685	-	1,834,685
Net Investment Income	-	2,884	(2,884)
Employer Contributions to Trust	-	1,525,583	(1,525,583)
Benefit payments withdrawn from trust	-	(1,525,583)	1,525,583
Benefit payments excluding implicit costs	(1,286,488)	-	(1,286,488)
Implicit cost amount	(239,095)	-	(239,095)
Net Changes	9,448,807	2,884	9,445,923
Balance at June 30, 2018	\$ 68,268,802	\$ 506,868	\$ 67,761,934

Sensitivity of the net OPEB liability to changes and service cost in the discount rate – The following table presents the Plan’s net OPEB liability and service cost, calculated using the discount rate of 3.50% as well as what the net OPEB liability and service cost would be if it were calculated using a discount rate that is 1 percentage- point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 80,495,371	\$ 67,761,934	\$ 57,771,059
Service Cost	\$ 3,357,153	\$ 2,517,169	\$ 1,912,440

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Sensitivity of the net OPEB liability and service cost to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability	\$ 46,708,361	\$ 67,761,934	\$ 95,133,495
Service Cost	\$ 1,316,905	\$ 2,517,169	\$ 4,215,027

The Town's deferred outflows of resources related to other postemployment benefits will be recognized in future years other postemployment benefits expense are as follows:

Period Year ended June 30	Amount
	<u> </u>
2019	\$ 1,125,757
2020	1,125,757
2021	1,125,757
2022	1,125,757
2023	709,078
Total Deferred Outflows Recognized in Future OPEB Expenses	<u><u>\$ 5,212,106</u></u>

Changes of Assumption – None

Changes in Plan Provisions - None

NOTE 13 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Norfolk County Contributory Retirement System (The System), a cost-sharing multiple-employer, 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 school teachers and certain school administrators.

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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>. The MTRS report may also be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No.68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$5,481,360 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$52,517,075 as of the measurement date.

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.

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 consists of positions that have even been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

TOWN OF BELLINGHAM, MASSACHUSETTS
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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, 55 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 employee's 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 between 1981 and 1997 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 after 1997 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% on regular compensation earned at a rate in excess of \$30,000. The percentage 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 December 31, 2017 which was \$2,854,177 and 21.68% 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.

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

Pension Liabilities

At June 30, 2018 the Town reported a liability of \$24,658,464 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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 actuarially determined. At December 31, 2017, the Town's proportion was 4.46% which was a decrease of 0.09% from its proportion measured as of December 31, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018 the Town recognized pension expense of \$3,393,440. At June 30, 2018 the Town reported deferred outflows and inflows of resources related to pensions of \$5,537,440 and \$3,665,539 respectively.

The balances of deferred outflows and inflows as June 30, 2018 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience	\$ 2,350,699	\$ -	\$ 2,350,699
Changes of Assumptions	1,236,381	(994,500)	241,881
Difference between projected and actual investment earnings	1,532,023	(2,293,692)	(761,669)
Changes in proportionate share of contributions	418,337	(377,347)	40,990
Total Deferred Outflows (Inflows) of Resources	<u>\$ 5,537,440</u>	<u>\$ (3,665,539)</u>	<u>\$ 1,871,901</u>

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

<u>Year ended June 30</u>	<u>Amount</u>
2018	\$ 926,563
2019	775,328
2020	448,209
2021	(278,199)
Totals	<u>\$ 1,871,901</u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

E. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date.

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal cost method
Amortization method	Open-level percent of payroll.
Cost of Living Increase	3.0% of first \$17,000 of retirement income
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	7.75%

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	8.80%
International Equities	17.5%	8.80%
Fixed Income	19.0%	3.60%
Private Equity	8.5%	13.30%
Real Estate	9.0%	7.40%
Real Assets	5.0%	10.40%
Hedge Funds	9.0%	7.40%
Total	<u>100%</u>	

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The system's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the plan.

For the year ended December 31, 2017 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 14.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the plan reaches full funding status by 2040. Based on those assumptions, the 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 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 in the discount rate

The following presents the net pension liability of the system, as of December 31, 2017 calculated using the discount rate of 7.75%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability	\$ 31,910,489	\$ 24,658,464	\$ 18,497,820

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

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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 (7 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$52,500 reported as landfill post-closure liability at June 30, 2018 is based on what it would cost to perform all post-closure care at June 30, 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

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 2018.

<u>Description</u>	<u>Amount</u>
Dial-A-Ride Program costs	<u><u>\$ 193,834</u></u>

TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – RESTATEMENT DUE TO A CHANGE IN ACCOUNTING STANDARDS

During 2018, GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits other than pensions was implemented. This resulted in a restatement of the governmental activities and business type activities beginning net position at June 30, 2017 to reflect the recording for postemployment benefits liability.

Statement of Net Position

Description	Primary Government		Business-type Activities	
	Governmental Activities	Business-type Activities	Water	Trash
Total Net Position at June 30, 2017, as previously reported	\$ 25,101,520	\$ 15,608,040	\$ 14,947,576	\$ 660,464
To adjust the beginning post employment benefits liability	<u>(31,853,127)</u>	<u>(383,594)</u>	<u>(368,420)</u>	<u>(15,174)</u>
Total Net Position at June 30, 2017, as restated	<u>\$ (6,751,607)</u>	<u>\$ 15,224,446</u>	<u>\$ 14,579,156</u>	<u>\$ 645,290</u>

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2018, the following GASB pronouncements were implemented:

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was 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 #81**, *Irrevocable Split-Interest Agreements*, which was 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 #85**, *Omnibus 2017*, which was 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 #86**, *Certain Debt Extinguishment Issues*, which was implemented in 2018. 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
JUNE 30, 2018

Future GASB Pronouncements:

The GASB issued **Statement #83**, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #84**, *Fiduciary Activities*, which is required to be implemented in 2020. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #87**, *Leases*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #88**, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #90**, *Majority Equity Interests – an Amendment of GASB Statements No.14 and No.61*, which is required to be implemented in 2019. 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, 2018**

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	4.46%	4.55%	4.55%	4.40%
Town's proportionate share of the net pension liability	\$ 24,658,464	\$ 23,767,690	\$ 24,732,717	\$ 22,819,057
Town's covered-employee payroll	\$ 13,162,759	\$ 12,923,047	\$ 12,264,210	\$ 11,153,168
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	187.34%	183.92%	201.67%	204.60%
Plan fiduciary net position as a percentage of the total pension liability	63.50%	61.60%	58.60%	60.10%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, 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, 2018**

SCHEDULE OF TOWN'S CONTRIBUTION

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Actuarily determined contribution	\$ 2,854,177	\$ 2,579,977	\$ 2,341,492	\$ 2,128,834
Contribution in relation to the actuarilly determined contribution	<u>(2,854,177)</u>	<u>(2,579,977)</u>	<u>(2,341,492)</u>	<u>(2,128,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 13,162,759	\$ 12,293,047	\$ 12,264,210	\$ 11,153,168
Contribution as a percentage of covered - employee payroll	21.68%	19.96%	19.09%	19.09%

Note: This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled, 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, 2018**

Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which create a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2018	\$ 52,517,075	\$ 5,481,360	54.25%
2017	51,937,186	5,297,933	52.73%
2016	47,604,645	3,861,160	55.38%
2015	37,503,034	2,605,516	61.64%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of the Town's Net OPEB Liability and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 2,517,169	\$ 2,771,538
Interest on total OPEB liability, service cost, and benefit payments	2,120,333	1,871,855
Changes of benefit terms	-	-
Differences between actual and expected experience	1,834,685	-
Changes of assumptions	4,502,203	-
Benefit Payments Excluding Implicit Costs	(1,286,488)	-
Implicit Cost amount	(239,095)	(1,284,525)
Net Change in total OPEB liability	<u>9,448,807</u>	<u>3,358,868</u>
Total OPEB liability-beginning	<u>58,819,995</u>	<u>55,461,127</u>
Total OPEB liability-ending (a)	<u><u>68,268,802</u></u>	<u><u>58,819,995</u></u>
Plan fiduciary net position		
Employer Contributions to Trust	1,525,583	1,210,598
Net investment income	2,884	1,508
Benefit payments withdrawn from trust	(1,525,583)	(1,210,598)
Administrative expenses	-	-
Net change in plan fiduciary net position	<u>2,884</u>	<u>1,508</u>
Plan fiduciary net position - beginning	<u>503,984</u>	<u>502,476</u>
Plan fiduciary net position - ending (b)	<u><u>506,868</u></u>	<u><u>503,984</u></u>
Town's net OPEB liability-ending (a)-(b)	<u><u>\$ 67,761,934</u></u>	<u><u>\$ 58,316,011</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.74%	0.86%
Covered-employee payroll	\$ 29,992,073	\$ 27,445,923
Plan's net OPEB liability as a percentage of covered-employee payroll	225.93%	212.48%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available

See notes to required supplementary information.

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of the Town's Contribution

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Acuarial determined contribution	\$ 5,580,666	\$ 5,575,718
Contributions in relation to the actuarially determined contribution	<u>(1,525,583)</u>	<u>(1,210,598)</u>
Contribution deficiency (excess)	<u>\$ 4,055,083</u>	<u>\$ 4,365,120</u>
Covered-employee payroll	\$ 29,992,073	\$ 27,445,923
Contributions as a percentage of covered- employee payroll	5.09%	4.41%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF BELLINGHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of Investment Return

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	0.57%	2.75%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

TOWN OF BELLINGHAM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 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 on covered payroll.

C. Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total pension liability.

D. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

A. Schedule of the Town's Net OPEB Liability and Related Ratios

The Schedule of the Town's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the plan's total OPEB liability, changes in the plan's net position, and ending net OPEB liability. It also demonstrates the plan's net position as a percentage of the total liability and the plan's net OPEB liability as a percentage of covered-employee payroll.

B. Schedule of the Town's Contribution

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution. The Town is not required to fully fund this contribution.

TOWN OF BELLINGHAM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Provisions - None