

TOWN OF BELMONT, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2015

TOWN OF BELMONT, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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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, 2015 (except for the Belmont Contributory Retirement System which is as of and for the year ended December 31, 2014), 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, 2014, which represent 51.0%, 38.6%, and 60.8%, 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, 2015 (except for the Belmont Contributory Retirement System and Municipal Light Plant which are as of and for the year ended December 31, 2014), 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 March 22, 2016 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

March 22, 2016

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, 2015.

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 year 2015 by \$50.7 million.
- The Town's total net position decreased by \$1.9 million.
- At the end of year 2015, the unassigned fund balance for the general fund was \$12.7 million or 13.2% of general fund expenditures.
- This is the seventh year since the Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. At year end, the postemployment benefit (OPEB) liability totaled \$82.6 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 2015, the Town transferred \$264 thousand and the Trust received \$45 thousand in investment income, bringing the balance to \$2.0 million. The Town voted to transfer \$205 thousand into the fund during 2016.
- At year end, the balance in the Town's Internal Service Fund totaled \$8.5 million, an increase of \$987 thousand from the prior year.
- In order to take advantage of favorable interest rates, the Town issued \$2,590,000 of General Obligation Refunding Bonds. Total debt service was reduced by \$258,139 over the next 12 years. Please refer to NOTE 8 for more information.

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.

The Town has implemented GASB Statement 67, *Financial Reporting for Pension Plans*, GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result additional footnote disclosures and required supplementary information was added to the report, as well as the recognition of deferred outflows and the net pension liability related to the Town's pension obligations. See Note 12 for more information. To reflect this change, the Town has recorded a net pension liability, which has resulted in the revision of the June 30, 2014, balance of the governmental activities and business type activities by \$57,997,474 and \$3,176,026, respectively.

Government-wide Financial Analysis

Governmental Activities

The 2014 noncurrent liabilities and beginning net position have been revised by \$57,997,474 to reflect the implementation of GASB Statements #68 and #71 and the associated net pension liability. The Town is able to report positive balance in two out of three categories of net position. As noted below, assets exceeded liabilities by \$6.1 million at the close of the most recent year.

	<u>2015</u>	<u>(As Revised) 2014</u>
Assets:		
Current assets.....	\$ 60,302,682	\$ 55,830,467
Capital assets.....	140,101,602	135,575,484
Total assets.....	<u>200,404,284</u>	<u>191,405,951</u>
Total deferred outflows of resources.....	<u>934,739</u>	<u>428,964</u>
Liabilities:		
Current liabilities (excluding debt).....	7,122,235	5,532,697
Noncurrent liabilities (excluding debt).....	143,305,998	129,228,866
Current debt.....	2,908,329	3,577,838
Noncurrent debt.....	40,472,534	39,055,416
Total liabilities.....	<u>193,809,096</u>	<u>177,394,817</u>
Total deferred inflows of resources.....	<u>1,410,687</u>	<u>1,318,776</u>
Net Position:		
Capital assets net of related debt.....	103,830,716	98,844,737
Restricted.....	5,712,285	4,770,295
Unrestricted.....	(103,423,761)	(90,493,710)
Total net position.....	<u>\$ 6,119,240</u>	<u>\$ 13,121,322</u>

A significant portion of the Town's net position, \$103.8 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, \$5.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of *unrestricted net position*, of \$103.4 million is due to the recognition of the liabilities associated with GASB Statement #45 in the amount of \$76.7 million, as well as GASB Statement #68 in the amount of \$57.8 million.

The governmental activities net position decreased by \$7.0 million in the current year. The decrease was primarily due a \$10.3 million increase in the other postemployment benefits liability, and the fact that depreciation exceeded principal payments on debt by \$648 thousand. These decreases were offset by \$518 thousand of capital grants related to Chapter 90 highway grants and State matching CPA fund grants. Other elements affecting net position were a surplus in the Internal Service fund of \$987,000, the recognition of \$591 thousand of deferred outflows related to pensions and the Town's ability to fund capital additions (approximately \$3.9 million) from current year revenues.

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

	2015	(As Revised) 2014
Program Revenues:		
Charges for services.....	\$ 7,868,664	\$ 6,880,480
Operating grants and contributions.....	15,511,455	19,449,179
Capital grants and contributions.....	518,084	1,275,108
General Revenues:		
Real estate and personal property taxes.....	75,959,984	72,256,633
Tax liens.....	331,980	334,414
Motor vehicle and other excise taxes.....	3,467,076	3,231,491
Community preservation tax.....	970,713	907,112
Nonrestricted grants.....	2,546,466	2,526,960
Penalties and interest on taxes.....	427,131	389,566
Unrestricted investment income.....	479,466	886,008
Gain/(loss) on disposal of capital assets.....	776	-
Total revenues.....	108,081,795	108,136,951
Expenses:		
General government.....	7,626,030	7,450,689
Public safety.....	20,065,660	20,163,937
Education.....	66,732,538	72,354,998
Public works.....	15,430,071	11,037,195
Human services.....	1,435,129	1,320,058
Culture and recreation.....	3,446,940	3,182,350
Interest.....	1,284,634	1,152,557
Total expenses.....	116,021,002	116,661,784
Change in net position before transfers.....	(7,939,207)	(8,524,833)
Transfers.....	937,125	937,125
Change in net position.....	(7,002,082)	(7,587,708)
Net position at beginning of year (as revised).....	13,121,322	20,709,030
Net position at end of year.....	\$ 6,119,240	\$ 13,121,322

Business-type activities

The 2014 noncurrent liabilities and beginning net position have been revised by \$1,988,701 in the water fund and \$1,187,325 in the sewer fund. Combined business-type activities net position increased by \$5.1 million in the current year. The following table identifies key elements of the enterprise operations:

	<u>2015</u>	<u>(As Revised) 2014</u>
Assets:		
Current assets.....	\$ 35,990,811	\$ 26,492,464
Noncurrent assets (excluding capital).....	6,373,002	3,186,971
Capital assets.....	59,354,323	52,276,923
Total assets.....	<u>101,718,136</u>	<u>81,956,358</u>
Liabilities:		
Current liabilities (excluding debt).....	2,232,802	2,544,127
Noncurrent liabilities (excluding debt).....	9,395,482	8,723,008
Current debt.....	2,374,131	17,112,246
Noncurrent debt.....	41,446,423	12,797,737
Total liabilities.....	<u>55,448,838</u>	<u>41,177,118</u>
Total deferred inflows of resources.....	<u>1,713,177</u>	<u>1,310,917</u>
Net Position:		
Capital assets net of related debt.....	29,525,498	24,686,083
Unrestricted.....	15,062,985	14,782,240
Total net position.....	<u>44,588,483</u>	<u>39,468,323</u>
Program Revenues:		
Charges for services.....	38,890,289	34,859,538
General Revenues:		
Unrestricted investment income.....	84,535	15,791
Total revenues.....	<u>38,974,824</u>	<u>34,875,329</u>
Expenses:		
Water.....	4,825,769	4,937,845
Sewer.....	7,233,825	7,316,529
Light.....	20,857,945	19,837,537
Total expenses.....	<u>32,917,539</u>	<u>32,091,911</u>
Change in net position before transfers.....	6,057,285	2,783,418
Transfers.....	(937,125)	(937,125)
Change in net position.....	5,120,160	1,846,293
Net position at beginning of year (as revised).....	39,468,323	37,622,030
Net position at end of year.....	\$ <u>44,588,483</u>	\$ <u>39,468,323</u>

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 \$40.2 million comprised of \$20.0 million in the general fund, a deficit of \$129.0 thousand in the Wellington School construction fund, \$1.8 million in community preservation, and \$18.4 million in the nonmajor governmental funds. Overall fund balance increased by \$2.4 million in year 2015. This was primarily due to the issuance of \$4.4 million of long-term debt offset by 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 \$12.7 million, while the total fund balance was \$20.0 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 13.2% of general fund budgetary expenditures, while total fund balance represents 20.9% of that same amount. During 2015, the fund balance of the general fund increased by \$488 thousand. The change was primarily due to a budgetary surplus of \$693 thousand offset by an increase of \$71 in the Town's estimate for Appellate Tax Board cases.

The Wellington School construction fund is used to account for the activities related to the construction of the new school building. During 2015, the Town spent \$21 thousand on the project. At June 30, 2015, the fund has a deficit balance of \$129 thousand. The deficit will be funded with available funds and grant proceeds in future years. The project has only punch list items remaining as of June 30, 2015.

The community preservation fund had a fund balance at June 30, 2015, of \$1.8 million. 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 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 decreased \$1.2 million during year 2015 due to the receipt of both state grants and the tax surcharges, offset by \$2.5 million 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 \$5.1 million in year 2015. This performance was primarily the result of an increase in light user fees while controlling the related cost structures. The light department experienced an overall increase in revenue due to an increase in rates implemented in 2014. The water and sewer funds experienced slight increases in revenues while being able to control operating costs.

The internal service fund had an ending fund balance of \$8.5 million, which represents an increase of \$987 thousand over the prior year. Contributions exceeded claim payments by \$967 thousand and the fund earned \$20.0 thousand in investment earnings.

General Fund Budgetary Highlights

There was a net increase of \$1.8 million between the original and final adopted budgets. This increase primarily relates to free cash appropriations for construction on Belmont Center.

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, 2015, amounted to \$199.5 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 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

Of the \$6.7 million increase in construction in progress, \$6.1 million was attributed to the 115KV substation project funded by \$26,100,000 of General Obligation Bonds. See debt administration note below for further information.

Debt Administration

Outstanding governmental bonded long-term debt, as of June 30, 2015, totaled \$41.6 million of which \$23.1 million relates to various School construction projects and purchases, \$9.7 million of refunding bonds, \$2.1 million relates to the senior center project, \$1.3 million relates to the purchase of fire vehicles, \$100 thousand relates to the Fire Station construction, and \$860 thousand relates to Harris Field repairs, \$2.8 million relates to the Underwood Pool construction, \$1.5 million relates to Town center construction, leaving a balance of \$171 thousand for other CIP projects. The enterprise funds have \$4.4 million in water debt and \$11.5 million in sewer debt, all of which are fully supported by the rates.

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

Light Department

On April 26, 2012, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of \$14,000,000, which included a bond premium, bearing interest at 1.83% and maturing April 25, 2013. The proceeds were used to finance the 115kv Transmission Service Upgrade Project. On April 25, 2013, the BAN matured and was renewed in the aggregate amount of \$14,000,000 which included a bond premium, bearing interest at 1.77% and matured April 25, 2015. In April 2015, the \$14,000,000 BAN was permanently financed and an additional \$12,100,000 was added for a total long-term debt issuance of \$26,100,000 related to this project.

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 \$75.6 million in 2015, which was a \$2.5 million increase from the prior year. \$654 thousand of this increase is the product of the certified new growth of the Town. Within this levy approximately \$3.4 million of previous debt exclusions were paid off.

The Town continues to experience growth in residential renovation and development. In year 2015, 1108 building permits were issued, resulting in \$100.2 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 2015, the Town realized \$654 thousand in new taxes from this source.

The unemployment rate for Belmont as of December 2015 was 3.4% compared to the state figure of 5.6% and the nationwide figure of 6.3%.

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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 42,800,486	\$ 27,775,718	\$ 70,576,204
Investments.....	12,377,735	-	12,377,735
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	663,791	-	663,791
Real estate tax deferrals.....	672,848	-	672,848
Tax liens.....	933,802	65,952	999,754
Motor vehicle excise taxes.....	183,269	-	183,269
User fees.....	-	5,725,088	5,725,088
Departmental and other.....	413,392	-	413,392
Intergovernmental.....	2,099,122	98,468	2,197,590
Inventory.....	158,237	555,079	713,316
Prepaid expenses.....	-	92,582	92,582
Purchased power advanced deposits.....	-	1,677,924	1,677,924
NONCURRENT:			
Restricted cash and cash equivalents.....	-	6,373,002	6,373,002
Capital assets, non depreciable.....	16,456,335	16,193,264	32,649,599
Capital assets, depreciable.....	123,645,267	43,161,059	166,806,326
TOTAL ASSETS.....	200,404,284	101,718,136	302,122,420
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	591,006	32,362	623,368
Deferred loss on refunding.....	343,733	-	343,733
TOTAL DEFERRED OUTFLOWS.....	934,739	32,362	967,101
LIABILITIES			
CURRENT:			
Warrants payable.....	2,785,074	1,638,367	4,423,441
Accrued liabilities.....	-	300,121	300,121
Accrued payroll.....	546,763	40,006	586,769
Health claims payable.....	1,650,000	-	1,650,000
Tax refunds payable.....	648,000	-	648,000
Accrued interest.....	568,877	100,493	669,370
Other liabilities.....	491,893	138,594	630,487
Capital lease obligations.....	306,552	-	306,552
Landfill closure.....	52,000	-	52,000
Compensated absences.....	73,076	15,221	88,297
Bonds payable.....	2,908,329	2,374,131	5,282,460
NONCURRENT:			
Capital lease obligations.....	97,401	-	97,401
Landfill closure.....	7,296,000	-	7,296,000
Compensated absences.....	1,388,445	289,214	1,677,659
Other postemployment benefits.....	76,690,787	5,939,232	82,630,019
Net pension liability.....	57,833,365	3,167,036	61,000,401
Bonds payable.....	40,472,534	41,446,423	81,918,957
TOTAL LIABILITIES.....	193,809,096	55,448,838	249,257,934
DEFERRED INFLOWS OF RESOURCES			
Advanced collections.....	1,410,687	-	1,410,687
Rate stabilization reserve.....	-	1,713,177	1,713,177
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,410,687	1,713,177	3,123,864
NET POSITION			
Net investment in capital assets.....	103,830,716	29,525,498	133,356,214
Restricted for:			
Permanent funds:			
Expendable.....	880,040	-	880,040
Nonexpendable.....	2,981,430	-	2,981,430
Other purposes.....	1,850,815	-	1,850,815
Unrestricted.....	(103,423,761)	15,062,985	(88,360,776)
TOTAL NET POSITION.....	\$ 6,119,240	\$ 44,588,483	\$ 50,707,723

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,626,030	\$ 846,958	\$ 528,674	\$ 1,601	\$ (6,248,797)
Public safety.....	20,065,660	1,213,685	153,321	-	(18,698,654)
Education.....	66,732,538	3,019,702	14,197,324	-	(49,515,512)
Public works.....	15,430,071	1,896,052	301,379	266,506	(12,966,134)
Human services.....	1,435,129	232,121	212,648	-	(990,360)
Culture and recreation.....	3,446,940	660,146	66,611	-	(2,720,183)
Community preservation.....	-	-	-	249,977	249,977
Interest.....	1,284,634	-	51,498	-	(1,233,136)
Total Governmental Activities.....	116,021,002	7,868,664	15,511,455	518,084	(92,122,799)
<i>Business-Type Activities:</i>					
Water.....	4,825,769	6,485,130	-	-	1,659,361
Sewer.....	7,233,825	8,878,024	-	-	1,644,199
Light.....	20,857,945	23,527,135	-	-	2,669,190
Total Business-Type Activities.....	32,917,539	38,890,289	-	-	5,972,750
Total Primary Government.....	\$ 148,938,541	\$ 46,758,953	\$ 15,511,455	\$ 518,084	\$ (86,150,049)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (92,122,799)	\$ 5,972,750	\$ (86,150,049)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	75,959,984	-	75,959,984
Tax liens.....	331,980	-	331,980
Motor vehicle and other excise taxes.....	3,467,076	-	3,467,076
Community preservation tax.....	970,713	-	970,713
Penalties and interest on taxes.....	427,131	-	427,131
Grants and contributions not restricted to specific programs.....	2,546,466	-	2,546,466
Unrestricted investment income.....	479,466	84,535	564,001
Gain (loss) on disposal of assets.....	776	-	776
<i>Transfers, net</i>	937,125	(937,125)	-
Total general revenues and transfers.....	<u>85,120,717</u>	<u>(852,590)</u>	<u>84,268,127</u>
Change in net position.....	(7,002,082)	5,120,160	(1,881,922)
<i>Net Position:</i>			
Beginning of year.....	<u>13,121,322</u>	<u>39,468,323</u>	<u>52,589,645</u>
End of year.....	\$ <u><u>6,119,240</u></u>	\$ <u><u>44,588,483</u></u>	\$ <u><u>50,707,723</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 20,545,817	\$ -	\$ 149,117	\$ 11,938,621	\$ 32,633,555
Investments.....	3,509,656	-	1,681,566	7,186,513	12,377,735
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	656,526	-	7,265	-	663,791
Real estate tax deferrals.....	672,848	-	-	-	672,848
Tax liens.....	933,802	-	-	-	933,802
Motor vehicle excise taxes.....	183,269	-	-	-	183,269
Departmental and other.....	400,467	-	-	12,925	413,392
Intergovernmental.....	-	-	165,000	1,934,122	2,099,122
Due from other funds.....	129,459	-	-	-	129,459
TOTAL ASSETS.....	\$ 27,031,844	\$ -	\$ 2,002,948	\$ 21,072,181	\$ 50,106,973
LIABILITIES					
Warrants payable.....	\$ 1,389,881	\$ -	\$ 499	\$ 1,394,694	\$ 2,785,074
Accrued payroll.....	523,074	-	-	23,689	546,763
Tax refunds payable.....	648,000	-	-	-	648,000
Other liabilities.....	491,893	-	-	-	491,893
Due to other funds.....	-	129,459	-	-	129,459
TOTAL LIABILITIES.....	3,052,848	129,459	499	1,418,383	4,601,189
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	3,971,683	-	172,265	1,182,076	5,326,024
FUND BALANCES					
Nonspendable.....	-	-	-	2,981,430	2,981,430
Restricted.....	-	-	1,830,184	15,490,292	17,320,476
Committed.....	3,425,065	-	-	-	3,425,065
Assigned.....	3,892,731	-	-	-	3,892,731
Unassigned.....	12,689,517	(129,459)	-	-	12,560,058
TOTAL FUND BALANCES.....	20,007,313	(129,459)	1,830,184	18,471,722	40,179,760
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 27,031,844	\$ -	\$ 2,002,948	\$ 21,072,181	\$ 50,106,973

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, 2015

Total governmental fund balances.....	\$	40,179,760
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		140,101,602
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		3,915,337
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.....		591,006
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.....		8,516,931
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(568,877)
Inventory is capitalized in the Statement of Activities.....		158,237
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(43,380,863)	
Capital lease obligations.....	(403,953)	
Landfill closure.....	(7,348,000)	
Other postemployment benefits payable.....	(76,690,787)	
Net pension liability.....	(57,833,365)	
Compensated absences.....	(1,461,521)	
Net effect of reporting long-term liabilities.....		(187,118,489)
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.....		<u>343,733</u>
Net position of governmental activities.....	\$	<u><u>6,119,240</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 76,075,836	\$ -	\$ -	\$ -	\$ 76,075,836
Tax liens.....	336,922	-	-	-	336,922
Motor vehicle and other excise taxes.....	3,467,149	-	-	-	3,467,149
Charges for services.....	2,260,829	-	-	-	2,260,829
Penalties and interest on taxes.....	427,131	-	-	-	427,131
Licenses and permits.....	1,940,336	-	-	-	1,940,336
Fines and forfeitures.....	236,553	-	-	-	236,553
Intergovernmental.....	13,556,405	-	291,615	3,893,788	17,741,808
Departmental and other.....	-	-	-	3,837,794	3,837,794
Community preservation tax.....	-	-	991,630	-	991,630
Contributions.....	-	-	13	911,604	911,617
Investment income.....	294,236	-	8,245	156,871	459,352
Miscellaneous.....	-	-	-	1,425	1,425
TOTAL REVENUES.....	98,595,397	-	1,291,503	8,801,482	108,688,382
EXPENDITURES:					
Current:					
General government.....	3,734,959	-	394,555	500,236	4,629,750
Public safety.....	12,317,373	-	-	1,589,553	13,906,926
Education.....	47,373,217	20,793	96,374	7,333,910	54,824,294
Public works.....	9,475,354	-	-	1,876,522	11,351,876
Human services.....	839,470	-	-	168,024	1,007,494
Culture and recreation.....	2,756,495	-	1,977,630	2,210,199	6,944,324
Pension benefits.....	10,473,148	-	-	-	10,473,148
Employee benefits.....	1,933,248	-	-	-	1,933,248
State and county charges.....	1,713,081	-	-	-	1,713,081
Debt service:					
Principal.....	3,448,192	-	-	-	3,448,192
Interest.....	1,600,917	-	-	-	1,600,917
TOTAL EXPENDITURES.....	95,665,454	20,793	2,468,559	13,678,444	111,833,250
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,929,943	(20,793)	(1,177,056)	(4,876,962)	(3,144,868)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	-	4,355,398	4,355,398
Proceeds from refunding bonds.....	1,330,050	-	-	-	1,330,050
Premium from issuance of bonds.....	225,108	-	-	-	225,108
Premium from issuance of refunding bonds.....	80,015	-	-	-	80,015
Payments to refunded bond escrow agent.....	(1,410,065)	-	-	-	(1,410,065)
Sale of assets.....	-	-	-	776	776
Transfers in.....	1,311,125	-	-	4,074,263	5,385,388
Transfers out.....	(3,978,500)	-	-	(469,763)	(4,448,263)
TOTAL OTHER FINANCING SOURCES (USES).....	(2,442,267)	-	-	7,960,674	5,518,407
NET CHANGE IN FUND BALANCES.....	487,676	(20,793)	(1,177,056)	3,083,712	2,373,539
FUND BALANCES AT BEGINNING OF YEAR.....	19,519,637	(108,666)	3,007,240	15,388,010	37,806,221
FUND BALANCES AT END OF YEAR.....	\$ 20,007,313	\$ (129,459)	\$ 1,830,184	\$ 18,471,722	\$ 40,179,760

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, 2015

Net change in fund balances - total governmental funds.....		\$ 2,373,539
<p>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.</p>		
Capital outlay.....	8,622,111	
Depreciation expense.....	<u>(4,095,993)</u>	
Net effect of reporting capital assets.....		4,526,118
<p>Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....</p>		
		54,023
<p>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.....</p>		
		(627,477)
<p>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.</p>		
Amortization of bond premiums.....	129,647	
Amortization of deferred charges.....	(55,281)	
Principal payments on capital leases.....	297,078	
Proceeds from bonds and notes.....	(4,355,398)	
Proceeds from refunding bonds.....	(1,330,050)	
Payments to refunded bond escrow agent.....	1,410,065	
Premium from issuance of refunding bonds.....	(80,015)	
Debt service principal payments.....	<u>3,448,192</u>	
Net effect of reporting long-term debt.....		(535,762)
<p>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.</p>		
Net change in compensated absences accrual.....	(65,559)	
Net change in accrued interest on long-term debt.....	16,809	
Net change in landfill closure accrual.....	(4,201,000)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	591,006	
Net change in net pension liability.....	164,109	
Net change in other postemployment benefits.....	<u>(10,284,512)</u>	
Net effect of recording long-term liabilities.....		(13,779,147)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>986,624</u>
Change in net position of governmental activities.....		\$ <u>(7,002,082)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2014)	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 4,541,799	\$ 4,072,362	\$ 19,161,557	\$ 27,775,718	\$ 10,166,931
Receivables, net of allowance for uncollectibles:					
Tax liens.....	24,790	41,162	-	65,952	-
User fees.....	1,839,658	2,482,569	1,402,861	5,725,088	-
Intergovernmental.....	-	98,468	-	98,468	-
Inventory.....	189,563	15,956	349,560	555,079	-
Prepaid expenses.....	-	-	92,582	92,582	-
Purchased power advanced deposits.....	-	-	1,677,924	1,677,924	-
Total current assets.....	6,595,810	6,710,517	22,684,484	35,990,811	10,166,931
NONCURRENT:					
Restricted cash and cash equivalents.....	-	-	6,373,002	6,373,002	-
Capital assets, non depreciable.....	275,357	-	15,917,907	16,193,264	-
Capital assets, depreciable.....	13,266,461	23,027,603	6,866,995	43,161,059	-
Total noncurrent assets.....	13,541,818	23,027,603	29,157,904	65,727,325	-
TOTAL ASSETS.....	20,137,628	29,738,120	51,842,388	101,718,136	10,166,931
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	20,460	11,902	-	32,362	-
LIABILITIES					
CURRENT:					
Warrants payable.....	347,085	98,886	1,192,396	1,638,367	-
Accrued liabilities.....	-	-	300,121	300,121	-
Accrued payroll.....	22,633	17,373	-	40,006	-
Health claims payable.....	-	-	-	-	1,650,000
Accrued interest.....	-	100,493	-	100,493	-
Compensated absences.....	3,386	2,958	8,877	15,221	-
Bonds payable.....	650,958	733,173	990,000	2,374,131	-
Total current liabilities.....	1,024,062	952,883	2,491,394	4,468,339	1,650,000
NONCURRENT:					
Compensated absences.....	64,335	56,204	168,675	289,214	-
Other liabilities.....	-	-	138,594	138,594	-
Other postemployment benefits.....	1,519,343	1,222,721	3,197,168	5,939,232	-
Net pension liability.....	1,983,313	1,183,723	-	3,167,036	-
Bonds payable.....	3,774,310	10,753,848	26,918,265	41,446,423	-
Total noncurrent liabilities.....	7,341,301	13,216,496	30,422,702	50,980,499	-
TOTAL LIABILITIES.....	8,365,363	14,169,379	32,914,096	55,448,838	1,650,000
DEFERRED INFLOWS OF RESOURCES					
Rate stabilization reserve.....	-	-	1,713,177	1,713,177	-
NET POSITION					
Net investment in capital assets.....	10,209,286	12,795,377	6,520,835	29,525,498	-
Unrestricted.....	1,583,439	2,785,266	10,694,280	15,062,985	8,516,931
TOTAL NET POSITION.....	\$ 11,792,725	\$ 15,580,643	\$ 17,215,115	\$ 44,588,483	\$ 8,516,931

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2014)	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 3,194,637
Employer contributions	-	-	-	-	10,049,115
Charges for services	6,484,980	8,878,024	23,582,379	38,945,383	-
Other	150	-	221,420	221,570	150,528
TOTAL OPERATING REVENUES	6,485,130	8,878,024	23,803,799	39,166,953	13,394,280
OPERATING EXPENSES:					
Cost of services and administration	4,492,181	6,442,343	19,576,084	30,510,608	-
Depreciation	315,729	510,777	1,281,852	2,108,358	-
Employee benefits	-	-	-	-	12,427,770
TOTAL OPERATING EXPENSES	4,807,910	6,953,120	20,857,936	32,618,966	12,427,770
OPERATING INCOME (LOSS)	1,677,220	1,924,904	2,945,863	6,547,987	966,510
NONOPERATING REVENUES (EXPENSES):					
Investment income	4,455	3,604	76,476	84,535	20,114
Interest expense	(17,859)	(280,705)	(9)	(298,573)	-
Other expenses	-	-	(276,664)	(276,664)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(13,404)	(277,101)	(200,197)	(490,702)	20,114
INCOME (LOSS) BEFORE TRANSFERS	1,663,816	1,647,803	2,745,666	6,057,285	986,624
TRANSFERS:					
Transfers out	(160,250)	(126,875)	(650,000)	(937,125)	-
CHANGE IN NET POSITION	1,503,566	1,520,928	2,095,666	5,120,160	986,624
NET POSITION AT BEGINNING OF YEAR	10,289,159	14,059,715	15,119,449	39,468,323	7,530,307
NET POSITION AT END OF YEAR	\$ 11,792,725	\$ 15,580,643	\$ 17,215,115	\$ 44,588,483	\$ 8,516,931

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2014)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,813,011	\$ 8,031,236	\$ 24,300,310	\$ 38,144,557	\$ -
Receipts from interfund services provided.....	-	-	-	-	13,394,280
Payments to vendors.....	(3,115,228)	(5,026,742)	(15,259,664)	(23,401,634)	-
Payments to employees.....	(1,332,168)	(1,227,589)	(4,168,009)	(6,727,766)	-
Payments in lieu of taxes.....	-	-	(1,300,000)	(1,300,000)	-
Payments for interfund services used.....	-	-	-	-	(12,427,770)
NET CASH FROM OPERATING ACTIVITIES.....	1,365,615	1,776,905	3,572,637	6,715,157	966,510
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(160,250)	(126,875)	-	(287,125)	-
Grant income.....	-	-	60,063	60,063	-
Grant expense.....	-	-	(55,923)	(55,923)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(160,250)	(126,875)	4,140	(282,985)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	769,602	388,461	12,100,000	13,258,063	-
Premium from the issuance of bonds and notes.....	-	-	1,808,265	1,808,265	-
Acquisition and construction of capital assets.....	(867,807)	(763,119)	(7,295,877)	(8,926,803)	-
Principal payments on bonds and notes.....	(583,358)	(617,349)	-	(1,200,707)	-
Interest expense.....	(17,859)	(209,936)	(9)	(227,804)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(699,422)	(1,201,943)	6,612,379	4,711,014	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	4,455	3,604	453	8,512	20,114
NET CASH FROM INVESTING ACTIVITIES.....	4,455	3,604	453	8,512	20,114
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	510,398	451,691	10,189,609	11,151,698	986,624
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,031,401	3,620,671	15,344,950	22,997,022	9,180,307
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,541,799	\$ 4,072,362	\$ 25,534,559	\$ 34,148,720	\$ 10,166,931
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 1,677,220	\$ 1,924,904	\$ 2,945,863	\$ 6,547,987	\$ 966,510
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	315,729	510,777	1,281,852	2,108,358	-
Payment in lieu of taxes.....	-	-	(650,000)	(650,000)	-
Rate stabilization reserve.....	-	-	402,260	402,260	-
Deferred outflows related to pensions.....	(20,460)	(11,902)	-	(32,362)	-
Changes in assets and liabilities:					
Tax liens.....	(12,877)	(22,193)	-	(35,070)	-
User fees.....	(659,242)	(726,127)	95,321	(1,290,048)	-
Intergovernmental.....	-	(98,468)	-	(98,468)	-
Inventory.....	(59,822)	(4,117)	(7,864)	(71,803)	-
Prepaid expenses.....	-	-	(11,828)	(11,828)	-
Purchased power advance deposits.....	-	-	(25,463)	(25,463)	-
Other postemployment benefits obligation.....	129,843	162,828	407,068	699,739	-
Net pension liability.....	(5,388)	(3,602)	-	(8,990)	-
Warrants payable.....	(2,157)	54,003	(218,190)	(166,344)	-
Accrued liabilities.....	-	-	(639,040)	(639,040)	-
Customer deposits.....	-	-	(1,070)	(1,070)	-
Accrued payroll.....	4,491	2,045	-	6,536	-
Accrued compensated absences.....	(1,722)	(11,243)	(6,272)	(19,237)	-
Total adjustments.....	(311,605)	(147,999)	626,774	167,170	-
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,365,615	\$ 1,776,905	\$ 3,572,637	\$ 6,715,157	\$ 966,510

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY POSITION

JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefit Trust	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,470,354	\$ 20,299	\$ 333,442	\$ 310,974
Investments.....	82,622,449	2,009,552	498,720	21,000
Due from general fund.....	3,684,344	-	-	-
Other assets.....	-	-	-	110,513
TOTAL ASSETS.....	87,777,147	2,029,851	832,162	442,487
LIABILITIES				
Warrants payable.....	54,850	-	-	-
Accrued liabilities.....	-	-	-	38,537
Liabilities due depositors.....	-	-	-	293,437
Deferred revenue.....	-	-	-	110,513
TOTAL LIABILITIES.....	54,850	-	-	442,487
NET POSITION				
Restricted for pensions.....	87,722,297	-	-	-
Held in trust for OPEB and other purposes.....	-	2,029,851	832,162	-
	\$ 87,722,297	\$ 2,029,851	\$ 832,162	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefit Trust	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 7,364,523	\$ 264,882	\$ -
Employee.....	2,378,296	-	-
Miscellaneous.....	-	-	52,970
Total contributions.....	<u>9,742,819</u>	<u>264,882</u>	<u>52,970</u>
Net investment income (loss):			
Net change in fair value of investments.....	4,901,800	44,580	-
Interest.....	<u>1,077,953</u>	<u>-</u>	<u>19,423</u>
Total investment income (loss).....	5,979,753	44,580	19,423
Less: investment expense.....	<u>(457,985)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>5,521,768</u>	<u>44,580</u>	<u>19,423</u>
Intergovernmental.....	<u>65,400</u>	<u>-</u>	<u>-</u>
Transfers from other systems.....	<u>640,945</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>15,970,932</u>	<u>309,462</u>	<u>72,393</u>
DEDUCTIONS:			
Administration.....	182,628	-	-
Transfers to other systems.....	557,434	-	-
Retirement benefits and refunds.....	9,814,526	-	-
Educational scholarships.....	<u>-</u>	<u>-</u>	<u>57,790</u>
TOTAL DEDUCTIONS.....	<u>10,554,588</u>	<u>-</u>	<u>57,790</u>
CHANGE IN NET POSITION.....	5,416,344	309,462	14,603
NET POSITION AT BEGINNING OF YEAR.....	<u>82,305,953</u>	<u>1,720,389</u>	<u>817,559</u>
NET POSITION AT END OF YEAR.....	<u>\$ 87,722,297</u>	<u>\$ 2,029,851</u>	<u>\$ 832,162</u>

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 an elected three member Board of Selectmen. They in turn appoint a Town Administrator who has general supervision of and control over the Town's boards, commissions, officers and departments. The legislative body of the Town is the elected Town Meeting members which consist of 288 members elected for a three-year term in addition to some ex-officio members.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. 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 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. 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 1st 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 1st, November 1st, February 1st and May 1st 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.

F. 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.

G. 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 \$10,000 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.

H. 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 2015, 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 2015, the Town reported advanced collections 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.

I. 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.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K Interfund Transfers

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

L. 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.

M. 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.

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Investment Income

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

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

P. 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.

Q. 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.

R. 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 (the 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 \$57,369,990 and the bank balance totaled \$57,924,447. Of the bank balance, \$2,456,167 was covered by Federal Depository Insurance, \$36,243,597 was covered by the Depositors Insurance Fund, \$3,903,613 was collateralized, and \$15,321,070 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2014, the carrying amount of the Retirement System's deposits totaled \$1,470,354 and the bank balance totaled \$1,595,454. All of the bank balance was covered by Federal Depository Insurance.

Investments

Following are the investments of the Town as of June 30, 2015 and the Retirement System as of December 31, 2014.

Town’s Investments:

Investment Type	Fair Value	Maturity			Quality Rating
		Under 1 Year	1-5 Years	6-10 Years	
<u>Debt Securities</u>					
U.S. Treasury Note.....	\$ 231,004	\$ -	\$ 231,004	\$ -	AAA
Corporate Bonds.....	1,522,410	538,442	689,804	294,164	A/AA/BBB+/NR
Federal National Mortgage Association.....	208,318	101,204	107,114	-	AAA
Federal Home Loan Mortgage Corp.....	111,063	-	111,063	-	AAA
Total Debt Securities.....	2,072,795	\$ 639,646	\$ 1,138,985	\$ 294,164	
<u>Other Investments</u>					
Equity Securities.....	3,272,949				
Negotiable Certificates of Deposit.....	8,262,819				
Mutual Funds.....	1,298,444				
Money Market Mutual Funds.....	4,286,492				
MMDT.....	15,957,439				
Total Investments.....	\$ 35,150,938				

Retirement System’s Investments:

	Fair Value	Maturity		Quality Rating
		1-5 Years	6-10 Years	
<u>Debt Securities</u>				
Scout Core Plus Bond Fund.....	\$ 8,265,984	\$ 8,265,984	\$ -	AA
Mondrian Global Fixed Income.....	1,859,681	-	1,859,681	AA+ *
Loomis Sayles Multisector.....	6,535,138	-	6,535,138	BBB *
Total Debt Securities.....	16,660,803	\$ 8,265,984	\$ 8,394,819	
<u>Other Investments</u>				
Equity Mutual Funds.....	11,387,462			
Equity Securities.....	15,070,468			
PRIT Hedge Fund Account.....	9,964,580			
PRIT Alternative Fund.....	9,387,763			
PRIT Real Estate Fund.....	8,977,292			
PRIT International Equity Fund.....	9,212,285			
PRIT Fund.....	1,961,796			
Total Investments.....	\$ 82,622,449			

* Duration of underlying holdings in Scout Core Plus Bond Fund is 3.98 years, Mondrian Global Fixed Income Fund is 6.0 years, and the Loomis Sayles Multisector is 5.37 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 above the Town

has a custodial credit risk exposure of \$5,345,744 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 \$15,070,468 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 1.33 to 21.81 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, 2015.

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).

NOTE 3 – RECEIVABLES

At June 30, 2015, 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.....	\$ 667,586	\$ (3,795)	\$ 663,791
Real estate tax deferrals.....	672,848	-	672,848
Tax liens.....	933,802	-	933,802
Motor vehicle and other excise taxes.....	423,907	(240,638)	183,269
Departmental and other.....	646,595	(233,203)	413,392
Intergovernmental.....	2,099,122	-	2,099,122
Total.....	<u>\$ 5,443,860</u>	<u>\$ (477,636)</u>	<u>\$ 4,966,224</u>

At June 30, 2015, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,839,658	\$ -	\$ 1,839,658
Water enterprise tax liens.....	24,790	-	24,790
Sewer user fees.....	2,482,569	-	2,482,569
Sewer enterprise tax liens.....	41,162	-	41,162
Sewer intergovernmental.....	98,468	-	98,468
Light user fees.....	1,402,861	-	1,402,861
Total.....	<u>\$ 5,889,508</u>	<u>\$ -</u>	<u>\$ 5,889,508</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....	\$ 2,454,145	\$ 7,265	\$ -	\$ 2,461,410
Tax liens.....	933,802	-	-	933,802
Motor vehicle and other excise.....	183,269	-	-	183,269
Intergovernmental.....	-	165,000	1,169,151	1,334,151
Departmental.....	400,467	-	12,925	413,392
Total.....	\$ 3,971,683	\$ 172,265	\$ 1,182,076	\$ 5,326,024

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,194,930	\$ 35,280	\$ -	\$ 16,230,210
Construction in progress.....	135,955	226,125	(135,955)	226,125
Total capital assets not being depreciated.....	16,330,885	261,405	(135,955)	16,456,335
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,169,690	5,047,881	-	9,217,571
Buildings.....	131,681,414	147,350	-	131,828,764
Machinery and equipment.....	13,595,985	315,792	-	13,911,777
Vehicles.....	4,856,530	1,554,814	-	6,411,344
Infrastructure.....	35,843,011	1,430,824	-	37,273,835
Total capital assets being depreciated.....	190,146,630	8,496,661	-	198,643,291
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,483,101)	(217,920)	-	(2,701,021)
Buildings.....	(42,933,606)	(1,950,589)	-	(44,884,195)
Machinery and equipment.....	(11,514,783)	(878,049)	-	(12,392,832)
Vehicles.....	(4,027,949)	(307,488)	-	(4,335,437)
Infrastructure.....	(9,942,592)	(741,947)	-	(10,684,539)
Total accumulated depreciation.....	(70,902,031)	(4,095,993)	-	(74,998,024)
Total capital assets being depreciated, net.....	119,244,599	4,400,668	-	123,645,267
Total governmental activities capital assets, net.....	\$ 135,575,484	\$ 4,662,073	\$ (135,955)	\$ 140,101,602

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
Construction in progress.....	-	272,219	-	272,219
Total capital assets not being depreciated.....	3,138	272,219	-	275,357
<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	-	-	919,642
Infrastructure.....	30,984,158	867,807	-	31,851,965
Total capital assets being depreciated.....	32,982,155	867,807	-	33,849,962
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(169,898)	(7,701)	-	(177,599)
Machinery and equipment.....	(521,754)	(49,119)	-	(570,873)
Vehicles.....	(749,124)	(49,549)	-	(798,673)
Infrastructure.....	(18,819,174)	(209,360)	-	(19,028,534)
Total accumulated depreciation.....	(20,267,772)	(315,729)	-	(20,583,501)
Total capital assets being depreciated, net.....	12,714,383	552,078	-	13,266,461
Total business-type activities capital assets, net.....	\$ 12,717,521	\$ 824,297	\$ -	\$ 13,541,818
Sewer:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 1,252,918	\$ -	\$ -	\$ 1,252,918
Vehicles.....	586,991	118,200	-	705,191
Infrastructure.....	25,396,500	644,919	-	26,041,419
Total capital assets being depreciated.....	27,236,409	763,119	-	27,999,528
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(127,083)	(39,276)	-	(166,359)
Vehicles.....	(972,095)	(126,806)	-	(1,098,901)
Infrastructure.....	(3,361,970)	(344,695)	-	(3,706,665)
Total accumulated depreciation.....	(4,461,148)	(510,777)	-	(4,971,925)
Total business-type activities capital assets, net.....	\$ 22,775,261	\$ 252,342	\$ -	\$ 23,027,603

	Beginning Balance	Increases	Decreases	Ending Balance
Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,349	\$ -	\$ -	\$ 9,349
Construction in progress.....	10,325,234	6,713,011	(1,129,687)	15,908,558
Total capital assets not being depreciated.....	<u>10,334,583</u>	<u>6,713,011</u>	<u>(1,129,687)</u>	<u>15,917,907</u>
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	16,933,758	1,463,197	(246,297)	18,150,658
General Plant.....	8,709,688	236,412	-	8,946,100
Total capital assets being depreciated.....	<u>25,643,446</u>	<u>1,699,609</u>	<u>(246,297)</u>	<u>27,096,758</u>
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(14,038,589)	(847,621)	246,297	(14,639,913)
General Plant.....	(5,155,299)	(434,551)	-	(5,589,850)
Total accumulated depreciation.....	<u>(19,193,888)</u>	<u>(1,282,172)</u>	<u>246,297</u>	<u>(20,229,763)</u>
Total capital assets being depreciated, net.....	<u>6,449,558</u>	<u>417,437</u>	<u>-</u>	<u>6,866,995</u>
Total business-type activities capital assets, net.....	<u>\$ 16,784,141</u>	<u>\$ 7,130,448</u>	<u>\$ (1,129,687)</u>	<u>\$ 22,784,902</u>

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

Governmental Activities:

General government.....	\$ 568,684
Public safety.....	678,696
Education.....	1,870,885
Public works.....	796,114
Human services.....	21,689
Culture and recreation.....	<u>159,925</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,095,993</u>

Business-Type Activities:

Water.....	\$ 315,729
Sewer.....	510,777
Light.....	<u>1,282,172</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,108,678</u>

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:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 2,141,096
Less: accumulated depreciation.....	<u>(1,719,110)</u>
Total.....	<u>\$ 421,986</u>

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2015, follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016.....	\$ 317,997
2017.....	<u>99,069</u>
Total minimum lease payments.....	417,066
Less: amounts representing interest.....	<u>(13,113)</u>
Present value of minimum lease payments.....	<u>\$ 403,953</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2015, the Town had an interfund receivable and payable between the general fund and the Wellington school construction capital project fund in the amount of \$129,459. The purpose of this balance was to cover a deficit cash balance for cash flow purposes.

Interfund transfers for the year ended June 30, 2015, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 3,978,500	\$ 3,978,500 (1)
Nonmajor Governmental Funds....	374,000	95,763	469,763 (2)
Water Enterprise Fund.....	160,250	-	160,250 (3)
Sewer Enterprise Fund.....	126,875	-	126,875 (3)
Light Enterprise Fund.....	<u>650,000</u>	<u>-</u>	<u>650,000 (4)</u>
Total.....	<u>\$ 1,311,125</u>	<u>\$ 4,074,263</u>	<u>\$ 5,385,388</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 and amounts between various non-major funds.
- (3) Transfers represent the reimbursement of indirect costs form the Water and Sewer enterprise funds.
- (4) Transfers represent amounts related to a payment in lieu of taxes.

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, 2015 was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
BAN	Light - Bond Anticipation Note.....	1.25%	05/25/14	\$ 14,000,000	\$ -	\$ 14,000,000	\$ -
BAN	Sewer - MCWT Interim Loan.....	0.11%	12/31/14	1,911,539	-	1,911,539	-
Total short-term debt.....				\$ 15,911,539	\$ -	\$ 15,911,539	\$ -

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 order to take advantage of favorable interest rates, the Town issued \$2,590,000 of General Obligation Refunding Bonds on May 7, 2015. \$2,575,000 of general obligation bonds were advance refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$258,139 and resulted in an economic gain of \$227,303. At June 30, 2015, \$1,360,000 of governmental bonds and \$1,215,000 of sewer enterprise bonds were outstanding from the advance refunding and are considered defeased.

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements follow.

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Septic Loan 97-2002.....	2020	\$ 60,160	0.00	\$ 18,862	\$ -	\$ 3,192	\$ 15,670
Fire Station Construction.....	2026	2,030,000	3.00-5.00	1,200,000	-	1,100,000	100,000
Land Acquisition.....	2025	780,000	4.00-6.00	440,000	-	400,000	40,000
Senior Center.....	2026	3,310,000	5.00	2,335,000	-	195,000	2,140,000
2010 Debt Refunding.....	2015	5,455,000	2.70	1,100,000	-	1,100,000	-
Wellington Elementary School.....	2035	26,700,000	2.00-3.00	23,835,000	-	760,000	23,075,000
2012 Debt Refunding.....	2024	9,956,000	3.00-5.00	9,405,000	-	1,005,000	8,400,000
School Department Vehicle.....	2020	30,000	3.00-4.00	30,000	-	5,000	25,000
Ladder Truck.....	2024	890,000	3.00-5.00	890,000	-	90,000	800,000
Fire Engine.....	2024	500,000	3.00-5.00	500,000	-	50,000	450,000
Harris Field Repairs.....	2024	960,000	3.00-5.00	960,000	-	100,000	860,000
Fire Station.....	2018	115,398	3.00	-	115,398	-	115,398
Town Center.....	2025	1,450,000	3.00	-	1,450,000	-	1,450,000
Underwood Pool.....	2030	2,790,000	2.00-3.00	-	2,790,000	-	2,790,000
2015 Debt Refunding.....	2026	1,330,050	2.00-3.00	-	1,330,050	-	1,330,050
Total Bonds Payable.....				40,713,862	5,685,448	4,808,192	41,591,118
Add: unamortized premium.....				1,919,392	-	129,647	1,789,745
Total.....				\$ 42,633,254	\$ 5,685,448	\$ 4,937,839	\$ 43,380,863

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

Year	Principal	Interest	Total
2016.....	\$ 2,778,682	\$ 1,627,084	\$ 4,405,766
2017.....	2,753,134	1,480,080	4,233,214
2018.....	2,773,134	1,369,396	4,142,530
2019.....	2,768,134	1,266,654	4,034,788
2020.....	2,793,134	1,166,631	3,959,765
2021.....	2,805,000	1,056,261	3,861,261
2022.....	2,845,000	949,110	3,794,110
2023.....	2,875,000	840,498	3,715,498
2024.....	2,390,000	733,323	3,123,323
2025.....	1,720,000	646,773	2,366,773
2026.....	1,614,900	581,173	2,196,073
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.....	\$ 41,591,118	\$ 14,455,035	\$ 56,046,153

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
MWRA Water.....	2018	714,000	0.00	\$ 285,600	\$ -	\$ 71,400	\$ 214,200
MWRA Water.....	2019	872,000	0.00	436,000	-	87,200	348,800
MWRA Water.....	2021	1,977,570	0.00	1,285,424	-	197,758	1,087,666
MWRA Water.....	2022	1,000,000	0.00	800,000	-	100,000	700,000
MWRA Water.....	2023	500,000	0.00	450,000	-	50,000	400,000
MWRA Water.....	2024	500,000	0.00	500,000	-	50,000	450,000
General Obligation Bonds of 2014...	2034	482,000	2.75-4.00	482,000	-	27,000	455,000
General Obligation Bonds of 2015...	2035	269,602	2.00-3.25	-	269,602	-	269,602
MWRA Water.....	2025	500,000	0.00	-	500,000	-	500,000
Total Water.....				4,239,024	769,602	583,358	4,425,268
Sewer & Surface Drains.....	2027	2,479,000	4.10-5.00	1,590,000	-	1,340,000	250,000
MCWT Sewer.....	2031	7,226,667	2.00	6,318,072	-	315,183	6,002,889
MCWT Sewer.....	2017	559,406	0.00	335,644	-	111,881	223,763
MCWT Sewer.....	2033	1,579,600	2.00	1,515,704	-	65,285	1,450,419
2015 Debt Refunding.....	2027	1,299,950	2.00-3.00	-	1,259,950	-	1,259,950
MCWT Sewer.....	2035	2,300,000	2.00	-	2,300,000	-	2,300,000
Total Sewer.....				9,759,420	3,559,950	1,832,349	11,487,021
Light Plant Construction.....	2032	14,000,000	2.75-5.00	-	14,000,000	-	14,000,000
Light Plant Construction.....	2034	12,100,000	2.75-5.00	-	12,100,000	-	12,100,000
Total Light.....				-	26,100,000	-	26,100,000
Add: unamortized premium.....				-	1,808,265	-	1,808,265
Total Light.....				-	27,908,265	-	27,908,265
Total Enterprise.....				\$ 13,998,444	\$ 32,237,817	\$ 2,415,707	\$ 43,820,554

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

Water Enterprise

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....\$	650,958 \$	23,923 \$	674,881
2017.....	646,358	23,464	669,822
2018.....	646,356	22,264	668,620
2019.....	574,958	20,814	595,772
2020.....	487,759	19,364	507,123
2021.....	388,879	17,914	406,793
2022.....	290,000	16,464	306,464
2023.....	190,000	15,014	205,014
2024.....	140,000	13,564	153,564
2025.....	90,000	11,864	101,864
2026.....	40,000	10,664	50,664
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.....\$	<u>4,425,268</u> \$	<u>238,969</u> \$	<u>4,664,237</u>

Sewer Enterprise

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....\$	733,173 \$	286,729 \$	1,019,902
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.....\$	<u>11,487,021</u> \$	<u>2,159,751</u> \$	<u>13,646,772</u>

Light Enterprise

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....	\$ 990,000	\$ 950,905	\$ 1,940,905
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
2034.....	840,000	33,600	873,600
Total.....	\$ <u>26,100,000</u>	\$ <u>10,262,433</u>	\$ <u>36,362,433</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2015, approximately \$383,000 of such assistance was received. Of this amount, \$52,000 represents reimbursement of long-term interest costs, and \$331,000 represents reimbursement of approved construction costs. No further amounts are due from the Massachusetts School Building Authority.

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, 2015, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Wellington school.....	\$ 2,638,586
Water.....	3,875,398
Underwood pool facility.....	112,000
Municipal light plant construction.....	1,200,000
Communication equipment.....	1,086,350
Fire alarm system.....	<u>1,055,000</u>
Total.....	\$ <u>9,967,334</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 40,713,862	\$ 5,685,448	\$ (4,808,192)	\$ 41,591,118	\$ 2,778,682
Add: unamortized premium.....	1,919,392	-	(129,647)	1,789,745	129,647
Total Bonds Payable.....	42,633,254	5,685,448	(4,937,839)	43,380,863	2,908,329
Other Postemployment Benefits.....	66,406,275	14,752,883	(4,468,371)	76,690,787	-
Landfill Closure.....	3,147,000	5,025,000	(824,000)	7,348,000	52,000
Compensated Absences.....	1,395,962	135,357	(69,798)	1,461,521	73,076
Net Pension Liability.....	57,997,474	-	(164,109)	57,833,365	-
Capital Leases.....	701,031	-	(297,078)	403,953	306,552
Total governmental activity long-term liabilities.....	<u>\$ 172,280,996</u>	<u>\$ 25,598,688</u>	<u>\$ (10,761,195)</u>	<u>\$ 187,118,489</u>	<u>\$ 3,339,957</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 13,998,444	\$ 32,237,817	\$ (2,415,707)	\$ 43,820,554	\$ 2,374,131
Other Postemployment Benefits.....	5,239,493	1,291,883	(592,144)	5,939,232	-
Compensated Absences.....	323,672	-	(19,237)	304,435	15,221
Net Pension Liability.....	3,176,026	-	(8,990)	3,167,036	-
Total business type activity long-term liabilities.....	<u>\$ 22,737,635</u>	<u>\$ 33,529,700</u>	<u>\$ (3,036,078)</u>	<u>\$ 53,231,257</u>	<u>\$ 2,389,352</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 \$7,426 and is reported as unassigned fund balance within the general fund; the balance of the Ash Landfill Stabilization Fund is \$3,421,829 and the balance of the Special Education Stabilization Fund is \$3,236, 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:

	GOVERNMENTAL FUNDS				
	General	Wellington School Construction	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,981,430	\$ 2,981,430
Restricted for:					
Community Preservation Fund.....	-	-	1,830,184	-	1,830,184
Nonmajor governmental funds.....	-	-	-	15,490,292	15,490,292
Committed to:					
Ash Landfill Stabilization Fund.....	3,421,829	-	-	-	3,421,829
Special Education Stabilization Fund.....	3,236	-	-	-	3,236
Assigned to:					
General government.....	702,364	-	-	-	702,364
Public safety.....	89,238	-	-	-	89,238
Education.....	189,643	-	-	-	189,643
Public works.....	127,425	-	-	-	127,425
Culture and recreation.....	91,102	-	-	-	91,102
Free cash used for 2016 appropriations.....	1,750,000	-	-	-	1,750,000
Release of overlay for 2016 budget.....	235,000	-	-	-	235,000
Free cash used to offset 2016 property tax debt exclusion.....	133,485	-	-	-	133,485
Free cash used to offset future property tax debt exclusion principal and interest.....	239,643	-	-	-	239,643
Free cash used for the 2016 OPEB contribution.....	334,831	-	-	-	334,831
Unassigned to:					
Kendall School Fire.....	3,042,955	-	-	-	3,042,955
Other unassigned.....	9,646,562	(129,459)	-	-	9,517,103
TOTAL FUND BALANCES.....	\$ 20,007,313	\$ (129,459)	\$ 1,830,184	\$ 18,471,722	\$ 40,179,760

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 \$7.3 million as the estimate of the landfill closure liability at June 30, 2015. This amount is based on estimates of what it would cost to perform all future closure and post closure care in year 2015.

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 \$3.4 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, 2015, the amount of the liability for health insurance claims totaled \$1,650,000.

Changes in the reported liability since July 1, 2013, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Year-End
2015..... \$	1,650,000	\$	12,427,770	\$	(12,427,770)	\$	1,650,000
2014.....	1,800,000		12,034,394		(12,184,394)		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, 2015, 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 System 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, 2014. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$4,449,603 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 \$64,046,291 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, 2014, the BCRS membership consists of the following:

	<u>2014</u>
Active members.....	458
Inactive members.....	164
Disabled members.....	45
Retirees and beneficiaries currently receiving benefits.....	<u>301</u>
Total.....	<u><u>968</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, 2014 was \$7,364,523, 29.29% 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 \$6,568,671 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2015 were as follows:

Total pension liability.....	\$ 156,113,431
The pension plan's fiduciary net position.....	<u>(87,722,297)</u>
The net pension liability.....	<u><u>\$ 68,391,134</u></u>
 The pension plan's fiduciary net position as a percentage of the total pension liability.....	 56.19%

At June 30, 2015, the Town reported a liability of \$61.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Town's proportion was 89.19%, which changed from its proportion measured at December 31, 2013, at 89.17%.

Pension Expense

For the year ended June 30, 2015, the Town recognized pension expense of \$5,768,500. At June 30, 2015, the Town reported deferred outflows of resources related to pensions of \$608,554, from the net difference between projected and actual investment earnings on pension plan investments and \$14,814 from changes in proportion

and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience as of December 31, 2014.

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

Year ended June 30:	
2016.....	\$ 170,572
2017.....	170,572
2018.....	170,572
2019.....	<u>170,570</u>
Total.....	<u>\$ 682,286</u>

Actuarial Assumptions - The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

- Valuation date..... January 1, 2014
- 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, 2014, 4 years for the 2002 ERI liability, 11 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..... 4.00%
- 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 27 years with a Scale AA.

Healthy Retiree..... The RP-2000 Healthy Annuitant Mortality Table projected 19 years with a Scale AA.

Disabled Retiree..... The RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years with Scale AA (Previously, set forward 2 years and no projection).

Investment rate of return/Discount rate..... 7.75%

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, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic equity.....	6.60%	28.00%
International developed markets equity.....	7.10%	12.00%
Core fixed income.....	2.20%	20.00%
High-yield fixed income.....	4.70%	11.00%
Real estate.....	4.40%	12.00%
Hedge fund, GTAA, Risk parity.....	3.90%	17.00%
Cash.....	1.80%	0.00%
Total.....		<u>100.00%</u>

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.69%. 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 7.75%. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ <u>82,726,893</u>	\$ <u>67,070,092</u>	\$ <u>53,675,443</u>
BCRS total net pension liability.....	\$ <u>84,356,318</u>	\$ <u>68,391,134</u>	\$ <u>54,732,658</u>

The Town’s proportionate share of the net pension liability of \$67.1 million presented above includes \$6.1 million for the Belmont Municipal Light Plant that will not be recorded until their calendar year-end of December 31, 2015.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Belmont 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. 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 2015, the Town contributed \$4.9 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.....	\$ 17,026,532
Interest on net OPEB obligation.....	3,224,060
Adjustment to annual required contribution.....	<u>(4,398,144)</u>
Annual OPEB cost (expense).....	15,852,448
Contributions made.....	<u>(4,868,197)</u>
Increase in net OPEB obligation.....	10,984,251
Net OPEB obligation - beginning of year.....	<u>71,645,768</u>
Net OPEB obligation - end of year.....	<u>\$ 82,630,019</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2015 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 15,852,448	31%	\$ 82,630,019
6/30/2014	19,360,077	28%	71,645,768
6/30/2013	18,237,509	25%	57,631,510

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, 2015 is 30 years.

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$10.0 million related to water and sewer infrastructure upgrades, for education and public safety vehicles, construction of a fire station, construction of a new municipal light plant, 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 Single Audit Act Amendments of 1996 through June 30, 2015, 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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2016, which is the date the financial statements were available to be issued.

NOTE 17 – REVISION OF NET POSITION

Beginning net position of governmental activities, business-type activities, and each applicable enterprise fund has been revised to reflect the implementation of GASB Statements #68 and #71. The revised balances are summarized in the following table:

Description	6/30/2014 Previously Reported Balances	Implementation of GASBS 68 & 71	6/30/2014 Revised Balances
<i>Government-Wide Financial Statements</i>			
Governmental activities.....	\$ 71,118,796	\$ (57,997,474)	\$ 13,121,322
Business-type activities.....	<u>42,644,349</u>	<u>(3,176,026)</u>	<u>39,468,323</u>
Total.....	<u>\$ 113,763,145</u>	<u>\$ (61,173,500)</u>	<u>\$ 52,589,645</u>
<i>Proprietary Fund Financial Statements</i>			
Water enterprise.....	\$ 12,277,860	\$ (1,988,701)	\$ 10,289,159
Sewer enterprise.....	15,247,040	(1,187,325)	14,059,715
Light enterprise.....	<u>15,119,449</u>	<u>-</u>	<u>15,119,449</u>
Total.....	<u>\$ 42,644,349</u>	<u>\$ (3,176,026)</u>	<u>\$ 39,468,323</u>

NOTE 18 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued 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*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- 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 #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

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, 2015

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 75,654,601	\$ 75,654,601
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,792,760	2,792,760
Charges for services.....	-	2,165,796	2,172,396
Penalties and interest on taxes.....	-	200,000	200,000
Licenses and permits.....	-	800,390	793,790
Fines and forfeitures.....	-	185,000	185,000
Intergovernmental.....	-	9,098,426	9,098,426
Investment income.....	-	120,000	120,000
TOTAL REVENUES.....	-	91,016,973	91,016,973
EXPENDITURES:			
Current:			
General government.....	233,714	4,422,288	4,166,811
Public safety.....	49,445	12,875,167	12,893,520
Education.....	146,209	47,053,259	47,588,259
Public works.....	180,187	9,075,221	9,132,424
Human services.....	470	874,429	882,954
Culture and recreation.....	-	2,916,970	2,931,370
Pension benefits.....	-	6,023,545	6,023,545
Employee benefits.....	180,262	2,500,011	2,613,844
State and county charges.....	-	1,721,435	1,725,608
Debt service:			
Principal.....	-	3,432,191	3,448,191
Interest.....	-	1,656,196	1,640,196
TOTAL EXPENDITURES.....	790,287	92,550,712	93,046,722
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITUR	(790,287)	(1,533,739)	(2,029,749)
OTHER FINANCING SOURCES (USES):			
Premium from issuance of bonds.....	-	-	-
Transfers in.....	-	1,311,125	1,561,125
Transfers out.....	-	(2,678,500)	(3,978,500)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,367,375)	(2,417,375)
NET CHANGE IN FUND BALANCE.....	(790,287)	(2,901,114)	(4,447,124)
BUDGETARY FUND BALANCE, Beginning of year.....	-	13,220,810	13,220,810
BUDGETARY FUND BALANCE, End of year.....	\$ (790,287)	\$ 10,319,696	\$ 8,773,686

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	76,061,221	\$ -	\$ 406,620
	336,922	-	336,922
	3,467,149	-	674,389
	2,260,829	-	88,433
	427,131	-	227,131
	1,940,336	-	1,146,546
	236,553	-	51,553
	9,106,802	-	8,376
	264,543	-	144,543
	<u>94,101,486</u>	<u>-</u>	<u>3,084,513</u>
	3,734,959	155,873	275,979
	12,317,373	89,238	486,909
	47,373,217	189,643	25,399
	9,475,354	127,425	(470,355)
	839,470	-	43,484
	2,756,495	91,102	83,773
	6,023,545	-	-
	1,933,248	546,491	134,105
	1,713,081	-	12,527
	3,448,191	-	-
	<u>1,600,918</u>	<u>-</u>	<u>39,278</u>
	<u>91,215,851</u>	<u>1,199,772</u>	<u>631,099</u>
	<u>2,885,635</u>	<u>(1,199,772)</u>	<u>3,715,612</u>
	225,108	-	225,108
	1,561,125	-	-
	<u>(3,978,500)</u>	<u>-</u>	<u>-</u>
	<u>(2,192,267)</u>	<u>-</u>	<u>225,108</u>
	693,368	(1,199,772)	3,940,720
	<u>13,220,810</u>	<u>-</u>	<u>-</u>
\$	<u><u>13,914,178</u></u>	<u><u>(1,199,772)</u></u>	<u><u>3,940,720</u></u>

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**

	2014
Total pension liability:	
Service cost.....	\$ 3,290,948
Interest.....	11,576,179
Changes in benefit terms.....	-
Differences between expected and actual experience.....	-
Changes in assumptions.....	-
Benefit payments, including refunds of employee contributions.....	(9,665,616)
Net change in total pension liability.....	5,201,511
Total pension liability, beginning.....	150,911,920
Total pension liability, ending (a)	\$ 156,113,431
Plan fiduciary net position:	
Member contributions.....	\$ 7,364,523
Employer contributions.....	2,378,296
Net investment income (loss).....	5,521,768
Retirement benefits and refunds.....	(9,665,616)
Administrative expenses.....	(182,627)
Net increase (decrease) in fiduciary net position.....	5,416,344
Fiduciary net position at beginning of year.....	82,305,953
Fiduciary net position at end of year (b)	\$ 87,722,297
Net pension liability - ending (a) - (b)	\$ 68,391,134
Plan fiduciary net position as a percentage of the total pension liability.....	56.19%
Covered-employee payroll.....	\$ 25,142,886
Net pension liability as a percentage of covered-employee payroll.....	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

	2014
Actuarially determined contribution.....	\$ 7,364,523
Contributions in relation to the actuarially determined contribution.....	7,364,523
Contribution deficiency (excess).....	\$ -
 Covered-employee payroll.....	 \$ 25,142,886
 Contributions as a percentage of covered- employee payroll.....	 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

2014

Annual money-weighted rate of return, net of investment expense.....	6.69%
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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

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 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, 2014
Town's proportion of the net pension liability (asset).....	98.07%
Town's proportionate share of the net pension liability (asset)..... \$	67,070,092
Town's covered employee payroll..... \$	24,786,176
Town's net pension liability as a percentage of Town covered-employee payroll.....	270.59%
Plan fiduciary net position as a percentage of the total pension liability.....	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.

See notes to required supplementary information.

SCHEDULE OF TOWN'S CONTRIBUTIONS
BELMONT CONTRIBUTORY RETIREMENT SYSTEM

	2014
Actuarially determined contribution.....	\$ 7,222,270
Contributions in relation to the actuarially determined contribution.....	7,222,270
Contribution deficiency (excess).....	\$ -
Town covered-employee payroll.....	\$ 24,786,176
Contributions as a percentage of covered- employee payroll.....	29.14%

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**

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%

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, 2015

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
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, 2015

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, 2015
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 2015 approved budget authorized approximately \$95.2 million in appropriations and other amounts to be raised. Town meeting authorized an additional \$1.8 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, 2015, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$	693,368
<u>Perspective difference:</u>		
Activity of the Stabilization Funds recorded in the General Fund for GAAP.....		(220,307)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(71,000)
Net change in recording 60-day receipts accrual.....		85,615
Recognition of revenue for on-behalf payments.....		(4,449,603)
Recognition of expenditures for on-behalf payments.....		<u>4,449,603</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$	<u><u>487,676</u></u>

C. Appropriation Deficit

During 2015, expenditures exceeded budgeted appropriations for snow & ice removal (a legal deficit). This deficit will be funded in future years through tax levy.

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.

Since the retirement system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms and differences between expected and actual experience as of December 31, 2014.

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 mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years to the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 19 years with Scale AA.

The liability for vested members in inactive status was changed from the employee's annuity savings fund to the greater of the employee's annuity savings fund or the present value of a deferred annuity.

The percentage of accidental disability retirees that are assumed to die from the same cause of the disability was changed from 0% for all participants to 20% for Groups 1 and 2 and 60% for Group 4.

The percentage of disabilities assumed to be accidental was changed from 60% to 90% for Groups 1 and 2.

The percentage of deaths assumed to be accidental was changed from 20% for all participants to 55% for Groups 1 and 2 and 90% for Group 4.

The administrative expense assumption was increased from \$100,000 for 2012, increasing 3% annually, to \$175,000 for 2014, increasing 4% annually.

The assumed net 3(8)(c) disbursements were increased from \$75,000 to \$200,000, increasing 4% annually.

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.