

***TOWN OF BELMONT, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2016***

TOWN OF BELMONT, MASSACHUSETTS

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Belmont, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of and for the year ended June 30, 2016 (except for the Belmont Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the Town of Belmont, Massachusetts' 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 the 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 did not audit the financial statements of the Belmont Municipal Light Plant as of December 31, 2015, which represent 61.1%, 31.9%, and 62.4%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Belmont Municipal Light Plant, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of June 30, 2016 (except for the Belmont Contributory Retirement System and Municipal Light Plant which are as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 and other auditors 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 February 21, 2017, on our consideration of the Town of Belmont, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Belmont, Massachusetts' internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

February 21, 2017

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Belmont, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2016.

The Town provides general government services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal, electricity transmission and parks and recreational facilities.

### ***Financial Summary***

- The Town's assets exceeded its liabilities at the close of 2016 by \$51.8 million.
- The Town's total net position increased by \$6.8 million.
- At the end of year 2016, the unassigned fund balance for the general fund was \$14.1 million or 14.0% of general fund expenditures.
- The Town has been recording an accrual for the liability associated with GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. At year end, the postemployment benefit (OPEB) liability totaled \$93.7 million. Please see Note 13 in the financial statements for further details.
- To offset the impact of OPEB liability, the Town has established an Other Postemployment Benefits Trust Fund (Trust) to account for funds set aside to help meet future postemployment benefit costs for retirees. During 2016, the Town transferred \$367 thousand and the Trust received \$178 thousand in investment income, bringing the balance to \$2.6 million. The Town voted to transfer \$344 thousand into the fund during 2017.
- At year end, the balance in the Town's Internal Service Fund totaled \$7.2 million, a decrease of \$1.3 million from the prior year due to higher than expected claim payments.
- This is the second year of the Town recording the liability associated with GASB # 68, *Accounting and Financial Reporting for Pensions*. At year end, the pension liability totaled \$75.3 million. Please see Note 12 in the financial statements for further details.

### ***Overview of the Financial Statements***

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Belmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required supplementary information in addition to the basic financial statements themselves.

**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 private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows and liabilities and deferred inflows, with the difference between them 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 Town's net position changed during the most recent 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 related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide statement of activities distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, education, public works, human services, culture and recreation, community preservation and interest. The business-type activities of the Town include the water, sewer and light plant.

The government-wide financial statements include not only the Town of Belmont itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Belmont is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**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. Fund accounting is used 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.** The focus of the Town of Belmont'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 of Belmont's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The Town has implemented GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard changed the fund balance components to nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's general stabilization fund is reported within the general fund as unassigned while the Ash Landfill stabilization fund and the Special Education stabilization fund are reported within the general fund as committed.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the wellington school construction fund and the community preservation fund, which are the Town's major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The Town of Belmont adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as Required Supplementary Information fund to demonstrate compliance with this 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 uses enterprise funds to account for its water and sewer systems and light plant activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems, the light plant activities and the internal service fund all of which are considered to be major funds 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* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: a pension trust fund, an other postemployment benefit trust, private purpose trust funds, and agency funds. Private purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police off-duty details and school student activity funds.

The Town is the trustee, or fiduciary, for its employees' pension plan and other postemployment benefit plan. The Town's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

**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 fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the progress in funding its obligation to provide postemployment benefits to its employees.

## ***Government-wide Financial Analysis***

### ***Governmental Activities***

The Town is able to report positive balance in two out of three categories of net position. As noted below, assets exceeded liabilities by \$7.5 million at the close of the most recent year.



	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current assets.....	\$ 66,918,550	\$ 60,302,682
Capital assets.....	144,023,558	140,101,602
<b>Total assets.....</b>	<b>210,942,108</b>	<b>200,404,284</b>
<b>Total deferred outflows of resources.....</b>	<b>10,212,172</b>	<b>934,739</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,717,057	7,122,235
Noncurrent liabilities (excluding debt).....	161,740,251	143,305,998
Current debt.....	3,158,931	2,908,329
Noncurrent debt.....	39,239,752	40,472,534
<b>Total liabilities.....</b>	<b>209,855,991</b>	<b>193,809,096</b>
<b>Total deferred inflows of resources.....</b>	<b>3,829,519</b>	<b>1,410,687</b>
<b>Net Position:</b>		
Capital assets net of related debt.....	109,104,411	103,830,716
Restricted.....	5,828,372	5,712,285
Unrestricted.....	(107,464,013)	(103,423,761)
<b>Total net position.....</b>	<b>\$ 7,468,770</b>	<b>\$ 6,119,240</b>

A significant portion of the Town's net position, \$109.1 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$5.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of *unrestricted net position*, of \$107.5 million is due to the recognition of the liabilities associated with GASB Statement #45 Other Postemployment Benefits in the amount of \$87.1 million, as well as GASB Statement #68 Net Pension liability in the amount of \$65.7 million.

The governmental activities net position increased by \$1.3 million in the current year. The increase was primarily due to the receipt of \$1.7 million of capital grants, the gain on sale of land of \$1.7 million, a \$648 thousand surplus in the Community Preservation Fund, the timing of the expenditure of grant funds versus the actual receipt of the grant proceeds, and the Town's ability to fund capital additions (approximately \$4.9 million) from current year revenues. These increases were offset by a \$10.5 million increase in the other postemployment benefits liability.

Key elements of the change in net position are as follows:

	<u>2016</u>	<u>2015</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 8,202,743	\$ 7,868,664
Operating grants and contributions.....	18,173,250	15,511,455
Capital grants and contributions.....	1,664,417	518,084
<b>General Revenues:</b>		
Real estate and personal property taxes.....	82,472,032	75,959,984
Tax liens.....	411,094	331,980
Motor vehicle and other excise taxes.....	3,575,660	3,467,076
Community preservation tax.....	1,084,117	970,713
Nonrestricted grants.....	2,943,794	2,546,466
Penalties and interest on taxes.....	295,848	427,131
Unrestricted investment income.....	1,713,254	479,466
Gain/(loss) on disposal of capital assets.....	1,741,369	776
Total revenues.....	<u>122,277,578</u>	<u>108,081,795</u>
<b>Expenses:</b>		
General government.....	9,229,962	7,626,030
Public safety.....	23,428,949	20,065,660
Education.....	72,433,026	66,732,538
Public works.....	10,595,244	15,430,071
Human services.....	1,646,230	1,435,129
Culture and recreation.....	3,118,152	3,446,940
Interest.....	1,419,485	1,284,634
Total expenses.....	<u>121,871,048</u>	<u>116,021,002</u>
<b>Change in net position before transfers.....</b>	<b>406,530</b>	<b>(7,939,207)</b>
<b>Transfers.....</b>	<b><u>943,000</u></b>	<b><u>937,125</u></b>
<b>Change in net position.....</b>	<b>1,349,530</b>	<b>(7,002,082)</b>
<b>Net position at beginning of year.....</b>	<b><u>6,119,240</u></b>	<b><u>13,121,322</u></b>
<b>Net position at end of year.....</b>	<b>\$ <u><u>7,468,770</u></u></b>	<b>\$ <u><u>6,119,240</u></u></b>

### **Business-type activities**

The 2015 noncurrent liabilities and beginning net position have been revised by \$5.8 million in the light enterprise fund related to the implementation of GASB Statement #68. Please see Note 17 for more information.

Combined business-type activities net position increased by \$5.5 million in the current year. The following table identifies key elements of the enterprise operations:

	<b>2016</b>	<b>(As Revised) 2015</b>
<b>Assets:</b>		
Current assets.....	\$ 50,141,906	\$ 35,990,811
Noncurrent assets (excluding capital).....	8,336,135	6,373,002
Capital assets.....	74,914,504	59,354,323
Total assets.....	<b>133,392,545</b>	<b>101,718,136</b>
<b>Total deferred outflows of resources.....</b>	<b>1,001,674</b>	<b>359,162</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,856,109	2,232,802
Noncurrent liabilities (excluding debt).....	16,339,587	15,487,250
Current debt.....	28,959,823	2,374,131
Noncurrent debt.....	39,307,197	41,446,423
Total liabilities.....	<b>87,462,716</b>	<b>61,540,606</b>
<b>Total deferred inflows of resources.....</b>	<b>2,645,316</b>	<b>1,713,177</b>
<b>Net Position:</b>		
Capital assets net of related debt.....	33,060,462	29,525,498
Unrestricted.....	11,225,725	9,298,017
Total net position.....	<b>44,286,187</b>	<b>38,823,515</b>
<b>Program Revenues:</b>		
Charges for services.....	40,786,004	38,890,289
<b>General Revenues:</b>		
Unrestricted investment income.....	113,948	84,535
Total revenues.....	<b>40,899,952</b>	<b>38,974,824</b>
<b>Expenses:</b>		
Water.....	4,746,141	4,825,769
Sewer.....	7,520,958	7,233,825
Light.....	22,227,181	20,857,945
Total expenses.....	<b>34,494,280</b>	<b>32,917,539</b>
<b>Change in net position before transfers.....</b>	<b>6,405,672</b>	<b>6,057,285</b>
<b>Transfers.....</b>	<b>(943,000)</b>	<b>(937,125)</b>
<b>Change in net position.....</b>	<b>5,462,672</b>	<b>5,120,160</b>
<b>Net position at beginning of year (as revised).....</b>	<b>38,823,515</b>	<b>33,703,355</b>
<b>Net position at end of year.....</b>	<b>\$ 44,286,187</b>	<b>\$ 38,823,515</b>

## ***Financial Analysis of the Town's 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$49.2 million comprised of \$23.2 million in the general fund, \$859 thousand in the Wellington School construction fund, \$2.5 million in the Community Preservation fund, and \$22.7 million in the nonmajor governmental funds. Overall fund balance increased by \$9.0 million in year 2016. This was primarily due to the issuance of \$1.9 million of long-term debt, the receipt of \$1.8 million for the sale of land, a \$1.7 million increase in the general stabilization fund, the receipt of a \$1.0 million capital grant from the MSBA related to the Wellington School construction project, and the timing of the expenditure of grant funds versus the actual receipt of grant proceeds and activity of the Community Preservation Fund.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$14.1 million, while the total fund balance was \$23.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.0% of general fund budgetary expenditures, while total fund balance represents 23.1% of that same amount. During 2016, the fund balance of the general fund increased by \$3.2 million. The change was primarily due to positive budgetary results and a decrease in the liability in the Town's estimate for Appellate Tax Board cases of \$287 thousand.

The Wellington School construction fund is used to account for the activities related to the construction of the new school building. During 2016, the Town spent \$48 thousand on the project. At June 30, 2016, the fund has a balance of \$859 thousand due to receiving \$1.0 million of MSBA reimbursements in the current year.

The community preservation fund had a fund balance at June 30, 2016, of \$2.5 million, which is made up of \$1.1 million committed for future projects and \$1.4 million available for future appropriation. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes, although currently the Town only charges 1.5%, and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The fund increased \$648 thousand during 2016 due to the receipt of both state grants and the tax surcharges, offset by \$714 thousand of expenditures.

## ***Financial Analysis of Proprietary Funds***

The Water, Sewer and Light funds maintained positive results of operations and demonstrated the ability to recover all costs from rates.

The net position of the water, sewer and electric light funds increased \$5.5 million in 2016. This performance was primarily the result of an increase in the revenues from the sale of electricity which increased by 6.99%. The light department experienced an overall increase in revenue due to an increase in rates implemented in 2014. The water and sewer funds experienced an overall flat revenue stream coupled with slight increases in sewer operating costs. Both the water and sewer funds are meeting their design of running self-sufficient as a result of having operating revenues be at a level to cover each respective fund operating costs.

The internal service fund had an ending fund balance of \$7.2 million, which represents a decrease of \$1.3 million over the prior year. Claim payments exceeded contributions by \$1.4 million and the fund earned \$40 thousand in investment earnings.

### ***General Fund Budgetary Highlights***

There was a net increase of \$3.6 million between the original and final adopted budgets. This increase primarily relates to free cash appropriations for a transfer to the general stabilization fund and a transfer to the capital projects fund related to a modular classroom project.

### ***Capital Asset and Debt Administration***

#### Capital Asset Administration

The Town of Belmont's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounted to \$218.9 million (net of depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure assets. The Town's major capital projects relate to the Underwood Pool Construction, the purchase of public safety vehicles, paving, Belmont Center project, Wellington School project, and various other infrastructure projects.

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town annually budgets over \$2.0 million per year from current-year appropriations for capital projects.

#### Light Department

The \$15.1 million increase in construction in progress was attributed to the 115KV substation project funded by both long-term and short-term debt. See debt administration note below for further information.

#### Debt Administration

Outstanding governmental bonded long-term debt, as of June 30, 2016, totaled \$40.7 million of which \$23.1 million relates to various School construction projects and purchases, \$8.7 million of refunding bonds, \$1.9 million relates to the senior center project, \$1.1 million relates to the purchase of fire vehicles, \$760 thousand relates to Harris Field repairs, \$2.6 million relates to the Underwood Pool construction, \$1.3 million relates to Town center construction, leaving a balance of \$1.2 million for other CIP projects. The enterprise funds have \$4.3 million in water debt and \$10.8 million in sewer debt, all of which are fully supported by the rates.

The Town issued \$1.9 million of general obligation bonds related to Police Radio Equipment and School Fire Alarm Equipment.

The Town also issued \$500 thousand of Massachusetts Water Resource Authority related to ongoing Water projects.

The Town has an "Aaa" rating from Moody's for general obligation debt.

### Light Department

On May 7, 2015, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$26,461,606. Proceeds are to be used to further finance the 115kv Transmission Service upgrade project. Bearing an interest rate of 0.7% the principal balance matures on May 6, 2016. Accrued interest for Belmont Light's share of this BAN amounted to \$123,323 as of December 31, 2015, which has been capitalized. The BAN included a bond premium of \$61,606 which will be amortized over the life of the BAN. As of December 31, 2015, the principal balance was \$26,400,000, and the remaining unamortized premium on the BAN was \$20,535. The BAN is expected to be refinanced as a general obligation taxable BAN in May of 2016. The refinanced BAN will include an additional \$1,200,000 of principal for a total issue of \$27,600,000.

### Town and Belmont Light Department Update

On February 8, 2012, Belmont Town Meeting authorized borrowing of \$53,700,000 to design and construct an electric substation facility at Blair Pond, and to install the associated transmission and distribution infrastructure. On April 24, 2014, the Town financed \$26,100,000 through long-term bonds to be repaid over a period of 20 years, by the rate payers of the Belmont Municipal Light Department (Belmont Light). During 2015/2016, a series of short term Bond Anticipation Notes (BANs) totaling \$26,400,000 were issued by the Town. On May 6, 2016, the BANs were rolled over, along with an additional \$1,200,000 of principal, for one year.

On December 8, 2016, under its 2013 Joint Development Agreement and 2016 Asset Purchase Agreement with Eversource, Inc., the Town transferred assets related to the Transmission Service upgrade project to Eversource and received \$45,060,270, the cost of the transferred assets, in return. The Town intends to use those proceeds to retire the BAN and accumulated interest in the amount of \$27,941,548 when they are due on May 5, 2017; the remaining \$17,118,722 will be used, with the review and oversight of the Belmont Board of Selectmen, acting as the Light Board, to complete the connectivity phase of the Transmission Service upgrade project and to repay funds advanced from Belmont Light's working capital during project development and implementation.

In the connectivity phase of the project, which will take place during 2017, connections will be established between the new Blair Pond substation and the three existing substations at Concord Avenue, Oakley Road and Hittinger Street, while the existing electrical supply lines between Eversource's Alewife substation and the three existing substations will be terminated. At the appropriate stage of that reconfiguration, the new lines will be energized and the Town's power will come from North Cambridge through the new transmission lines, the Blair Pond substation, and the three existing substations. Belmont Light then plans to convert voltages and equipment throughout the Town in order to provide power to its ratepayers directly through Blair Pond, and to return the three existing substations and the related land for use by the Town.

Please refer to notes 4, 7, and 8 for further discussion of the major capital and debt activity.

### ***Economic Factors and Next Year's Budget***

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by Town-wide referendum vote. The Town has taken advantage of this override capability to increase operating budgets and so-called "debt exclusions" that are not subject to the Proposition 2-1/2 limitations.

The Town collects 99% of its property tax billings in the year billed. Property taxes billed were \$82.9 million in 2016, which was a \$6.4 million increase from the prior year. \$615 thousand of this increase is the product of the

certified new growth of the Town and \$4.5 million was the result of a Proposition 2-1/2 override. Within this levy approximately \$3.7 million of previous debt exclusions were paid off.

The Town continues to experience growth in residential renovation and development. In year 2016, 1,185 building permits were issued, resulting in \$56.6 million in taxable value. This activity has produced new growth tax revenue, which is exempt from the limitation imposed by Proposition 2 ½. For year 2016, the Town realized \$615 thousand in new taxes from this source.

The unemployment rate for Belmont as of November 2016 was 2.5% compared to the state figure of 2.9% and the nationwide figure of 4.9%.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Belmont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Town Hall, 19 Moore Street, Belmont, MA 02478.

## ***Basic Financial Statements***



**TOWN OF BELMONT, MASSACHUSETTS  
STATEMENT OF NET POSITION**

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 45,360,010	\$ 41,290,738	\$ 86,650,748
Investments.....	16,966,460	-	16,966,460
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	739,287	-	739,287
Real estate tax deferrals.....	531,401	-	531,401
Tax liens.....	1,082,797	76,651	1,159,448
Motor vehicle excise taxes.....	164,699	-	164,699
User fees.....	-	6,465,905	6,465,905
Departmental and other.....	380,252	-	380,252
Intergovernmental.....	1,515,627	-	1,515,627
Inventory.....	178,017	517,901	695,918
Prepaid expenses.....	-	118,629	118,629
Purchased power advanced deposits.....	-	1,672,082	1,672,082
<b>NONCURRENT:</b>			
Restricted cash and cash equivalents.....	-	8,336,135	8,336,135
Capital assets, non depreciable.....	17,077,017	31,435,563	48,512,580
Capital assets, depreciable.....	126,946,541	43,478,941	170,425,482
<b>TOTAL ASSETS.....</b>	<b>210,942,108</b>	<b>133,392,545</b>	<b>344,334,653</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	9,944,519	1,001,674	10,946,193
Deferred loss on refunding.....	267,653	-	267,653
<b>TOTAL DEFERRED OUTFLOWS.....</b>	<b>10,212,172</b>	<b>1,001,674</b>	<b>11,213,846</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,129,500	1,717,004	3,846,504
Accrued liabilities.....	-	434,242	434,242
Accrued payroll.....	323,761	23,671	347,432
Health claims payable.....	1,650,000	-	1,650,000
Tax refunds payable.....	361,000	-	361,000
Accrued interest.....	552,408	97,802	650,210
Other liabilities.....	452,512	399,235	851,747
Capital lease obligations.....	97,401	-	97,401
Landfill closure.....	75,000	-	75,000
Compensated absences.....	75,475	184,155	259,630
Notes payable.....	-	26,420,535	26,420,535
Bonds payable.....	3,158,931	2,539,288	5,698,219
<b>NONCURRENT:</b>			
Landfill closure.....	7,447,000	-	7,447,000
Compensated absences.....	1,434,030	130,104	1,564,134
Other postemployment benefits.....	87,145,923	6,595,633	93,741,556
Net pension liability.....	65,713,298	9,613,850	75,327,148
Bonds payable.....	39,239,752	39,307,197	78,546,949
<b>TOTAL LIABILITIES.....</b>	<b>209,855,991</b>	<b>87,462,716</b>	<b>297,318,707</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advanced collections.....	1,714,708	-	1,714,708
Rate stabilization reserve.....	-	2,418,740	2,418,740
Deferred inflows of resources related to pensions.....	2,114,811	226,576	2,341,387
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>3,829,519</b>	<b>2,645,316</b>	<b>6,474,835</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	109,104,411	33,060,462	142,164,873
Restricted for:			
Permanent funds:			
Expendable.....	921,841	-	921,841
Nonexpendable.....	3,076,685	-	3,076,685
Other purposes.....	1,829,846	-	1,829,846
Unrestricted.....	(107,464,013)	11,225,725	(96,238,288)
<b>TOTAL NET POSITION.....</b>	<b>\$ 7,468,770</b>	<b>\$ 44,286,187</b>	<b>\$ 51,754,957</b>

See notes to basic financial statements.

**TOWN OF BELMONT, MASSACHUSETTS  
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

	Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 9,229,962	\$ 972,067	\$ 106,661	\$ 686	\$ (8,150,548)
Public safety.....	23,428,949	1,121,988	567,431	-	(21,739,530)
Education.....	72,433,026	3,502,245	17,210,225	791,865	(50,928,691)
Public works.....	10,595,244	1,323,279	3,475	534,891	(8,733,599)
Human services.....	1,646,230	273,209	224,582	-	(1,148,439)
Culture and recreation.....	3,118,152	1,009,955	60,876	-	(2,047,321)
Community preservation.....	-	-	-	336,975	336,975
Interest.....	1,419,485	-	-	-	(1,419,485)
Total Governmental Activities.....	121,871,048	8,202,743	18,173,250	1,664,417	(93,830,638)
<i>Business-Type Activities:</i>					
Water.....	4,746,141	6,534,221	-	-	1,788,080
Sewer.....	7,520,958	8,784,434	-	-	1,263,476
Light.....	22,227,181	25,467,349	-	-	3,240,168
Total Business-Type Activities.....	34,494,280	40,786,004	-	-	6,291,724
Total Primary Government.....	\$ 156,365,328	\$ 48,988,747	\$ 18,173,250	\$ 1,664,417	\$ (87,538,914)

See notes to basic financial statements.

(Continued)

**TOWN OF BELMONT, MASSACHUSETTS**  
**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(93,830,638)</b>	\$ <b>6,291,724</b>	\$ <b>(87,538,914)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	82,472,032	-	82,472,032
Tax liens.....	411,094	-	411,094
Motor vehicle and other excise taxes.....	3,575,660	-	3,575,660
Community preservation tax.....	1,084,117	-	1,084,117
Penalties and interest on taxes.....	295,848	-	295,848
Grants and contributions not restricted to specific programs.....	2,943,794	-	2,943,794
Unrestricted investment income.....	1,713,254	113,948	1,827,202
Gain on sale of capital assets.....	1,741,369	-	1,741,369
<i>Transfers, net</i> .....	943,000	(943,000)	-
Total general revenues and transfers.....	95,180,168	(829,052)	94,351,116
Change in net position.....	1,349,530	5,462,672	6,812,202
<i>Net Position:</i>			
Beginning of year (as revised).....	6,119,240	38,823,515	44,942,755
End of year.....	\$ <u>7,468,770</u>	\$ <u>44,286,187</u>	\$ <u>51,754,957</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

	General Fund	Wellington School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 21,609,533	\$ 859,318	\$ 51,512	\$ 13,986,391	\$ 36,506,754
Investments.....	5,147,643	-	2,450,973	9,367,844	16,966,460
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	732,015	-	7,272	-	739,287
Real estate tax deferrals.....	531,401	-	-	-	531,401
Tax liens.....	1,082,797	-	-	-	1,082,797
Motor vehicle excise taxes.....	164,699	-	-	-	164,699
Departmental and other.....	363,827	-	-	16,425	380,252
Intergovernmental.....	-	-	214,000	1,301,627	1,515,627
<b>TOTAL ASSETS.....</b>	<b>\$ 29,631,915</b>	<b>\$ 859,318</b>	<b>\$ 2,723,757</b>	<b>\$ 24,672,287</b>	<b>\$ 57,887,277</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 1,088,771	\$ -	\$ -	\$ 1,040,337	\$ 2,129,108
Accrued payroll.....	316,659	-	-	7,102	323,761
Tax refunds payable.....	361,000	-	-	-	361,000
Other liabilities.....	452,512	-	-	-	452,512
<b>TOTAL LIABILITIES.....</b>	<b>2,218,942</b>	<b>-</b>	<b>-</b>	<b>1,047,439</b>	<b>3,266,381</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	4,236,201	-	245,972	955,345	5,437,518
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	3,076,685	3,076,685
Restricted.....	-	859,318	2,477,785	19,592,818	22,929,921
Committed.....	3,470,509	-	-	-	3,470,509
Assigned.....	5,646,713	-	-	-	5,646,713
Unassigned.....	14,059,550	-	-	-	14,059,550
<b>TOTAL FUND BALANCES.....</b>	<b>23,176,772</b>	<b>859,318</b>	<b>2,477,785</b>	<b>22,669,503</b>	<b>49,183,378</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 29,631,915</b>	<b>\$ 859,318</b>	<b>\$ 2,723,757</b>	<b>\$ 24,672,287</b>	<b>\$ 57,887,277</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....	\$ 49,183,378
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	144,023,558
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	3,722,810
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	7,829,708
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	7,202,864
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(552,408)
Inventory is capitalized in the Statement of Activities.....	178,017
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(42,398,683)
Capital lease obligations.....	(97,401)
Landfill closure.....	(7,522,000)
Other postemployment benefits payable.....	(87,145,923)
Net pension liability.....	(65,713,298)
Compensated absences.....	(1,509,505)
Net effect of reporting long-term liabilities.....	(204,386,810)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....	267,653
Net position of governmental activities.....	\$ 7,468,770

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	General Fund	Wellington School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 82,600,849	\$ -	\$ -	\$ -	\$ 82,600,849
Tax liens.....	262,099	-	-	-	262,099
Motor vehicle and other excise taxes.....	3,593,904	-	-	-	3,593,904
Charges for services.....	2,376,304	-	-	-	2,376,304
Penalties and interest on taxes.....	295,848	-	-	-	295,848
Licenses and permits.....	1,406,559	-	-	-	1,406,559
Fines and forfeitures.....	436,496	-	-	-	436,496
Intergovernmental.....	15,765,734	1,036,494	288,337	5,156,979	22,247,544
Departmental and other.....	-	-	-	4,517,330	4,517,330
Community preservation tax.....	-	-	1,063,519	-	1,063,519
Contributions.....	-	-	-	212,627	212,627
Investment income.....	362,401	-	9,350	1,301,362	1,673,113
Miscellaneous.....	-	-	-	2,403	2,403
<b>TOTAL REVENUES.....</b>	<b>107,100,194</b>	<b>1,036,494</b>	<b>1,361,206</b>	<b>11,190,701</b>	<b>120,688,595</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	3,983,317	-	632,847	2,056,827	6,672,991
Public safety.....	12,747,100	-	-	1,911,030	14,658,130
Education.....	50,439,714	47,717	60,988	6,867,361	57,415,780
Public works.....	8,487,397	-	-	3,141,039	11,628,436
Human services.....	874,137	-	-	173,808	1,047,945
Culture and recreation.....	2,648,784	-	19,770	1,038,895	3,707,449
Pension benefits.....	13,154,999	-	-	-	13,154,999
Employee benefits.....	2,022,032	-	-	-	2,022,032
State and county charges.....	1,728,161	-	-	-	1,728,161
Debt service:					
Principal.....	2,738,533	-	-	-	2,738,533
Interest.....	1,571,512	-	-	-	1,571,512
<b>TOTAL EXPENDITURES.....</b>	<b>100,395,686</b>	<b>47,717</b>	<b>713,605</b>	<b>15,188,960</b>	<b>116,345,968</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>6,704,508</b>	<b>988,777</b>	<b>647,601</b>	<b>(3,998,259)</b>	<b>4,342,627</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	-	1,886,000	1,886,000
Premium from issuance of bonds.....	81,991	-	-	-	81,991
Sale of capital assets.....	-	-	-	1,750,000	1,750,000
Transfers in.....	1,312,325	-	-	5,369,261	6,681,586
Transfers out.....	(4,929,365)	-	-	(809,221)	(5,738,586)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(3,535,049)</b>	<b>-</b>	<b>-</b>	<b>8,196,040</b>	<b>4,660,991</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,169,459</b>	<b>988,777</b>	<b>647,601</b>	<b>4,197,781</b>	<b>9,003,618</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>20,007,313</b>	<b>(129,459)</b>	<b>1,830,184</b>	<b>18,471,722</b>	<b>40,179,760</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 23,176,772</b>	<b>\$ 859,318</b>	<b>\$ 2,477,785</b>	<b>\$ 22,669,503</b>	<b>\$ 49,183,378</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds.....	\$	9,003,618
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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.....	8,330,842	
Depreciation expense.....	(4,400,255)	

Net effect of reporting capital assets.....		3,930,587
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In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net position differs from the change in fund balance by the cost of the capital assets sold.....

		(8,631)
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Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....

		19,780
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Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....

		(192,527)
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The issuance of long-term debt (e.g., bonds and leases) 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premiums.....	129,647	
Amortization of deferred charges.....	(76,080)	
Principal payments on capital leases.....	306,552	
Proceeds from bonds and notes.....	(1,886,000)	
Debt service principal payments.....	2,738,533	

Net effect of reporting long-term debt.....		1,212,652
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(47,984)	
Net change in accrued interest on long-term debt.....	16,469	
Net change in landfill closure accrual.....	(174,000)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	7,238,702	
Net change in net pension liability.....	(7,879,933)	
Net change in other postemployment benefits.....	(10,455,136)	

Net effect of recording long-term liabilities.....		(11,301,882)
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Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		(1,314,067)
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Change in net position of governmental activities.....	\$	<u>1,349,530</u>
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See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric Light (as of December 31, 2015)	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 4,655,058	\$ 4,138,919	\$ 32,496,761	\$ 41,290,738	\$ 8,853,256
Receivables, net of allowance for uncollectibles:					
Tax liens.....	27,143	49,508	-	76,651	-
User fees.....	2,158,445	2,911,611	1,395,849	6,465,905	-
Inventory.....	114,168	20,464	383,269	517,901	-
Prepaid expenses.....	-	-	118,629	118,629	-
Purchased power advanced deposits.....	-	-	1,672,082	1,672,082	-
Total current assets.....	6,954,814	7,120,502	36,066,590	50,141,906	8,853,256
<b>NONCURRENT:</b>					
Restricted cash and cash equivalents.....	-	-	8,336,135	8,336,135	-
Capital assets, non depreciable.....	386,690	60,280	30,988,593	31,435,563	-
Capital assets, depreciable.....	14,218,491	23,176,718	6,083,732	43,478,941	-
Total noncurrent assets.....	14,605,181	23,236,998	45,408,460	83,250,639	-
TOTAL ASSETS.....	21,559,995	30,357,500	81,475,050	133,392,545	8,853,256
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions.....	278,216	199,489	523,969	1,001,674	-
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	190,328	154,562	1,372,114	1,717,004	392
Accrued liabilities.....	-	-	434,242	434,242	-
Accrued payroll.....	13,046	10,625	-	23,671	-
Health claims payable.....	-	-	-	-	1,650,000
Accrued interest.....	-	97,802	-	97,802	-
Compensated absences.....	3,355	3,000	177,800	184,155	-
Notes payable.....	-	-	26,420,535	26,420,535	-
Bonds payable.....	696,358	737,992	1,104,938	2,539,288	-
Total current liabilities.....	903,087	1,003,981	29,509,629	31,416,697	1,650,392
<b>NONCURRENT:</b>					
Compensated absences.....	63,744	57,002	9,358	130,104	-
Other liabilities.....	-	-	399,235	399,235	-
Other postemployment benefits.....	1,645,824	1,380,764	3,569,045	6,595,633	-
Net pension liability.....	2,027,144	1,349,752	6,236,954	9,613,850	-
Bonds payable.....	3,577,952	10,015,856	25,713,389	39,307,197	-
Total noncurrent liabilities.....	7,314,664	12,803,374	35,927,981	56,046,019	-
TOTAL LIABILITIES.....	8,217,751	13,807,355	65,437,610	87,462,716	1,650,392
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Rate stabilization reserve.....	-	-	2,418,740	2,418,740	-
Deferred inflows related to pensions.....	194,217	32,359	-	226,576	-
Total deferred inflows of resources.....	194,217	32,359	2,418,740	2,645,316	-
<b>NET POSITION</b>					
Net investment in capital assets.....	11,303,163	13,342,198	8,415,101	33,060,462	-
Unrestricted.....	2,123,080	3,375,077	5,727,568	11,225,725	7,202,864
TOTAL NET POSITION.....	\$ 13,426,243	\$ 16,717,275	\$ 14,142,669	\$ 44,286,187	\$ 7,202,864

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric Light (as of December 31, 2015)	Total	
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ -	\$ -	\$ 3,189,589
Employer contributions .....	-	-	-	-	10,072,245
Charges for services .....	6,534,221	8,784,434	25,237,886	40,556,541	-
Other .....	-	-	230,354	230,354	473,870
<b>TOTAL OPERATING REVENUES .....</b>	<b>6,534,221</b>	<b>8,784,434</b>	<b>25,468,240</b>	<b>40,786,895</b>	<b>13,735,704</b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	4,402,363	6,732,919	20,872,488	32,007,770	-
Depreciation .....	319,856	528,011	1,354,517	2,202,384	-
Employee benefits .....	-	-	-	-	15,089,912
<b>TOTAL OPERATING EXPENSES .....</b>	<b>4,722,219</b>	<b>7,260,930</b>	<b>22,227,005</b>	<b>34,210,154</b>	<b>15,089,912</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>1,812,002</b>	<b>1,523,504</b>	<b>3,241,235</b>	<b>6,576,741</b>	<b>(1,354,208)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income .....	8,438	3,156	102,354	113,948	40,141
Interest expense .....	(23,922)	(260,028)	(176)	(284,126)	-
Other expenses .....	-	-	(891)	(891)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET .....</b>	<b>(15,484)</b>	<b>(256,872)</b>	<b>101,287</b>	<b>(171,069)</b>	<b>40,141</b>
<b>INCOME (LOSS) BEFORE TRANSFERS .....</b>	<b>1,796,518</b>	<b>1,266,632</b>	<b>3,342,522</b>	<b>6,405,672</b>	<b>(1,314,067)</b>
<b>TRANSFERS:</b>					
Transfers out .....	(163,000)	(130,000)	(650,000)	(943,000)	-
<b>CHANGE IN NET POSITION .....</b>	<b>1,633,518</b>	<b>1,136,632</b>	<b>2,692,522</b>	<b>5,462,672</b>	<b>(1,314,067)</b>
<b>NET POSITION AT BEGINNING OF YEAR (as revised) .....</b>	<b>11,792,725</b>	<b>15,580,643</b>	<b>11,450,147</b>	<b>38,823,515</b>	<b>8,516,931</b>
<b>NET POSITION AT END OF YEAR .....</b>	<b>\$ 13,426,243</b>	<b>\$ 16,717,275</b>	<b>\$ 14,142,669</b>	<b>\$ 44,286,187</b>	<b>\$ 7,202,864</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Electric Light (as of December 31, 2015)	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 6,213,081	\$ 8,445,514	\$ 26,174,165	\$ 40,832,760	\$ -
Receipts from interfund services provided.....	-	-	-	-	13,735,704
Payments to vendors.....	(3,172,817)	(5,307,704)	(16,172,794)	(24,653,315)	-
Payments to employees.....	(1,325,677)	(1,271,391)	(4,207,619)	(6,804,687)	-
Payments in lieu of taxes.....	-	-	(650,000)	(650,000)	-
Payments for interfund services used.....	-	-	-	-	(15,089,520)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>1,714,587</b>	<b>1,866,419</b>	<b>5,143,752</b>	<b>8,724,758</b>	<b>(1,353,816)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out.....	(163,000)	(130,000)	-	(293,000)	-
Grant income.....	-	-	120,125	120,125	-
Grant expense.....	-	-	(121,016)	(121,016)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(163,000)</b>	<b>(130,000)</b>	<b>(891)</b>	<b>(293,891)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of bonds and notes.....	500,000	-	26,461,606	26,961,606	-
Acquisition and construction of capital assets.....	(1,271,886)	(677,126)	(15,394,606)	(17,343,618)	-
Principal payments on bonds and notes.....	(650,958)	(733,173)	(990,000)	(2,374,131)	-
Interest expense.....	(23,922)	(262,719)	(176)	(286,817)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,446,766)</b>	<b>(1,673,018)</b>	<b>10,076,824</b>	<b>6,957,040</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income.....	8,438	3,156	78,652	90,246	40,141
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>8,438</b>	<b>3,156</b>	<b>78,652</b>	<b>90,246</b>	<b>40,141</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>113,259</b>	<b>66,557</b>	<b>15,298,337</b>	<b>15,478,153</b>	<b>(1,313,675)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>4,541,799</b>	<b>4,072,362</b>	<b>25,534,559</b>	<b>34,148,720</b>	<b>10,166,931</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 4,655,058</b>	<b>\$ 4,138,919</b>	<b>\$ 40,832,896</b>	<b>\$ 49,626,873</b>	<b>\$ 8,853,256</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 1,812,002	\$ 1,523,504	\$ 3,241,235	\$ 6,576,741	\$ (1,354,208)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	319,856	528,011	1,354,517	2,202,384	-
Payment in lieu of taxes.....	-	-	(650,000)	(650,000)	-
Rate stabilization reserve.....	-	-	705,563	705,563	-
Deferred outflows/(inflows) related to pensions.....	(63,539)	(155,228)	(197,169)	(415,936)	-
Changes in assets and liabilities:					
Tax liens.....	(2,353)	(8,346)	-	(10,699)	-
User fees.....	(318,787)	(429,042)	7,012	(740,817)	-
Intergovernmental.....	-	98,468	-	98,468	-
Inventory.....	75,395	(4,508)	(33,709)	37,178	-
Prepaid expenses.....	-	-	(26,047)	(26,047)	-
Purchased power advance deposits.....	-	-	5,842	5,842	-
Other postemployment benefits obligation.....	126,481	158,043	388,380	672,904	-
Net pension liability.....	43,831	166,029	145,186	355,046	-
Warrants payable.....	(268,090)	(4,604)	179,718	(92,976)	392
Accrued liabilities.....	-	-	20,268	20,268	-
Customer deposits.....	-	-	(6,650)	(6,650)	-
Accrued payroll.....	(9,587)	(6,748)	-	(16,335)	-
Accrued compensated absences.....	(622)	840	9,606	9,824	-
<b>Total adjustments.....</b>	<b>(97,415)</b>	<b>342,915</b>	<b>1,902,517</b>	<b>2,148,017</b>	<b>392</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 1,714,587</b>	<b>\$ 1,866,419</b>	<b>\$ 5,143,752</b>	<b>\$ 8,724,758</b>	<b>\$ (1,353,816)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY POSITION

JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 2,241,958	\$ 14,736	\$ 357,865	\$ 281,116
Investments.....	82,643,986	2,559,381	504,466	-
Receivables, net of allowance for uncollectibles:				
Due from general fund.....	3,953,111	-	-	-
Other assets.....	-	-	-	128,913
<b>TOTAL ASSETS.....</b>	<b>88,839,055</b>	<b>2,574,117</b>	<b>862,331</b>	<b>410,029</b>
<b>LIABILITIES</b>				
Warrants payable.....	33,043	-	-	-
Accrued liabilities.....	-	-	-	9,860
Liabilities due depositors.....	-	-	-	271,287
Deferred revenue.....	-	-	-	128,882
<b>TOTAL LIABILITIES.....</b>	<b>33,043</b>	<b>-</b>	<b>-</b>	<b>410,029</b>
<b>NET POSITION</b>				
Restricted for pensions.....	88,806,012	-	-	-
Held in trust for OPEB and other purposes.....	-	2,574,117	862,331	-
	<b>\$ 88,806,012</b>	<b>\$ 2,574,117</b>	<b>\$ 862,331</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 7,877,960	\$ 366,738	\$ -
Employee.....	2,460,974	-	-
Miscellaneous.....	-	-	64,627
Total contributions.....	10,338,934	366,738	64,627
Net investment income (loss):			
Net change in fair value of investments.....	(439,608)	177,528	-
Interest.....	1,845,898	-	29,321
Total investment income (loss).....	1,406,290	177,528	29,321
Less: investment expense.....	(472,047)	-	-
Net investment income (loss).....	934,243	177,528	29,321
Intergovernmental.....	125,470	-	-
Transfers from other systems.....	300,450	-	-
TOTAL ADDITIONS.....	11,699,097	544,266	93,948
<b>DEDUCTIONS:</b>			
Administration.....	154,097	-	-
Transfers to other systems.....	372,855	-	-
Retirement benefits and refunds.....	10,088,430	-	-
Educational scholarships.....	-	-	63,779
TOTAL DEDUCTIONS.....	10,615,382	-	63,779
CHANGE IN NET POSITION.....	1,083,715	544,266	30,169
NET POSITION AT BEGINNING OF YEAR.....	87,722,297	2,029,851	832,162
NET POSITION AT END OF YEAR.....	\$ 88,806,012	\$ 2,574,117	\$ 862,331

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Belmont, Massachusetts 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 significant Town accounting policies are described herein.

**A. Reporting Entity**

The Town of Belmont, Massachusetts (Town) is a municipal corporation that is governed by a Town-wide elected three member Board of Selectmen with staggered three year terms. The Selectmen have the general direction and management of the property and affairs of the Town in all matters not otherwise provided by Federal, State, or local laws and regulations. They are assisted by a Town Administrator who has responsibility for general supervision over certain general government operating departments and provides coordination with other Town-wide elected positions (e.g. including, but not limited to the Town Clerk, the Treasurer, the Board of Assessors, and the School Committee) and all other Officials, Boards, Commissions, and Committees. A principal duty of the Administrator and Town Administration is Town-wide coordination of the Town's annual fiscal budget. The legislative body of the Town is a representative Town Meeting which consists of 288 precinct elected members with staggered three year terms in addition to certain ex-officio members. The Town Meeting assembles annually to legislate policy and budgets for the local government.

For financial reporting purposes, the Town has included reporting on Government Activities (i.e. general government), Business-type Activities (i.e. Water, Sewer, and Light services), and Fiduciary Activities (i.e. Trusteeships for the Pension and Other Postemployment Benefits funds, which are restricted to their intended purposes). The Town has also considered all potential component units 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. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a fiduciary fund of the primary government due to the nature and significance of relationship between the Town and the component unit.

In the Fiduciary Funds:

- (1) The Belmont Contributory Retirement System (System) was established to provide retirement benefits to Town employees, the Belmont Housing Authority employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

**Availability of Financial Information for Component Units**

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at Town Hall, 455 Concord Ave, Belmont, MA 02478.

## 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 changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

*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. Non-major funds are aggregated and displayed in a single column.

### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

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

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:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of 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., 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 unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *wellington school construction fund* accounts for activity related to the construction of the new Wellington School.

The *community preservation fund* is used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge, (currently Town only charges 1.5%), on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

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 that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**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 non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *light enterprise fund* is used to account for the Town's electric light department activities.

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 the self-insured employee health program.

**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 in a trustee capacity by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is a new fund established under special legislation to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity by the Town.



#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried 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.

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 2 for further details.

#### 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 the proprietary funds 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 levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the 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 quarterly 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 every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

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

***Departmental and Other***

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

***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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 are recorded as expenditures at the time of purchase in the fund financial statements. Such inventories are capitalized in the government-wide financial statements and carried at cost. Inventories of the Light Fund are carried at average cost.

H. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity 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.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings.....	40-50
Machinery and equipment.....	5-20
Vehicles.....	5-15
Infrastructure.....	15-100

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. Improvements are capitalized.

The fixed assets of the municipal light enterprise fund are capitalized upon purchase and depreciated at a rate of 5% of the cost of plant in service at the beginning of the calendar year, exclusive of land and land rights. The municipal light enterprise fund charges maintenance to expense when incurred. Replacements and betterments are charged to fixed assets.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

### I. 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. In 2016, the Town reported a deferred loss on refunding and deferred outflows related to pensions as deferred outflows of resources.

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. In 2016, the Town reported advanced collections, deferred inflows related to pensions, and the light plant rate stabilization reserve as deferred inflows of resources.

#### *Governmental Fund 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.

### J. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the entity-wide (full accrual) financial statements.

### K. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

### L. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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*

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

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds – expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Other purposes" represents restrictions placed on assets from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### N. 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 both the Belmont Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems 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.

#### O. 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.

P. 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 Law (MGL).

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective fund.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. Sick leave though accrued is expensed as incurred. There is no obligation to pay for sick time upon termination of employment.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

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 the equivalent of consolidated financial information.

**NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$77,319,255 and the bank balance totaled \$78,954,090. Of the bank balance, \$2,202,429 was covered by Federal Depository Insurance, \$55,874,375 was covered by the Depositors Insurance Fund, \$3,875,133 was collateralized, and \$17,002,153 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2015, the carrying amount of the Retirement System's deposits totaled \$2,241,958 and the bank balance totaled \$2,363,033. All of the bank balance was covered by Federal Depository Insurance.

**Investments**

Following are the investments of the Town as of June 30, 2016, and the Retirement System as of December 31, 2015.

**Town's Investments:**

Investment Type	Maturity				Quality Rating
	Fair Value	Under 1 Year	1-5 Years	6-10 Years	
<u>Debt Securities</u>					
U.S. Government Securities.....	\$ 1,058,676	\$ 314,314	\$ 744,362	\$ -	AAA
U.S. Treasury Note.....	229,489	120,829	108,660	-	AAA
Corporate Bonds.....	1,535,066	50,102	1,336,291	148,673	A/AA/BBB+/NR
Federal National Mortgage Association.....	102,778	102,778	-	-	AAA
Federal Home Loan Mortgage Corp.....	108,079	-	108,079	-	AAA
Total Debt Securities.....	3,034,088	<u>\$ 588,023</u>	<u>\$ 2,297,392</u>	<u>\$ 148,673</u>	
<u>Other Investments</u>					
Equity Securities.....	5,126,677				
Negotiable Certificates of Deposit.....	11,765,842				
Equity Mutual Funds.....	103,700				
Money Market Mutual Funds.....	6,246,004				
MMDT.....	12,075,341				
Total Investments.....	\$ 38,351,652				



**Retirement System's Investments:**

	Maturity			Quality
	Fair Value	1-5 Years	6-10 Years	Rating
<u>Debt Securities</u>				
Scout Core Plus Bond Fund.....	\$ 8,273,694	\$ -	\$ 8,273,694	AA
Loomis Sayles Multisector.....	<u>7,988,683</u>	<u>-</u>	<u>7,988,683</u>	BBB
Total Debt Securities.....	16,262,377	<u>\$ -</u>	<u>\$ 16,262,377</u>	
<u>Other Investments</u>				
Equity Mutual Funds.....	22,361,939			
Equity Securities.....	4,660,379			
PRIT Hedge Fund Account.....	9,438,612			
PRIT Alternative Fund.....	8,869,268			
PRIT Real Estate Fund.....	9,767,293			
PRIT International Equity Fund.....	9,309,466			
PRIT Fund.....	<u>1,974,652</u>			
Total Investments.....	\$ 82,643,986			

\* Duration of underlying holdings in Scout Core Plus Bond Fund is 5.41 years and the Loomis Sayles Multisector is 5.06 years.

**Custodial Credit Risk – Investments**

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. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. Of the Town's investments in U.S. Treasury Notes, corporate bonds, asset backed securities, and equity securities, as detailed on the previous page the Town has a custodial credit risk exposure of \$8,160,765 because the related securities are uninsured, unregistered and held by the counterparty.

The Town's investment policy states that before conducting any business with a brokerage house that the Town must obtain a copy of their latest audited financial statement, proof of National Association of Security Dealers certification, and proof of credit worthiness, which the Town defines as at least five years in operation and minimum capital of \$10 million.

The Retirement System has custodial credit risk exposure of \$4,660,379 because the related debt and equity securities are uninsured, unregistered and held by the counterparty.

The Retirement System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the Retirement System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund's name at their custodian bank. A small percentage of the Retirement System's assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk.

### Interest Rate Risk

The Town's investment policy states that safety of principal is the foremost objective, followed by liquidity and then yield. Investments shall be made to achieve the best rate of return, taking into account safety and liquidity constraints, as well as, legal requirements while not explicitly limiting the maturities of allowable investments.

The Retirement System's fixed income assets are held in professionally managed, institutional commingled funds. The Retirement System limits its effective exposure to interest rate risk by benchmarking its commingled fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with a duration of 4-5 years. Further, the Retirement System's current fixed income investments are diversified by sector (corporate, government, asset-backed, mortgage, non-US dollar) to provide additional protection in various interest rate environments.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 2 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.14 to 24.23 years.

### Credit Risk

The Town's investment policy seeks to lessen the credit risk associated with certain types of investments through diversification and prudent selection of investments in line with MGL CH 44 Sec. 55B.

The Retirement System has a policy that states no more than 20% of the fixed income assets may be invested in below investment grade securities (rated BBB by Standard & Poor's) and the average duration of the fixed income portfolio cannot be more than 20% higher than the market as measured by Lehman Aggregate Index.

### Concentration of Credit Risk

The Town places a limit of 10% on the amount the Town may invest in any one issuer. The Town does not have more than 10% of its investments with any one issuer as of June 30, 2016.

For the Retirement System, no fixed income security, except issues of the U. S. Government, can comprise more than 5% of the Retirement Systems assets, measured at market; and no individual portfolio can hold more than 5% of its assets in securities of any single entity, except issues of the U. S. Government. Further, no equity security can comprise more than 5% of the equity portfolio measured at book value. The Retirement System does have investments in individual commingled mutual funds and trusts that represent more than 5% of the Retirement System's assets, but in each case these investments are in institutional commingled funds that are invested in diversified portfolios of between 50 and 200 individual securities.

### Foreign Currency Risk

The Retirement System's exposure to foreign currency risk is attributable to its investments in individual commingled mutual funds and trusts that are invested in diversified (by country and security) portfolios on international stocks and bonds that are denominated in foreign currencies. The Retirement System's combined policy target allocation to all non-US securities is currently 20% of the Retirement System's total assets (12% international equities and 8% international bonds).

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 major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements 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 asset. 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 measurements as of June 30, 2016:

Investment Type	6/30/16	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<u>Debt Securities:</u>				
United States Treasury.....	\$ 1,288,165	\$ 1,288,165	\$ -	\$ -
Federal National Mortgage Association.....	102,778	102,778	-	-
Federal Home Loan Mortgage Corp.....	108,079	108,079	-	-
Corporate bonds.....	1,535,066	-	1,535,066	-
Total debt securities.....	3,034,088	1,499,022	1,535,066	-
<u>Other investments:</u>				
Equity securities.....	5,126,677	5,126,677	-	-
Negotiable Certificates of Deposit.....	11,765,842	11,765,842	-	-
Equity Mutual funds.....	103,700	103,700	-	-
Money market mutual funds.....	6,246,004	6,246,004	-	-
Total other investments.....	23,242,223	23,242,223	-	-
Total investments measured at fair value.....	26,276,311	\$ 24,741,245	\$ 1,535,066	\$ -
<b>Investments measured at amortized cost</b>				
MMDT.....	12,075,341			
Total investments.....	\$ 38,351,652			

U.S. government treasuries and government sponsored enterprises, equity securities, negotiable certificates of deposit, equity mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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.

### Retirement System

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2015:

Investment Type	12/31/15	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<u>Debt Securities:</u>				
Scout Core Plus Bond Fund.....	\$ 8,273,694	\$ -	\$ 8,273,694	\$ -
Loomis Sayles Multisector.....	7,988,683	-	7,988,683	-
Total debt securities.....	16,262,377	-	16,262,377	-
<u>Other investments:</u>				
Equity mutual funds.....	22,361,939	22,361,939	-	-
Equity securities.....	4,660,379	4,660,379	-	-
Total other investments.....	27,022,318	27,022,318	-	-
Total investments measured at fair value.....	43,284,695	\$ 27,022,318	\$ 16,262,377	\$ -
<b>Investments measured at net asset value</b>				
PRIT Investments.....	39,359,291			
Total investments.....	\$ 82,643,986			

Equity mutual funds and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt mutual funds classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

### NOTE 3 – RECEIVABLES

At June 30, 2016, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 741,924	\$ (2,637)	\$ 739,287
Real estate tax deferrals.....	531,401	-	531,401
Tax liens.....	1,082,797	-	1,082,797
Motor vehicle and other excise taxes.....	412,466	(247,767)	164,699
Departmental and other.....	622,198	(241,946)	380,252
Intergovernmental.....	1,515,627	-	1,515,627
Total.....	<u>\$ 4,906,413</u>	<u>\$ (492,350)</u>	<u>\$ 4,414,063</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 2,158,445	\$ -	\$ 2,158,445
Water enterprise tax liens.....	27,143	-	27,143
Sewer user fees.....	2,911,611	-	2,911,611
Sewer enterprise tax liens.....	49,508	-	49,508
Light user fees.....	1,395,849	-	1,395,849
Total.....	<u>\$ 6,542,556</u>	<u>\$ -</u>	<u>\$ 6,542,556</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of unavailable revenue reported in the governmental funds were as follows:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate, personal property and tax deferrals.....	\$ 2,624,878	\$ 31,972	\$ -	\$ 2,656,850
Tax liens.....	1,082,797	-	-	1,082,797
Motor vehicle and other excise.....	164,699	-	-	164,699
Intergovernmental.....	-	214,000	938,920	1,152,920
Departmental.....	363,827	-	16,425	380,252
Total.....	<u>\$ 4,236,201</u>	<u>\$ 245,972</u>	<u>\$ 955,345</u>	<u>\$ 5,437,518</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,230,210	\$ -	\$ (8,631)	\$ 16,221,579
Construction in progress.....	226,125	745,130	(115,817)	855,438
Total capital assets not being depreciated.....	16,456,335	745,130	(124,448)	17,077,017
<u>Capital assets being depreciated:</u>				
Land improvements.....	9,217,571	1,597,137	-	10,814,708
Buildings.....	131,828,764	941,953	-	132,770,717
Machinery and equipment.....	13,911,777	1,378,034	-	15,289,811
Vehicles.....	6,411,344	233,222	-	6,644,566
Infrastructure.....	37,273,835	3,551,183	-	40,825,018
Total capital assets being depreciated.....	198,643,291	7,701,529	-	206,344,820
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,701,021)	(442,899)	-	(3,143,920)
Buildings.....	(44,884,195)	(1,956,722)	-	(46,840,917)
Machinery and equipment.....	(12,392,832)	(853,402)	-	(13,246,234)
Vehicles.....	(4,335,437)	(320,154)	-	(4,655,591)
Infrastructure.....	(10,684,539)	(827,078)	-	(11,511,617)
Total accumulated depreciation.....	(74,998,024)	(4,400,255)	-	(79,398,279)
Total capital assets being depreciated, net.....	123,645,267	3,301,274	-	126,946,541
Total governmental activities capital assets, net.....	\$ 140,101,602	\$ 4,046,404	\$ (124,448)	\$ 144,023,558

**Business-Type Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
Construction in progress.....	272,219	111,333	-	383,552
Total capital assets not being depreciated.....	275,357	111,333	-	386,690
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,822	-	-	7,822
Buildings.....	519,034	-	-	519,034
Machinery and equipment.....	551,499	-	-	551,499
Vehicles.....	919,642	104,729	-	1,024,371
Infrastructure.....	31,851,965	1,167,157	-	33,019,122
Total capital assets being depreciated.....	33,849,962	1,271,886	-	35,121,848
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(177,599)	(7,700)	-	(185,299)
Machinery and equipment.....	(570,873)	(44,311)	-	(615,184)
Vehicles.....	(798,673)	(45,630)	-	(844,303)
Infrastructure.....	(19,028,534)	(222,215)	-	(19,250,749)
Total accumulated depreciation.....	(20,583,501)	(319,856)	-	(20,903,357)
Total capital assets being depreciated, net.....	13,266,461	952,030	-	14,218,491
Total business-type activities capital assets, net.....	\$ 13,541,818	\$ 1,063,363	\$ -	\$ 14,605,181
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 60,280	\$ -	\$ 60,280
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	1,252,918	180,989	-	1,433,907
Vehicles.....	705,191	-	-	705,191
Infrastructure.....	26,041,419	496,137	-	26,537,556
Total capital assets being depreciated.....	27,999,528	677,126	-	28,676,654
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(166,359)	(51,343)	-	(217,702)
Vehicles.....	(1,098,901)	(124,868)	-	(1,223,769)
Infrastructure.....	(3,706,665)	(351,800)	-	(4,058,465)
Total accumulated depreciation.....	(4,971,925)	(528,011)	-	(5,499,936)
Total capital assets being depreciated, net.....	23,027,603	149,115	-	23,176,718
Total business-type activities capital assets, net.....	\$ 23,027,603	\$ 209,395	\$ -	\$ 23,236,998

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Light:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,349	\$ -	\$ -	\$ 9,349
Construction in progress.....	15,908,558	15,070,686	-	30,979,244
Total capital assets not being depreciated.....	15,917,907	15,070,686	-	30,988,593
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	18,150,658	460,171	(427,689)	18,183,140
General Plant.....	8,946,100	111,403	(67,730)	8,989,773
Total capital assets being depreciated.....	27,096,758	571,574	(495,419)	27,172,913
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(14,639,913)	(908,466)	427,689	(15,120,690)
General Plant.....	(5,589,850)	(446,371)	67,730	(5,968,491)
Total accumulated depreciation.....	(20,229,763)	(1,354,837)	495,419	(21,089,181)
Total capital assets being depreciated, net.....	6,866,995	(783,263)	-	6,083,732
Total business-type activities capital assets, net.....	\$ 22,784,902	\$ 14,287,423	\$ -	\$ 37,072,325

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

**Governmental Activities:**

General government.....	\$ 570,881
Public safety.....	781,321
Education.....	1,793,146
Public works.....	863,773
Human services.....	18,846
Culture and recreation.....	372,288
Total depreciation expense - governmental activities.....	\$ 4,400,255

**Business-Type Activities:**

Water.....	\$ 319,856
Sewer.....	528,011
Light.....	1,354,837
Total depreciation expense - business-type activities.....	\$ 2,202,704

**NOTE 5 – CAPITAL LEASES**

The Town entered into a lease agreement to finance the acquisition of energy conservation equipment and also a lease agreement to finance the acquisition of an ambulance and other public safety related equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.



The following identifies the asset value acquired through the capital lease agreement:

	Governmental Activities
<u>Asset:</u>	
Machinery and equipment.....	\$ 2,141,096
Less: accumulated depreciation.....	<u>(2,000,434)</u>
Total.....	<u>\$ 140,662</u>

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2016, follows:

Year Ending June 30	Governmental Activities
2017.....	\$ 99,069
Less: amounts representing interest.....	<u>(1,668)</u>
Present value of minimum lease payments.....	<u>\$ 97,401</u>

#### NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	Transfers In:			
Transfers Out:	General Fund	Non-Major Governmental Funds	Total	
General Fund.....	\$ -	\$ 4,929,365	\$ 4,929,365	(1)
Nonmajor Governmental Funds....	369,325	439,896	809,221	(2)
Water Enterprise Fund.....	163,000	-	163,000	(3)
Sewer Enterprise Fund.....	130,000	-	130,000	(3)
Light Enterprise Fund.....	<u>650,000</u>	<u>-</u>	<u>650,000</u>	(4)
Total.....	<u>\$ 1,312,325</u>	<u>\$ 5,369,261</u>	<u>\$ 6,681,586</u>	

- (1) Transfers represent amounts voted to fund various capital projects.
- (2) Transfers represent amounts voted from receipts reserved for appropriation to fund the operating budget.
- (3) Transfers represent the reimbursement of indirect costs from the Water and Sewer enterprise funds.
- (4) Transfers represent amounts voted for a payment in lieu of taxes from the Light enterprise fund.

**NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

Short-term debt outstanding as of June 30, 2016, was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
BAN	Light - Bond Anticipation Note.....	0.50%	05/06/16	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
BAN	Light - Bond Anticipation Note.....	0.75%	05/06/16	-	21,400,000	-	21,400,000
Total short-term debt.....				-	26,400,000	-	26,400,000
Add: unamortized premium.....					61,606	41,071	20,535
Total.....				\$ -	\$ 26,461,606	\$ 41,071	\$ 26,420,535

The Light Plant reports on a calendar year basis, these notes were rolled over at May 6, 2016, and will be reported as short-term debt in the Light Plant's December 31, 2016, financial statements.

**NOTE 8 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In prior years, the sewer enterprise defeased general obligation sewer enterprise bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2016, \$1,215,000 of defeased bonds remain outstanding.

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements follow.

### Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Septic Loan 97-2002.....	2020	\$ 60,160	0.00	\$ 15,670	\$ -	\$ 3,135	\$ 12,535
Fire Station Construction.....	2026	2,030,000	3.00-5.00	100,000	-	100,000	-
Land Acquisition.....	2025	780,000	4.00-6.00	40,000	-	40,000	-
Senior Center.....	2026	3,310,000	5.00	2,140,000	-	195,000	1,945,000
Wellington Elementary School.....	2035	26,700,000	2.00-3.00	23,075,000	-	775,000	22,300,000
2012 Debt Refunding.....	2024	9,956,000	3.00-5.00	8,400,000	-	1,000,000	7,400,000
School Department Vehicle.....	2020	30,000	3.00-4.00	25,000	-	5,000	20,000
Ladder Truck.....	2024	890,000	3.00-5.00	800,000	-	90,000	710,000
Fire Engine.....	2024	500,000	3.00-5.00	450,000	-	50,000	400,000
Harris Field Repairs.....	2024	960,000	3.00-5.00	860,000	-	100,000	760,000
Fire Station.....	2018	115,398	3.00	115,398	-	40,398	75,000
Town Center.....	2025	1,450,000	3.00	1,450,000	-	145,000	1,305,000
Underwood Pool.....	2030	2,790,000	2.00-3.00	2,790,000	-	190,000	2,600,000
2015 Debt Refunding.....	2026	1,330,050	2.00-3.00	1,330,050	-	5,000	1,325,050
Police Radio Equipment.....	2026	1,086,000	2.00-4.00	-	1,086,000	-	1,086,000
School Fire Alarm Equipment.....	2021	800,000	2.25-4.00	-	800,000	-	800,000
Total Bonds Payable.....				41,591,118	1,886,000	2,738,533	40,738,585
Add: unamortized premium.....				1,789,745	-	129,647	1,660,098
Total.....				\$ 43,380,863	\$ 1,886,000	\$ 2,868,180	\$ 42,398,683

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2017.....	\$ 3,029,284	\$ 1,540,444	\$ 4,569,728
2018.....	3,043,134	1,419,572	4,462,706
2019.....	3,038,134	1,306,028	4,344,162
2020.....	3,063,133	1,195,205	4,258,338
2021.....	3,075,000	1,074,037	4,149,037
2022.....	2,955,000	960,810	3,915,810
2023.....	2,990,000	848,898	3,838,898
2024.....	2,500,000	739,523	3,239,523
2025.....	1,855,000	650,773	2,505,773
2026.....	1,714,900	583,173	2,298,073
2027.....	1,375,000	527,900	1,902,900
2028.....	1,425,000	475,676	1,900,676
2029.....	1,475,000	421,450	1,896,450
2030.....	1,530,000	365,226	1,895,226
2031.....	1,400,000	306,800	1,706,800
2032.....	1,465,000	250,800	1,715,800
2033.....	1,530,000	192,200	1,722,200
2034.....	1,600,000	131,000	1,731,000
2035.....	1,675,000	67,000	1,742,000
Total.....	\$ 40,738,585	\$ 13,056,515	\$ 53,795,100

**Bonds Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MWRA Water.....	2018	\$ 714,000	0.00	\$ 214,200	\$ -	\$ 71,400	\$ 142,800
MWRA Water.....	2019	872,000	0.00	348,800	-	87,200	261,600
MWRA Water.....	2021	1,977,570	0.00	1,087,666	-	197,756	889,910
MWRA Water.....	2022	1,000,000	0.00	700,000	-	100,000	600,000
MWRA Water.....	2023	500,000	0.00	400,000	-	50,000	350,000
MWRA Water.....	2024	500,000	0.00	450,000	-	50,000	400,000
General Obligation Bonds of 2015....	2034	482,000	2.75-4.00	455,000	-	25,000	430,000
General Obligation Bonds of 2016....	2035	269,602	2.00-3.25	269,602	-	19,602	250,000
MWRA Water.....	2025	500,000	0.00	500,000	-	50,000	450,000
MWRA Water.....	2026	500,000	0.00	-	500,000	-	500,000
Total Water.....				4,425,268	500,000	650,958	4,274,310
Sewer & Surface Drains.....	2027	2,479,000	4.10-5.00	250,000	-	125,000	125,000
MCWT Sewer.....	2031	7,226,667	2.00	6,002,889	-	321,551	5,681,338
MCWT Sewer.....	2017	559,406	0.00	223,763	-	111,881	111,882
MCWT Sewer.....	2033	1,579,600	2.00	1,450,419	-	66,704	1,383,715
2016 Debt Refunding.....	2027	1,259,950	2.00-3.00	1,259,950	-	15,000	1,244,950
MCWT Sewer.....	2035	2,300,000	2.00	2,300,000	-	93,037	2,206,963
Total Sewer.....				11,487,021	-	733,173	10,753,848
Light Plant Construction.....	2032	14,000,000	2.75-5.00	14,000,000	-	565,000	13,435,000
Light Plant Construction.....	2034	12,100,000	2.75-5.00	12,100,000	-	425,000	11,675,000
Total Light.....				26,100,000	-	990,000	25,110,000
Add: unamortized premium.....				1,808,265	-	99,938	1,708,327
Total Light.....				27,908,265	-	1,089,938	26,818,327
Total Enterprise.....				\$ 43,820,554	\$ 500,000	\$ 2,474,069	\$ 41,846,485

Debt service requirements for principal and interest for enterprise fund bonds payable in future years are as follows:

*Water Enterprise*

Year	Principal	Interest	Total
2017.....	\$ 696,358	\$ 23,464	\$ 719,822
2018.....	696,356	22,264	718,620
2019.....	624,958	20,814	645,772
2020.....	537,759	19,364	557,123
2021.....	438,879	17,914	456,793
2022.....	340,000	16,464	356,464
2023.....	240,000	15,014	255,014
2024.....	190,000	13,564	203,564
2025.....	140,000	11,864	151,864
2026.....	90,000	10,664	100,664
2027.....	40,000	9,676	49,676
2028.....	40,000	8,300	48,300
2029.....	35,000	7,176	42,176
2030.....	35,000	5,926	40,926
2031.....	30,000	4,676	34,676
2032.....	30,000	3,550	33,550
2033.....	30,000	2,576	32,576
2034.....	30,000	1,450	31,450
2035.....	10,000	326	10,326
Total.....	\$ 4,274,310	\$ 215,046	\$ 4,489,356

*Sewer Enterprise*

Year	Principal	Interest	Total
2017.....	\$ 737,992	\$ 274,527	\$ 1,012,519
2018.....	636,434	206,999	843,433
2019.....	641,819	192,839	834,658
2020.....	652,421	178,618	831,039
2021.....	663,242	164,185	827,427
2022.....	674,286	149,441	823,727
2023.....	680,560	120,215	800,775
2024.....	692,067	119,703	811,770
2025.....	698,815	104,518	803,333
2026.....	705,904	89,246	795,150
2027.....	698,044	75,030	773,074
2028.....	615,535	60,493	676,028
2029.....	628,288	48,082	676,370
2030.....	641,303	35,412	676,715
2031.....	654,591	22,482	677,073
2032.....	225,331	13,709	239,040
2033.....	230,229	9,183	239,412
2034.....	137,005	5,540	142,545
2035.....	139,982	2,800	142,782
Total.....	\$ 10,753,848	\$ 1,873,022	\$ 12,626,870

*Light Enterprise*

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....\$	1,005,000	\$ 922,376	\$ 1,927,376
2018.....	1,045,000	887,176	1,932,176
2019.....	1,080,000	849,026	1,929,026
2020.....	1,120,000	805,026	1,925,026
2021.....	1,170,000	759,026	1,929,026
2022.....	1,215,000	711,226	1,926,226
2023.....	1,260,000	661,626	1,921,626
2024.....	1,310,000	610,026	1,920,026
2025.....	1,365,000	548,626	1,913,626
2026.....	1,430,000	494,776	1,924,776
2027.....	1,475,000	453,258	1,928,258
2028.....	1,520,000	401,112	1,921,112
2029.....	1,580,000	347,962	1,927,962
2030.....	1,625,000	290,512	1,915,512
2031.....	1,685,000	224,112	1,909,112
2032.....	1,755,000	155,112	1,910,112
2033.....	1,825,000	91,150	1,916,150
2034.....	805,000	65,800	870,800
2035.....	840,000	33,600	873,600
Total..... \$	<u>25,110,000</u>	<u>\$ 9,311,528</u>	<u>\$ 34,421,528</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2016, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Wellington school.....	\$ 1,602,091
Water.....	3,375,398
Communication equipment.....	350
Fire alarm system.....	<u>255,000</u>
Total.....	<u>\$ 5,232,839</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 41,591,118	\$ 1,886,000	\$ (2,738,533)	\$ 40,738,585	\$ 3,029,284
Add: unamortized premium.....	1,789,745	-	(129,647)	1,660,098	129,647
Total Bonds Payable.....	43,380,863	1,886,000	(2,868,180)	42,398,683	3,158,931
Other Postemployment Benefits.....	76,690,787	15,321,678	(4,866,542)	87,145,923	-
Landfill Closure.....	7,348,000	226,000	(52,000)	7,522,000	75,000
Compensated Absences.....	1,461,521	121,060	(73,076)	1,509,505	75,475
Net Pension Liability.....	57,833,365	14,599,232	(6,719,299)	65,713,298	-
Capital Leases.....	403,953	-	(306,552)	97,401	97,401
Total governmental activity long-term liabilities.....	<u>\$ 187,118,489</u>	<u>\$ 32,153,970</u>	<u>\$ (14,885,649)</u>	<u>\$ 204,386,810</u>	<u>\$ 3,406,807</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 42,012,289	\$ 500,000	\$ (2,374,131)	\$ 40,138,158	\$ 2,439,350
Add: unamortized premium.....	1,808,265	-	(99,938)	1,708,327	99,938
Total Bonds Payable.....	43,820,554	500,000	(2,474,069)	41,846,485	2,539,288
Other Postemployment Benefits.....	5,939,232	1,290,963	(634,562)	6,595,633	-
Compensated Absences.....	304,435	25,045	(15,221)	314,259	184,155
Net Pension Liability.....	9,258,804	1,376,404	(1,021,358)	9,613,850	-
Total business type activity long-term liabilities.....	<u>\$ 59,323,025</u>	<u>\$ 3,192,412</u>	<u>\$ (4,145,210)</u>	<u>\$ 58,370,227</u>	<u>\$ 2,723,443</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the balance of the General Stabilization Fund is \$1,692,979 and is reported as unassigned fund balance within the general fund; the balance of the Ash Landfill Stabilization Fund is \$3,467,272 and the balance of the Special Education Stabilization Fund is \$3,237, both of these are reported as committed fund balance within the general fund.

In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

The Town has classified its fund balances with the following hierarchy:

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 3,076,685	\$ 3,076,685
Restricted for:					
Wellington school construction.....	-	859,318	-	-	859,318
Community Preservation Fund.....	-	-	2,477,785	-	2,477,785
Nonmajor governmental funds.....	-	-	-	19,592,818	19,592,818
Committed to:					
Ash Landfill Stabilization Fund.....	3,467,272	-	-	-	3,467,272
Special Education Stabilization Fund.....	3,237	-	-	-	3,237
Assigned to:					
General government.....	1,235,007	-	-	-	1,235,007
Public safety.....	63,604	-	-	-	63,604
Education.....	205,648	-	-	-	205,648
Public works.....	450,053	-	-	-	450,053
Human services.....	1,504	-	-	-	1,504
Culture and recreation.....	99,106	-	-	-	99,106
Debt service interest.....	52,500	-	-	-	52,500
Free cash used for 2017 appropriations.....	1,705,000	-	-	-	1,705,000
Release of overlay for 2017 budget.....	235,000	-	-	-	235,000
Free cash used to offset 2017 property tax debt exclusion.....	20,127	-	-	-	20,127
Free cash used for 2017 transfer to general stabilization fund.....	1,100,000	-	-	-	1,100,000
Free cash used to offset future property tax debt exclusion principal and interest.....	162,634	-	-	-	162,634
Free cash used for the 2017 OPEB contribution...	316,530	-	-	-	316,530
Unassigned to:					
Kendall School Fire.....	3,042,955	-	-	-	3,042,955
Other unassigned.....	11,016,595	-	-	-	11,016,595
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 23,176,772</b>	<b>\$ 859,318</b>	<b>\$ 2,477,785</b>	<b>\$ 22,669,503</b>	<b>\$ 49,183,378</b>

#### NOTE 10 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$7.5 million as the estimate of the landfill closure liability at June 30, 2016. This amount is based on estimates of what it would cost to perform all future closure and post closure care in year 2016.



Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Town meeting has voted a special purpose stabilization fund for this liability, which had a balance of \$3.5 million at year end.

## NOTE 11 – RISK FINANCING

The Town is self-insured for its health insurance activities. The 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 are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

### *Health Insurance*

The Town estimates Incurred But Not Reported (IBNR) claims based on an approximate two month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage provided by the Town. At June 30, 2016, the amount of the liability for health insurance claims totaled \$1,650,000.

Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2016..... \$	1,650,000	\$ 15,089,520	\$ (15,089,520)	\$ 1,650,000
2015.....	1,650,000	12,427,770	(12,427,770)	1,650,000

### *Insurance*

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

### *Workers' Compensation*

The Town participates in a premium based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighters workers compensation is not material at June 30, 2016, and is therefore not reported.

### *General Liability*

The Town is self-insured for its general liability insurance. MGL Chapter 258 limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

**NOTE 12 - PENSION PLAN***Plan Descriptions*

The Town is a member of the Belmont Contributory Retirement System (BCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The BCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The BCRS is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

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/>.

*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, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$6,654,268 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$82,041,160 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide 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.

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. 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 into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2015, the BCRS membership consists of the following:

	<u>2015</u>
Active members.....	482
Inactive members.....	242
Retirees and beneficiaries currently receiving benefits.....	<u>349</u>
Total.....	<u><u>1,073</u></u>

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$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, 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. The total member units' contribution for the year ended December 31, 2015, was \$7,877,960, 30.13% 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. The Town's proportionate share of the required contribution was \$7,064,592 which equaled its actual contribution.

### *Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2016, were as follows:

Total pension liability.....	\$ 165,850,771
The pension plan's fiduciary net position.....	<u>(88,806,012)</u>
The net pension liability.....	<u><u>\$ 77,044,759</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	53.55%

At June 30, 2016, the Town reported a liability of \$75.3 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and December 31, 2014, for the Electric Light Plant. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015 (inclusive of the Electric Light Plant), the Town's proportion was 98.26%, which changed from its proportion measured at December 31, 2014, of 98.07%.

### *Pension Expense*

For the year ended June 30, 2016, the Town recognized pension expense of \$7,696,916. At June 30, 2016, the Town and the Electric Light Plant reported net deferred outflows/(inflows) of resources related to pensions of \$8,080,837 and \$523,969, respectfully, from the net difference between projected and actual investment earnings

on pension plan investments, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between expected and actual experience.

The balances of deferred outflows and inflows at June 30, 2016 for the Town, excluding the municipal light plant are as follows:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (1,656,388)	\$ (1,656,388)
Changes of assumptions.....	4,794,991	-	4,794,991
Difference between projected and actual earnings.....	4,670,058	-	4,670,058
Changes in proportionate share of contributions.....	957,175	(684,999)	272,176
Total Deferred Outflows/(Inflows) of Resources.....	\$ 10,422,224	\$ (2,341,387)	\$ 8,080,837

The balances of deferred outflows and inflows at June 30, 2016 for the municipal light plant are as follows:

Deferred category	Deferred Outflows of Resources
Difference between projected and actual earnings.....	\$ 185,936
Contributions made subsequent to the measurement date.....	338,033
Total Deferred Outflows/(Inflows) of Resources.....	\$ 523,969

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

Year ended June 30:	Town	Light Plant	Total
2017.....	\$ 2,059,376	\$ 384,517	\$ 2,443,893
2018.....	2,059,376	46,484	2,105,860
2019.....	2,059,372	46,484	2,105,856
2020.....	1,902,713	46,484	1,949,197
Total.....	\$ 8,080,837	\$ 523,969	\$ 8,604,806

*Actuarial Assumptions* - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Level payments on the 2002 ERI liability, payments increasing 4.5% per year for the 2003 ERI liability, and remaining liability amortized so that total payment increases 6.97% annually.
Remaining amortization period.....	As of July 1, 2016, 2 years for the 2002 ERI liability, 9 years for the 2003 ERI liability and 13 years for the remaining unfunded liability.
Asset valuation method.....	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period at 20% per year, further adjusted, if necessary, to be within 20% of the market value.
Inflation rate.....	3.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 3.75% for Groups 1 and 2, and 4.25% for Group 4.
Cost of living adjustments.....	3.0% of the first \$12,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general, police and fire employees, it was assumed that 10% of all disabilities are ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.
Investment rate of return/Discount rate.....	7.50%

#### *Investment policy*

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

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic equity.....	6.49%	28.00%
International developed markets equity.....	7.16%	8.00%
International emerging markets equity.....	9.46%	4.00%
Core fixed income.....	1.68%	10.00%
High-yield fixed income.....	4.76%	11.00%
Real estate.....	4.37%	12.00%
Hedge fund, GTAA, Risk parity, Commodities.....	7.73%	20.00%
Private equity.....	11.04%	7.00%
Cash.....	1.11%	0.00%
Total.....		<u>100.00%</u>

#### *Rate of return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Discount rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The Town's proportionate share of the net pension liability.....	\$ <u>93,193,584</u>	\$ <u>75,701,965</u>	\$ <u>60,867,619</u>
BCRS total net pension liability.....	\$ <u>94,846,642</u>	\$ <u>77,044,759</u>	\$ <u>61,947,283</u>

The Town and the Belmont Municipal Light Plant report their figures on different year ends and as a result, there will always be a variance between the figures reported in the footnotes and the required supplementary information to the actual amount reported in the financial statements.

### NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

*Plan Description* – The Town of Belmont administers a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health and life insurance plans, which cover both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% of the costs of benefits for the HMO and 50% of cost of benefits for the PPO plans if they are not participating in the Medicare Plan. Medicare eligible retirees and their spouses contribute 50% of the cost of the Medicare Enhance Supplement plan and the First Seniority. For year 2016, the Town contributed \$5.3 million to the plan.

*Annual OPEB Cost and Net OPEB Obligation* – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table.

Annual required contribution.....	\$ 17,769,827
Interest on net OPEB obligation.....	3,718,351
Adjustment to annual required contribution.....	<u>(5,072,438)</u>
Annual OPEB cost (expense).....	16,415,740
Contributions made.....	<u>(5,304,203)</u>
Increase in net OPEB obligation.....	11,111,537
Net OPEB obligation - beginning of year.....	<u>82,630,019</u>
Net OPEB obligation - end of year.....	<u>\$ 93,741,556</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2016 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 16,415,740	32%	\$ 93,741,556
6/30/2015	15,852,448	31%	82,630,019
6/30/2014	19,360,077	28%	71,645,768

*Funded Status and Funding Progress* – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$172.7 million, of which was the Town has funded approximately \$1.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$49.6 million, and the ratio of the UAAL to the covered payroll was 345.1%.

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

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

In the July 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years. The UAAL is being amortized using level dollar open method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2016 is 30 years.

#### **NOTE 14 - COMMITMENTS**

The Town has entered into, or is planning to enter into contracts totaling approximately \$5.2 million related to water infrastructure upgrades, for public safety equipment upgrades, and for construction of the new Wellington School.

#### **NOTE 15 - 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 expected such amounts, if any, to be immaterial.

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

#### NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2017, which is the date the financial statements were available to be issued.

#### NOTE 17 – REVISION OF NET POSITION

Beginning net position of business-type activities, and the Light enterprise fund have been revised to reflect the implementation of GASB Statement #68. The revised balances are summarized in the following table:

Description	6/30/2015 Previously Reported Balances	Implementation of GASBS 68 & 71	6/30/2016 Revised Balances
<b>Government-Wide Financial Statements</b>			
Business-type activities.....	\$ 44,588,483	\$ (5,764,968)	\$ 38,823,515
<b>Proprietary Fund Financial Statements</b>			
Light enterprise.....	\$ 17,215,115	\$ (5,764,968)	\$ 11,450,147

#### NOTE 18 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

## ***Required Supplementary Information***

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 80,399,960	\$ 82,069,729
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	3,205,000	3,213,515
Charges for services.....	-	2,107,042	2,066,042
Penalties and interest on taxes.....	-	220,000	220,000
Licenses and permits.....	-	1,022,000	1,033,000
Fines and forfeitures.....	-	185,000	185,000
Intergovernmental.....	-	8,906,968	8,916,056
Investment income.....	-	150,000	150,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>96,195,970</b>	<b>97,853,342</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	155,873	4,590,439	4,618,024
Public safety.....	89,238	12,906,528	13,173,715
Education.....	189,643	50,681,238	50,681,238
Public works.....	127,425	9,148,131	9,175,504
Human services.....	-	957,729	965,790
Culture and recreation.....	91,102	3,081,088	3,098,852
Pension benefits.....	-	6,502,635	6,502,635
Employee benefits.....	546,491	3,323,866	3,310,728
State and county charges.....	-	1,733,129	1,737,816
Debt service:			
Principal.....	-	2,680,471	2,738,532
Interest.....	-	1,720,448	1,662,387
<b>TOTAL EXPENDITURES.....</b>	<b>1,199,772</b>	<b>97,325,702</b>	<b>97,665,221</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,199,772)</b>	<b>(1,129,732)</b>	<b>188,121</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Premium from issuance of bonds.....	-	-	-
Transfers in.....	-	1,312,325	1,312,325
Transfers out.....	-	(3,367,365)	(6,603,434)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(2,055,040)</b>	<b>(5,291,109)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,199,772)</b>	<b>(3,184,772)</b>	<b>(5,102,988)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>13,914,178</b>	<b>13,914,178</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (1,199,772)</b>	<b>\$ 10,729,406</b>	<b>\$ 8,811,190</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 82,252,764	\$ -	\$ 183,035
262,099	-	262,099
3,593,904	-	380,389
2,376,304	-	310,262
295,848	-	75,848
1,406,559	-	373,559
436,496	-	251,496
9,111,466	-	195,410
305,474	-	155,474
100,040,914	-	2,187,572
3,983,317	164,007	470,700
12,747,100	63,604	363,011
50,439,714	205,648	35,876
8,487,397	450,053	238,054
874,137	1,504	90,149
2,648,784	99,106	350,962
6,500,731	-	1,904
2,022,032	1,071,000	217,696
1,728,161	-	9,655
2,738,532	-	-
1,571,513	52,500	38,374
93,741,418	2,107,422	1,816,381
6,299,496	(2,107,422)	4,003,953
81,991	-	81,991
1,312,325	-	-
(6,603,434)	-	-
(5,209,118)	-	81,991
1,090,378	(2,107,422)	4,085,944
13,914,178	-	-
\$ 15,004,556	\$ (2,107,422)	\$ 4,085,944

# ***Pension Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS  
BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

	2015	2014
<b>Total pension liability:</b>		
Service cost.....	\$ 3,422,586	\$ 3,290,948
Interest.....	11,975,171	11,576,179
Changes in benefit terms.....	-	-
Differences between expected and actual experience.....	(2,308,867)	-
Changes in assumptions.....	6,683,815	-
Benefit payments, including refunds of employee contributions.....	(10,035,365)	(9,665,616)
Net change in total pension liability.....	9,737,340	5,201,511
Total pension liability, beginning.....	156,113,431	150,911,920
Total pension liability, ending <b>(a)</b> .....	<u>\$ 165,850,771</u>	<u>\$ 156,113,431</u>
<b>Plan fiduciary net position:</b>		
Employer contributions.....	\$ 7,877,960	\$ 7,364,523
Member contributions.....	2,460,974	2,378,296
Net investment income (loss).....	934,243	5,521,768
Retirement benefits and refunds.....	(10,035,365)	(9,665,616)
Administrative expenses.....	(154,097)	(182,627)
Net increase (decrease) in fiduciary net position.....	1,083,715	5,416,344
Fiduciary net position at beginning of year.....	87,722,297	82,305,953
Fiduciary net position at end of year <b>(b)</b> .....	<u>\$ 88,806,012</u>	<u>\$ 87,722,297</u>
<b>Net pension liability - ending (a) - (b)</b> .....	<u>\$ 77,044,759</u>	<u>\$ 68,391,134</u>
Plan fiduciary net position as a percentage of the total pension liability.....	53.55%	56.19%
Covered-employee payroll.....	\$ 25,031,508	\$ 25,142,886
Net pension liability as a percentage of covered-employee payroll.....	307.79%	272.01%

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.

**SCHEDULE OF CONTRIBUTIONS**  
**BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution.....	\$ 7,877,960	\$ 7,364,523
Contributions in relation to the actuarially determined contribution.....	<u>7,877,960</u>	<u>7,364,523</u>
Contribution deficiency (excess).....	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll.....	\$ 25,031,508	\$ 25,142,886
Contributions as a percentage of covered- employee payroll.....	31.47%	29.29%

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.



**SCHEDULE OF INVESTMENT RETURN**  
**BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense.....	1.32%	6.69%

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.

The annual money-weighted rate of return has been calculated by  
PERAC.

See notes to required supplementary information.

# ***Pension Plan Schedules – Town & Electric Light Plant***

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Electric Light Plant's Proportionate Share of the Net Pension Liability presents multi-year on the Light's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2015	December 31, 2014
Town's proportion of the net pension liability (asset).....	89.68%	89.19%
Town's proportionate share of the net pension liability (asset)..... \$	69,090,194	\$ 61,000,401
Town's covered employee payroll..... \$	23,496,527	\$ 22,592,814
Town's net pension liability as a percentage of Town covered-employee payroll.....	294.04%	270.00%
Plan fiduciary net position as a percentage of the total pension liability.....	53.55%	56.19%

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.

Except for the Town's Electric Light Plant, the Town implemented GASB 68 in fiscal year 2015 and used the measurement date of December 31, 2014. This schedule does not include the Electric Light Plant which is presented on its own schedule.

See notes to required supplementary information.

**SCHEDULE OF THE ELECTRIC LIGHT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Electric Light's proportion of the net pension liability (asset).....	8.87%
Electric Light's proportionate share of the net pension liability (asset)..... \$	6,236,954
Electric Light's covered employee payroll..... \$	2,193,362
Electric Light's net pension liability as a percentage of Light covered-employee payroll.....	284.36%
Plan fiduciary net position as a percentage of the total pension liability.....	53.55%

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.

The Town's Electric Light Enterprise Fund's year end is December 31st while the Town is  
June 30. The Electric Light Enterprise Fund's initial implementation of GASB 68 was for the  
year ended December 31, 2015, and used the measurement date of December 31, 2014.  
This schedule provides only the Electric Light Fund's information.

See notes to required supplementary information.

**SCHEDULE OF TOWN'S CONTRIBUTIONS**  
**BELMONT CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2015	December 31, 2014
Actuarially determined contribution.....	\$ 7,740,657	\$ 7,222,270
Contributions in relation to the actuarially determined contribution.....	<u>7,740,657</u>	<u>7,222,270</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Town covered-employee payroll.....	\$ 23,496,527	\$ 22,592,814
Contributions as a percentage of covered- employee payroll.....	32.94%	31.97%

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.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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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 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>
2015.....	\$ 64,046,291	\$ 4,449,603	61.64%
2016.....	82,041,160	6,654,268	55.38%

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.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ 1,720,389	\$ 172,745,213	\$ 171,024,824	1.00%	\$ 49,551,000	345.1%
7/1/2012	1,316,700	195,943,349	194,626,649	0.67%	44,045,000	441.9%
7/1/2010	1,009,894	184,907,102	183,897,208	0.55%	39,766,311	462.4%
7/1/2008	501,409	166,550,323	166,048,914	0.30%	33,252,323	499.4%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 17,769,827	\$ 5,304,203	30%
2015	17,026,532	4,868,197	29%
2014	20,304,505	5,345,819	26%
2013	19,375,232	4,581,828	24%
2012	18,970,005	7,905,784	42%
2011	18,153,513	7,387,738	41%

See notes to required supplementary information.



**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2016

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Actuarial Methods:

Valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 Years as of June 30, 2016
Asset valuation method	Market

Actuarial Assumptions:

Investment rate of return	4.5%
Medical/drug cost trend rate	10% graded to 5% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	691
Current active members	<u>801</u>
Total	<u><u>1,492</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2016 approved budget authorized approximately \$101 million in appropriations and other amounts to be raised. Town meeting authorized an additional \$3.6 million increase in appropriations.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Budgetary - GAAP Reconciliation**

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

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,090,378
<u>Perspective difference:</u>	
Activity of the Stabilization Funds recorded in the General Fund for GAAP.....	1,730,996
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	287,000
Net change in recording 60-day receipts accrual.....	61,085
Recognition of revenue for on-behalf payments.....	(6,654,268)
Recognition of expenditures for on-behalf payments.....	<u>6,654,268</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$ <u>3,169,459</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of Contributions**

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

**C. Schedule of Investment Return**

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

***Pension Plan Schedules - Town*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), 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 Contributions**

Governmental employers 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 Special Funding Amounts of the Net Pension Liabilities

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 revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions:

The investment return assumption was lowered from 7.75% to 7.50%.

The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected 27 years using Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.

The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA to the RP-2000 Health Annuitant Mortality Table projected generationally using Scale BB2D from 2009.

The mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.

The administrative expense assumption was increased from \$175,000 for 2014, increasing 4% annually, to \$290,000 for 2016, increasing 3% annually.

The allowance for net 3(8)(c) reimbursements was changed from \$200,000 for 2014, increasing 4% per year, to \$200,000 for 2016, increasing 3% per year.

E. Changes in Plan Provisions:

Members hired on or after April 2, 2012, are covered by the provisions of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which cover both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis, but has established an Other Postemployment Benefit Trust fund to accumulate assets to help mitigate the costs of these benefits. As of the most recent actuarial report dated July 1, 2014, the Town had contributed approximately \$1.7 million to the fund. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 1.0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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