

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2019

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of East Bridgewater, 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 East Bridgewater, Massachusetts (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of June 30, 2019, 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.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Notes 11 and 15 to the financial statements, in fiscal year 2019, the Town implemented changes to the measurement date associated with the actuarial valuation of the OPEB obligation to coincide the employer's reporting period with that of the OPEB plan under the provisions of GASB Statement 74 and 75. Our opinion is not modified with respect to this matter.

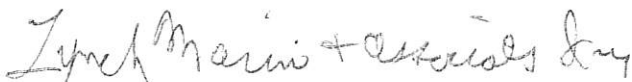
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – xii, and the Schedule of Changes in the Town's Net OPEB Liability and Related Ratios, Schedule of the Town's Contributions – Other Postemployment Benefits Plan, Schedule of Investment Returns – Other Postemployment Benefits Plan, Schedule of the Town's Proportionate Share of Net Pension Liability and Pension Plan Contributions and the Budgetary Comparison Schedule – General Fund and Related Notes on pages 47 – 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2020, on our consideration of the Town of East Bridgewater, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of East Bridgewater, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts's internal control over financial reporting and compliance.



Norwell, Massachusetts
July 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

As management of the Town of East Bridgewater, Massachusetts (the Town), we offer readers of the of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements, with notes, to enhance their understanding of the Town's financial performance.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town's governmental activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3.0 million (deficit net position). The Town's governmental activities net investment in capital assets and restricted net position consisted of approximately \$58.9 and \$6.0 million, respectively. The \$67.8 million deficit balance reported in the unrestricted net position classification is due in large part to the reporting of approximately \$57.5 million of net other postemployment benefits (OPEB) liability and \$24.3 million of net pension liability as of June 30, 2019.
- The Town's business-type activities assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8.0 million (net position). This is comprised of net investment in capital assets of \$7.9 million and unrestricted net position of \$124,000.
- The total cost of all Town services for fiscal year 2019 was \$62.6 million.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$6.8 million, or approximately 14.1% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. Required supplementary information as mandated by the Government Accounting Standards Board (GASB), are presented following the financial statements and related notes to provide additional analysis.

Government-Wide Statements

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

The *Statement of Net Position* presents information on all of the Town's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference 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 reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes, or earned but unused sick and vacation time). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

The government-wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the Town include the broad functions of general government, public safety, education, public works, health and human services, culture and recreation, and the major services provided within each functional category. The Town's business-type activities include water and solid waste activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities, the Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements. All of the Town funds can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near-term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

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 funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements.

The Town maintains several governmental funds. The Town has considered, as major funds, the General Fund, School Projects Fund and Septic Loan Repayment Fund and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds. Individual fund data for each of these other governmental funds is available from the Town Accountant's office.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

The basic governmental fund financial statements can be found on the accompanying pages of this report.

Proprietary Funds: Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. These funds measure economic resources using the full accrual basis of accounting. The Town maintains two enterprise funds which are considered proprietary funds.

Enterprise funds are used to report activities that the government operates more like a business. These activities become the government's business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and solid waste activities.

Fiduciary Funds: Fiduciary funds are used to report resources held in a trust or agency capacity for others and therefore not available to support Town programs. The reporting focus is on net position and the change in net position. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. The Town's fiduciary activities consist primarily of amounts maintained in a trust fund for funding future insurance costs related to retirees, referred to as the "Other Postemployment Benefits" (OPEB) Trust Fund and various scholarship and welfare private purpose trust funds. Additional amounts held as agency funds relate primarily to student activity accounts being maintained on behalf of student groups.

Notes to the 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. The notes to the financial statements can be found the accompanying pages of this report following the basic financial statements described above.

Required supplementary information: Schedule of Changes in the Town's Net OPEB Liability and Related Ratios, Schedule of the Town's Contributions – Other Postemployment Benefits, Schedule of Investment Returns – Other Postemployment Benefits, Schedule of the Town's Proportionate Share of Net Pension Liability and Pension Plan Contributions and budgetary comparison information – General Fund, are presented following the basic financial statements and notes as required by *Governmental Accounting Standards*.

Government Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of East Bridgewater, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3.0 million for governmental activities at the close of the most recent fiscal year. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$8.0 million for business-type activities at the close of the most recent fiscal year. A condensed summary of the accompanying statement of net position for both governmental activities and business-type activities is presented below along with amounts from the preceding fiscal year.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

	FY 2019	FY 2018
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 29,406,540	\$ 28,653,288
Capital assets	95,085,231	97,232,450
Total assets	<u>124,491,771</u>	<u>125,885,738</u>
Deferred outflows of resources	9,351,535	5,302,721
Current liabilities	6,604,492	7,460,542
Long-term liabilities	118,213,658	120,436,223
Total liabilities	<u>124,818,150</u>	<u>127,896,765</u>
Deferred inflows of resources	<u>12,028,738</u>	<u>2,151,113</u>
Net position:		
Net investment in capital assets	58,873,944	60,110,667
Restricted	5,953,010	6,760,343
Unrestricted	(67,830,536)	(65,730,429)
Total net position	<u><u>\$ (3,003,582)</u></u>	<u><u>\$ 1,140,581</u></u>

	FY 2019	FY 2018
	<u>Business-type</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 3,309,242	\$ 3,195,205
Capital assets	17,583,600	18,191,489
Total assets	<u>20,892,842</u>	<u>21,386,694</u>
Deferred outflows of resources	385,345	110,522
Current liabilities	1,041,090	963,229
Long-term liabilities	11,894,837	11,437,123
Total liabilities	<u>12,935,927</u>	<u>12,400,352</u>
Deferred inflows of resources	<u>308,624</u>	<u></u>
Net position:		
Net investment in capital assets	7,909,227	7,584,688
Unrestricted	124,409	1,512,176
Total net position	<u><u>\$ 8,033,636</u></u>	<u><u>\$ 9,096,864</u></u>

Included within the governmental activities current assets are \$14.6 million in cash, \$8.4 million in investments, and \$6.4 million in receivables, net of allowances for uncollectible accounts. Receivables consist primarily of approximately \$773,000 of sewer betterments, \$908,000 of property taxes, excise taxes and charges for services (ambulance), \$3.9 million of tax liens, deferrals and foreclosures, and \$785,000 of intergovernmental receivables. Intergovernmental receivables include veteran benefits receivable, Chapter 90 highway awards, amounts due from the Massachusetts School Building Authority and other federal state grants. Business-type activities' current assets are comprised of \$1.9 million of cash, and approximately \$1.4 million of receivables, associated with the user charges.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

The Town reported \$9.4 million and \$385,000 of deferred outflows of resources associated with the Town's net pension liability and net OPEB liability, to be amortized over future periods for the governmental and business-type activities, respectively. The Town also reported \$12.0 million and \$309,000 for governmental and business-type activities, respectively, of deferred inflows of resources associated with the Town's unamortized bond premiums (governmental activities only), net pension liability and net OPEB liability, to be amortized over future periods.

Current liabilities for governmental activities of \$6.6 million consist primarily of \$877,000 of accounts payable and other current liabilities, \$2.9 million of salaries and withholdings payable, \$167,000 of accrued interest expense and \$2.7 million of current portion of bonded debt because it is due in fiscal year 2020. Business-type activities' current liabilities of \$1.0 million consist of approximately \$144,000 of accounts payable and other current liabilities, \$14,000 in salaries and withholdings payable, \$66,000 of accrued interest expense, and \$817,000 of current portion of bonded debt due in fiscal year 2020.

Governmental activities' long-term liabilities (due in more than one year) include \$34.6 million in general obligation bonds, \$1.5 million for compensated absences, \$57.5 million for other postemployment benefits liability, \$256,000 for landfill closure and monitoring liability and \$24.3 million in net pension liability. Business-type activities' long-term liabilities (due in more than one year) include \$9.0 million in general obligation bonds, \$1.5 million for other postemployment benefits liability, \$1.3 million for net pension liability and \$124,000 for compensated absences. Net pension liability was allocated to business-type activities in fiscal year 2019, and accordingly, a restatement has been reflected in the accompanying financial statements and notes.

The largest portion of the Town's total governmental activities and business-type activities net position of \$66.8 million reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of \$6.0 million represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the Town's total net position, which may be used to meet the Town's ongoing obligations to its citizens and creditors, was in a deficit of approximately \$67.7 million at the end of fiscal year 2019. This relates primarily to the Town's net OPEB liability and the net pension liability reported at year end.

The Town's governmental activities' net position decreased by \$1.9 million and business-type activities' net position increased by \$152,000 during fiscal 2019. A summary of revenue concentration and significant changes in revenues and expenses is presented below.

Revenues:

- ◆ Property taxes represent approximately 52% of the Town's governmental activities revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

- ◆ Operating grants and contributions make up the second largest governmental activities' revenue representing nearly 31% of the Town's total revenue. The largest proportion of this revenue, nearly \$10.6 million, represents Chapter 70 school aid received from the Commonwealth.
- ◆ Charges for services for the Town's governmental activities increased \$393,000 from the prior year primarily due to increases in ambulance billings, solar credit revenues, school building rentals and tuitions.
- ◆ Capital grants and contributions for the Town's governmental activities increased by \$326,000 primarily due to cost reimbursements from the Massachusetts School Building Authority (MSBA) and Chapter 90 highway project reimbursements. Additionally, the Town saw higher grants and contributions not restricted as a result of additional revenue from the Commonwealth.
- ◆ Investment income for the Town's governmental activities increased by \$549,000 as a result of favorable changes in fair market value for stabilization fund investments and higher interest income resulting for higher interest rates.
- ◆ Charges for services for the Town's business-type activities of \$3.3 million, represent approximately 6% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2.5 million and \$816,000 respectively. In fiscal year 2019, business-type activities' revenues increased by \$403,000 as a result of higher water and solid waste billings. Effective July 2018, the Town implemented "flat fee" solid waste billing program, replacing its "pay as you throw" program. As a result, the Town realized \$257,000 increase in solid waste billings.

Expenses:

- ◆ Total governmental activities' expenses increased by \$1.1 million. This was primarily related to the following changes:
 - ❖ General government expenses decreased by \$709,000 as a result of a \$1.1 million increase in pension expense, offset by a \$1.8 million decrease in OPEB expense.
 - ❖ Public safety expenses increased by \$200,000 due to higher police, fire and ambulance operating expenses, consisting of primarily of salaries and wages.
 - ❖ Education expenses increased by \$1.7 million primarily due to a \$715,000 increase in the school department budget and a \$812,000 increase in pension expense affiliated with the Massachusetts Teacher's Retirement System.
- ◆ Total business-type activities expenses remained consistent from the prior year.

A summary of changes in net position for fiscal year 2019 and the preceding year are presented below (certain prior year amounts have been reclassified to conform to current year presentation):

Governmental Activities:

	FY 2019	FY 2018
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Program revenues:		
Charges for service	\$ 3,861,536	\$ 3,468,575
Operating grants and contributions	17,990,368	17,931,033
Capital grants and contributions	740,470	414,431
Total program revenues	\$ 22,592,374	\$ 21,814,039

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

Governmental Activities (continued):	FY 2019	FY 2018
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues (continued):		
General revenues and other:		
Property taxes levied	\$ 29,807,879	\$ 28,334,356
Excise taxes	2,075,063	2,059,305
Penalties and interest on taxes	380,634	336,609
Grants and contributions not restricted	2,041,506	1,690,830
Investment income	613,315	64,339
Transfers	(280,000)	(200,000)
Total general revenues	<u>34,638,397</u>	<u>32,285,439</u>
Total revenues	<u>57,230,771</u>	<u>54,099,478</u>
Expenses:		
General government	13,713,921	14,422,520
Public safety	6,338,671	6,093,726
Education	33,249,898	31,340,290
Public works	2,260,862	2,339,468
Health and human services	941,547	961,473
Culture and recreation	543,383	569,990
State and county charges	616,382	593,172
Interest on long-term debt	1,467,106	1,498,562
Total expenses	<u>59,131,770</u>	<u>57,819,201</u>
Change in net position	<u><u>\$ (1,900,999)</u></u>	<u><u>\$ (3,719,723)</u></u>
	FY 2019	FY 2018
	Business-type	Business-type
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,344,048	\$ 2,941,150
Total operating revenues	<u>3,344,048</u>	<u>2,941,150</u>
Expenses:		
Salaries and wages	759,901	701,877
Operating expenses	1,897,116	1,877,197
Depreciation	607,889	616,741
Total expenses	<u>3,264,906</u>	<u>3,195,815</u>
Total operating income	<u>79,142</u>	<u>(254,665)</u>
Non-operating revenues (expenses)		
Investment income	12,103	14,636
Debt service	(219,245)	(243,743)
Total non-operating revenues (expenses), net	<u>(207,142)</u>	<u>(229,107)</u>
Transfers		
Transfers in from other funds	<u>280,000</u>	<u>200,000</u>
Change in net position	<u><u>\$ 152,000</u></u>	<u><u>\$ (283,772)</u></u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

Financial Analysis of the Governmental Funds Financial Statements

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 financial requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The General Fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$20.0 million, an increase of approximately \$2.0 million from the prior year. This increase is due primarily to the issuance of long-term debt in fiscal year 2019. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$81,000, restricted fund balance of \$6.2 million, committed fund balance of \$6.6 million; assigned fund balance of \$412,000 and unassigned fund balance of \$6.7 million.

The General Fund is the chief operating fund. At the end of the current fiscal year, the General Fund reported aggregate fund balance of \$12.4 million, an increase of \$783,000 from the previous year. Of this amount \$102,000 million or 0.9%, represents restricted fund balance. Committed fund balance of \$5.1 million and assigned fund balance of \$1.8 million represent 40.7% and 14.4% of total General Fund balance respectively. Unassigned fund balance of \$5.5 million represents 44.0% of total General Fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 11.2% of total General Fund expenditures and revenues. In fiscal year 2019, the Town classified \$4.4 million related to its Capital Stabilization fund as committed fund balance. This amount was previously classified as unassigned in the General Fund.

General Fund Budgetary Highlights

The difference between the original budget (inclusive of transfers out to other funds) of \$48.9 million and the final budget of \$48.3 million (inclusive of transfers out to other funds) is primarily due to additional appropriations at special town meetings of approximately \$144,000, less \$742,000 in encumbrances and carryover articles being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$282,000 contributing to the over expenditure in public works appropriations. This amount is included in General Fund unreserved fund balance to be raised on the fiscal year 2020 tax levy.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

Other notable budgetary variances are summarized as follows:

- ◆ Intergovernmental revenues had a positive variance of \$260,000 due to additional unbudgeted property tax exemption reimbursements from the Commonwealth.
- ◆ Property tax revenues had a positive variance of \$289,000 primarily due to higher than expected tax title receipts.
- ◆ General government expenditures had budgetary savings of \$535,000 primarily relating to savings on reserve fund transfer appropriations and savings on employee insurance appropriations.
- ◆ Transfers in from other funds had a favorable variance of \$1.4 million due in part to the unbudgeted reclassification from the committed funds and a transfer in from the Town's Health Claims funds.

Capital Asset and Debt Administration

Governmental Activities

Capital Assets: The Town's investment in capital assets for governmental activities as of June 30, 2019 and 2018 amounts to \$95.1 million and \$97.2 million, respectively, which is net of accumulated depreciation of \$63.6 million and \$59.7 million. The investment in capital assets includes land, construction in progress, works of art, buildings and improvements, equipment, machinery and vehicles and infrastructure.

The table below represents a summary of the Town's capital assets by category (in millions):

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 4.9	\$ 4.9
Construction in progress	0.3	
Works of art and historical treasures	0.1	0.1
Buildings and improvements	72.3	74.7
Equipment, machinery & vehicles	3.7	4.0
Infrastructure	13.8	13.5
	<u>\$ 95.1</u>	<u>\$ 97.2</u>

Significant capital asset additions during 2019 include the following:

- \$336,000 added to construction in progress related to the boiler replacement at the Central School.
- \$660,000 added to equipment, machinery and vehicles primarily related to public safety vehicles and equipment.
- \$1.1 million added to infrastructure for road improvements

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2019 and 2018 amounts to \$17.6 million and \$18.2 million, respectively, which is net of accumulated depreciation of \$13.1 million and \$12.5 million, respectively. The investment in capital assets includes land, buildings and improvements, equipment, machinery and vehicles and infrastructure.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2019

The table below represents a summary of the Town's business-type activities capital assets by category (in millions):

	<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 0.2	\$ 0.2
Buildings and improvements	2.2	2.2
Equipment, machinery & vehicles	0.4	0.5
Infrastructure	14.8	15.3
	<u>\$ 17.6</u>	<u>\$ 18.2</u>

Business-type activities did not report any capital asset additions in fiscal year 2019.

Long-term Debt

Governmental Activities

At June 30, 2019 and 2018, the Town's governmental activities had total bonded debt outstanding of \$37.3 million and \$38.3 million, respectively. This debt is a general obligation of the Town's governmental activities. During fiscal year 2019, the Town issued \$1.6 million of general obligation bonds for the purposes of paying down bond anticipated notes and to fund certain capital projects.

Business-type Activities

At June 30, 2019 and 2018, the Town's business-type activities had total bonded debt outstanding of \$9.8 million and \$10.6 million, respectively. This debt is supported by water rates.

The Town of East Bridgewater maintains bond rating with Moody's Investor Service of Aa3.

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 3.44% in fiscal year 2020, which includes new growth.

The fiscal year 2020 operating budget increased 2.8% over the fiscal year 2019 budget.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to Town of East Bridgewater, Attn: Town Administrator, 175 Central Street, East Bridgewater, MA 02333.

BASIC FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,597,794	\$ 1,873,741	\$ 16,471,535
Investments	8,438,417		8,438,417
Receivables, net of allowance for uncollectibles	6,370,329	1,435,501	7,805,830
Noncurrent assets:			
Capital assets, net of accumulated depreciation	95,085,231	17,583,600	112,668,831
Total assets	124,491,771	20,892,842	145,384,613
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with pension liability	5,463,130	282,103	5,745,233
Associated with OPEB liability	3,888,405	103,242	3,991,647
Total deferred outflows of resources	9,351,535	385,345	9,736,880
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	877,410	143,882	1,021,292
Salaries and withholdings payable	2,851,693	13,747	2,865,440
Accrued interest	167,000	66,000	233,000
Noncurrent liabilities:			
Due within one year	2,708,389	817,461	3,525,850
Due in more than one year	118,213,658	11,894,837	130,108,495
Total liabilities	124,818,150	12,935,927	137,754,077
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	884,933		884,933
Associated with pension liability	507,883	26,226	534,109
Associated with OPEB liability	10,635,922	282,398	10,918,320
Total deferred inflows of resources	12,028,738	308,624	12,337,362
<u>NET POSITION</u>			
Net investment in capital assets	58,873,944	7,909,227	66,783,171
Restricted	5,953,010		5,953,010
Unrestricted	(67,830,536)	124,409	(67,706,127)
Total net position	\$ (3,003,582)	\$ 8,033,636	\$ 5,030,054

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental activities:							
General government	\$ 13,713,921	\$ 376,581	\$ 246,755	\$	\$ (13,090,585)	\$	\$ (13,090,585)
Public safety	6,338,671	1,320,814	402,091		(4,615,766)		(4,615,766)
Education	33,249,898	2,054,658	17,048,759	188,878	(13,957,603)		(13,957,603)
Public works	2,260,862	118	9,672	551,592	(1,699,480)		(1,699,480)
Human services	941,547	78,434	214,346		(648,767)		(648,767)
Culture and recreation	543,383	30,931	28,653		(483,799)		(483,799)
State and county assessments	616,382				(616,382)		
Interest and other charges	1,467,106		40,092		(1,427,014)		(1,427,014)
Total governmental activities	59,131,770	3,861,536	17,990,368	740,470	(36,539,396)		(36,539,396)
Business-type activities:							
Water	2,581,220	2,528,325				(52,895)	(52,895)
Solid waste	902,931	815,723				(87,208)	(87,208)
Total business-type activities	3,484,151	3,344,048				(140,103)	(140,103)
Total primary government	<u>\$ 62,615,921</u>	<u>\$ 7,205,584</u>	<u>\$ 17,990,368</u>	<u>\$ 740,470</u>	(36,539,396)	(140,103)	(36,679,499)
General revenues and transfers							
Property taxes, net of allowances for uncollectibles					29,807,879		29,807,879
Excise taxes, net of allowance for uncollectibles					2,075,063		2,075,063
Penalties and interest on taxes					380,634		380,634
Grants and contributions not restricted to specific programs					2,041,506		2,041,506
Investment income					613,315	12,103	625,418
Transfers, net					(280,000)	280,000	
Total general revenues and transfers					34,638,397	292,103	34,930,500
Change in net position					(1,900,999)	152,000	(1,748,999)
Net position - beginning of year, restated					(1,102,583)	7,881,636	6,779,053
Net position - end of year					<u>\$ (3,003,582)</u>	<u>\$ 8,033,636</u>	<u>\$ 5,030,054</u>

See Independent Auditor's Report.
The accompanying notes are an integral part to these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2019

	<u>General Fund</u>	<u>School Projects Fund</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,960,232	\$ 524,552	\$ 1,901,891	\$ 5,211,119	\$ 14,597,794
Investments	8,209,689			228,728	8,438,417
Receivables	4,796,071	134,221	773,020	805,099	6,508,411
Total assets	<u>\$ 19,965,992</u>	<u>\$ 658,773</u>	<u>\$ 2,674,911</u>	<u>\$ 6,244,946</u>	<u>\$ 29,544,622</u>
<u>LIABILITIES</u>					
Accounts payable and other current liabilities	\$ 246,174	\$ 197,058	\$ 77	\$ 434,101	\$ 877,410
Salaries and withholdings payable	2,569,077			282,616	2,851,693
Total liabilities	<u>2,815,251</u>	<u>197,058</u>	<u>77</u>	<u>716,717</u>	<u>3,729,103</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	4,715,423		773,020	340,305	5,828,748
Total deferred inflows of resources	<u>4,715,423</u>		<u>773,020</u>	<u>340,305</u>	<u>5,828,748</u>
<u>FUND BALANCES</u>					
Nonspendable				80,610	80,610
Restricted	101,770	461,715	1,901,814	3,703,434	6,168,733
Committed	5,065,283			1,545,833	6,611,116
Assigned	411,851				411,851
Unassigned	6,856,414			(141,953)	6,714,461
Total fund balances	<u>12,435,318</u>	<u>461,715</u>	<u>1,901,814</u>	<u>5,187,924</u>	<u>19,986,771</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,965,992</u>	<u>\$ 658,773</u>	<u>\$ 2,674,911</u>	<u>\$ 6,244,946</u>	<u>\$ 29,544,622</u>

Reconciliation of the Governmental Funds - Balance Sheet Total Fund Balances to the Statement of Net Position:

Total fund balances of governmental funds	\$ 19,986,771
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in funds.	95,085,231
Certain accounts receivable are not available to pay for current-period expenditures and are deferred in funds.	5,828,748
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(138,082)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(120,922,047)
Deferred outflows of resources not recognized on the modified accrual basis.	9,351,535
Deferred inflows of resources not recognized on the modified accrual basis .	(12,028,738)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(167,000)
Net position of governmental activities	<u>\$ (3,003,582)</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	School Projects Fund	Septic Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 29,935,507	\$	\$	\$	\$ 29,935,507
Excise taxes	2,072,554				2,072,554
Licenses and permits	233,267				233,267
Penalties and interest	380,634				380,634
Investment income	567,949			44,975	612,924
Charges for services			153,563	3,377,179	3,530,742
Fees and fines	269,872			52,622	322,494
Departmental and other	101,959			245,458	347,417
Intergovernmental	15,441,794	188,878	40,092	2,724,356	18,395,120
Total revenues	49,003,536	188,878	193,655	6,444,590	55,830,659
Expenditures					
General government	10,860,030			324,414	11,184,444
Public safety	5,782,239			570,818	6,353,057
Education	24,775,606	335,533		3,686,169	28,797,308
Public works	1,434,550			1,089,196	2,523,746
Human services	751,634		150,157	127,261	1,029,052
Culture and recreation	490,891			43,251	534,142
State and county assessments	616,382				616,382
Debt Service:					
Principal	2,468,832		202,147		2,670,979
Interest and other charges	1,532,862		40,092	60,214	1,633,168
Total expenditures	48,713,026	335,533	392,396	5,901,323	55,342,278
Revenues over (under) expenditures	290,510	(146,655)	(198,741)	543,267	488,381
Other financing sources (uses)					
Proceeds from issuance of long term debt		600,000		1,027,000	1,627,000
Premiums received on issuance of debt				145,016	145,016
Transfers in	898,983			126,454	1,025,437
Transfers out	(406,454)			(898,983)	(1,305,437)
Total other financing sources and (uses)	492,529	600,000		399,487	1,492,016
Revenues and other financing sources over (under) expenditures and other financing uses	783,039	453,345	(198,741)	942,754	1,980,397
Fund balance, beginning of year	11,652,279	8,370	2,100,555	4,245,170	18,006,374
Fund balance, end of year	\$ 12,435,318	\$ 461,715	\$ 1,901,814	\$ 5,187,924	\$ 19,986,771

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities**

for the Year Ended June 30, 2019

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ 1,980,397
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year	2,100,716
Depreciation recorded for the fiscal year	(4,247,935)
Certain deferred outflows of resources are reported on the government-wide financial statements to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements	
Changes in amounts associated with pension liability	4,858,510
Changes in amounts associated with OPEB liability	(778,475)
Certain deferred inflows of resources are reported on the government-wide financial statements to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements	
Changes in amounts associated with pension liability	723,018
Changes in amounts associated with OPEB liability	(10,635,922)
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	(389,080)
Net change in allowance for doubtful accounts	6,067
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government- wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Proceeds from issuance of long-term debt	(1,627,000)
Premiums received on issuance of long-term debt	(145,016)
Principal payments on long-term debt	2,670,979
Amortization of premiums associated with long-term debt	116,734
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.	
Net change in accrued interest expense	49,328
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The change in these liabilities, net of changes in related deferrals, is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Other postemployment benefits	9,599,518
Net pension liability	(6,182,083)
Landfill postclosure liability	28,200
Compensated absences	(28,955)
Change in net position of governmental activities	<u>\$ (1,900,999)</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2019

	Business-type Activities		
	Water	Solid Waste	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,453,340	\$ 420,401	\$ 1,873,741
Receivables, net of allowance for uncollectibles	1,270,361	165,140	1,435,501
Noncurrent assets:			
Capital assets, net of accumulated depreciation	17,583,600		17,583,600
Total assets	20,307,301	585,541	20,892,842
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with net pension liability	282,103		282,103
Associated with net OPEB liability	94,089	9,153	103,242
Total deferred outflows of resources	376,192	9,153	385,345
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	70,145	73,737	143,882
Salaries and withholdings payable	12,582	1,165	13,747
Accrued interest	66,000		66,000
Noncurrent liabilities:			
Due within one year	817,461		817,461
Due in more than one year	11,744,381	150,456	11,894,837
Total liabilities	12,710,569	225,358	12,935,927
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Associated with net pension liability	26,226		26,226
Associated with net OPEB liability	257,361	25,037	282,398
Total deferred inflows of resources	283,587	25,037	308,624
<u>NET POSITION</u>			
Net investment in capital assets	7,909,227		7,909,227
Unrestricted	(219,890)	344,299	124,409
Total net position	\$ 7,689,337	\$ 344,299	\$ 8,033,636

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2019

	Business-typeActivities		
	Water Fund	Solid Waste	Total
Operating revenues:			
Charges for services, departmental and other	\$ 2,528,325	\$ 815,723	\$ 3,344,048
Total operating revenues	2,528,325	815,723	3,344,048
Operating expenses:			
Salaries and wages	692,182	67,719	759,901
Operating expenses and fringe benefits	1,061,904	835,212	1,897,116
Depreciation	607,889		607,889
Total operating expenses	2,361,975	902,931	3,264,906
Operating income (loss)	166,350	(87,208)	79,142
Nonoperating revenues (expenses)			
Interest income	12,103		12,103
Interest expense	(219,245)		(219,245)
Total non operating revenue, net	(207,142)		(207,142)
Transfers			
Transfers in		280,000	280,000
Total transfers		280,000	280,000
Change in net position	(40,792)	192,792	152,000
Net position at beginning of year, restated	7,730,129	151,507	7,881,636
Net position at end of year	\$ 7,689,337	\$ 344,299	\$ 8,033,636

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2019

	<u>Business-type Activities</u>		
	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,437,303	\$ 706,648	\$ 3,143,951
Payments to vendors, including employee fringe benefits	(925,489)	(815,342)	(1,740,831)
Payments to employees for salaries and wages	(677,153)	(67,408)	(744,561)
Net cash provided by operating activities	834,661	(176,102)	658,559
Cash flows from noncapital financing activities:			
Operating transfers in from General Fund		280,000	280,000
Net cash provided by noncapital financing activities		280,000	280,000
Cash flows from capital and related financing activities:			
Principal payments on bonds and notes	(803,552)		(803,552)
Interest payments	(233,170)		(233,170)
Net cash used for capital and related activities	(1,036,722)		(1,036,722)
Cash flows from investing activities:			
Interest income	12,103		12,103
Net change in cash and cash equivalents	(189,958)	103,898	(86,060)
Cash and cash equivalents at beginning of year	<u>1,643,298</u>	<u>316,503</u>	<u>1,959,801</u>
Cash and cash equivalents at end of year	<u>\$ 1,453,340</u>	<u>\$ 420,401</u>	<u>\$ 1,873,741</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 166,350	\$ (87,208)	\$ 79,142
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	607,889		607,889
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Receivables, net of allowance for collectibles	(91,022)	(109,075)	(200,097)
Deferred outflows of resources associated with pension	(250,882)		(250,882)
Deferred outflows of resources associated with OPEB	5,884	1,396	7,280
Accounts payable and other current liabilities	62,937	14,941	77,878
Net pension liability	319,228		319,228
Net OPEB liability	(219,346)	(21,482)	(240,828)
Compensated absences	13,597	289	13,886
Deferred inflows of resources associated with pension	(37,335)		(37,335)
Deferred inflows of resources associated with OPEB	257,361	25,037	282,398
Total adjustments	668,311	(88,894)	579,417
Net cash provided by operating activities	<u>\$ 834,661</u>	<u>\$ (176,102)</u>	<u>\$ 658,559</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2019

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$ 906,767
Investments	313,225	70,484	
Receivables			30,334
Total assets	313,225	70,484	937,101
<u>LIABILITIES</u>			
Accounts payable			258,927
Amounts due to students			89,320
Amounts held in escrow			588,854
Total liabilities			\$ 937,101
<u>NET POSITION</u>			
Amounts held in trust for scholarships	313,225		
Amounts held in trust for other postemployment benefits		70,484	
Total net position	\$ 313,225	\$ 70,484	

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2019

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
Additions		
Employer contributions	\$	\$ 1,551,652
Investment income	4,709	3,114
Total additions	4,709	1,554,766
Deductions		
Benefit payments		1,541,652
Scholarships and awards	8,256	
Total deductions	8,256	1,541,652
Change in net position	(3,547)	13,114
Net position - beginning of year	316,772	57,370
Net position - end of year	\$ 313,225	\$ 70,484

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 1. Organization and Reporting Entity

A. Organization

The Town of East Bridgewater, Massachusetts (the Town), was incorporated in 1823. The Town is a political subdivision of the Commonwealth of Massachusetts, located in Plymouth County. The Town operates under a Town Meeting form of government, and an elected three-member Board of Selectmen. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

B. Reporting Entity

General

The accompanying financial statements present the Town of East Bridgewater (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of East Bridgewater did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment/payments made by the Town in 2019. The Town also belongs to a cost sharing group established pursuant to Massachusetts General Laws for pension benefits. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2019 Payments</u>
Southeastern Regional School District 250 Foundry St., Easton, MA 02375	To provide vocational education	\$ 751,166
North River Collaborative 198 Spring St., Rockland, MA 02370	To provide SPED services	\$ 548,801
Massachusetts Bay Transit Authority 45 High St., Boston, MA 02110	To provide transportation services	\$ 51,010

The Southeastern Regional School District (District) was established by an agreement between the member towns of Brockton, East Bridgewater, Easton, Foxboro, Mansfield, Norton, Sharon, Stoughton, and West Bridgewater, pursuant to MGL Chapter 71 to provide vocational technical education for students grades 9-12. The District is governed by a Regional School Committee, elected from each town at respective town elections. Annually the District School committee apportions operating and capital costs to the member towns pursuant to MGL and the agreement. The annual assessment must be accepted by each Town's electorate.

The North River Collaborative (the Collaborative) is a public entity formed as educational collaboratives by an agreement between member governmental entities pursuant to the provisions of Massachusetts General Law Chapter 40, Section 4E. The Town pays the Collaborative for educational programs and services on an as needed basis for students.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Related Organization

Board members for the East Bridgewater Housing Authority are elected by Town voters; thus, the Town has no accountability for these organizations.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, educational, and general administrative services are classified as governmental activities. The Town's water and solid waste – disposal and recycling services are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term liabilities, deferred inflows of resources and other liabilities, reported on a full accrual basis. The Town's net position is reported in three parts – net investment in capital assets; restricted, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs are normally covered by general revenue.

Certain costs, such as pension and other postemployment benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in general government expenses in the financial statements. OPEB costs have also been allocated to business-type activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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The emphasis in the Town's fund financial statements is on the major funds in the governmental or business-type activities functional categories. Government Accounting Standards Board pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise fund combined) for the determination of major funds. The Town may electively add funds as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements titled Other Governmental Funds.

The following fund types which may be used by the Town:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- School projects fund is a capital project fund used to account for the financial resources to be used to fund the replacement of the Town's Central School boiler along with additional capital improvements related to school buildings. Revenues consist primarily of grant reimbursements from the Massachusetts School Building Authority for eligible costs. Other resources consist of debt proceeds when issued.
- Septic loan repayment fund is a special revenue fund used to account for the repayment of Title V septic loans issued to residents for community septic management.

Other governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the other governmental funds column of the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are 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. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the General Fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long-term debt.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. These fees and charges are considered operating revenue. The Town's enterprise funds consist of water and solid waste funds.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

Fiduciary Funds:

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, other, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other postemployment trust fund account for resources legally held in trust for the benefit of retirees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, Section 20, which allows for establishment of a trust fund for other postemployment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

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B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal 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.

C. Fair Value Measurement

The Town measures assets and liabilities, except for capital assets and certain investments, at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or liability, including assumptions about risk. The following are levels considered.

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 inputs are unobservable for the asset or liability.

D. Cash, Cash Equivalents, and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form consolidated cash. For the purpose of the financial statements, cash and cash equivalents include all demand, and savings accounts. The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements as "cash and cash equivalents". Massachusetts General Laws and local provisions place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as money market investments and 207-like external investment pools, are reported at amortized cost. 2a-7 like pools are external investment pools that operate in conformity with the Securities and Exchange Commissions (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool. The Town reports certificates of deposits as investments.

Additional cash and investment note disclosures are presented in these Notes.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

F. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Revenues related to receivables are reported in the government-wide financial statements and fund financial statements under the accrual basis of accounting and modified accrual basis of accounting, respectively. The following are the significant receivables associated with the Town.

Property taxes, deferred property taxes, and tax liens: By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system, under which the assessors make a preliminary tax commitment based on the prior year’s net tax and may not exceed, with limited exceptions, fifty percent of that amount. After the Town sets the tax rate, usually prior to December 31st, the assessors make the actual tax commitment. The Town has an ultimate right to foreclose on the property for which taxes have not been paid. The allowance for uncollectible amounts is based upon historical trends and specific account analysis.

Excise taxes: Excise taxes consist of motor vehicle excise taxes which are assessed annually for each vehicle registered in the Town. The Commonwealth of Massachusetts is responsible for reporting the number of vehicles registered in the Town, and the associated fair value upon which the tax is calculated. The allowance for uncollectible amounts is based upon historical trends and specific account analysis.

User charges: User charges and fees consist of water and solid waste use. Water fees are levied monthly and are based on individual meter readings and are subject to penalties and interest if they are not paid by their respective due date. Solid waste charges are billed to users bi-annually. Water and solid waste liens are processed each year and are included as a lien on the property owner’s tax bill. User charges for utilities are considered fully collectible.

Departmental: Departmental revenues consist primarily of ambulance, parking tickets, and off-duty details. The allowance for ambulance bills are based upon historical trends and periodic aging reports. Other departmental receivables are considered fully collectible.

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Special assessments: Special assessments in the governmental funds consist septic repair betterment programs. The Town has an ultimate right to foreclose on the property for which special assessments have not been paid. These receivables are considered to be fully collectible.

Intergovernmental: Intergovernmental receivables represent amounts due from various federal and state agencies for operating and capital purposes. These receivables are considered to be fully collectible.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets, including intangible assets, are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized and are not treated as expenses when incurred. Improvements are capitalized. All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings and Improvements	40 years
➤ Improvements	10-50 years
➤ Machinery and Equipment	3-20 years
➤ Utility System	10-50 years
➤ Infrastructure	30-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the respective expenditure function of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

H. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on the net position and are reported after assets, when applicable. Deferred inflows of resources, as applicable represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on the net position and are reported after liabilities, when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. Liabilities

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition of goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, capital leases, compensated absences, estimated landfill post-closure monitoring, other postemployment liability, and net pension liability.

J. Compensated Absences

The Town grants employees sick, personal, and vacation leave in carrying amounts based upon length of service and in accordance with various individual collective bargaining unit contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and/or sick leave, subject to certain limitations, at their current rates of pay pursuant to the various agreements.

K. Equity Classifications

Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The Town utilizes resources which have been restricted prior to utilizing unrestricted resources. Net position is displayed in the following three components:

- **Net investment in capital assets**—This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets are related debt are also included in this component of net position.
- **Restricted net position**—This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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- Unrestricted net position—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town does not maintain any minimum fund balance policies. The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned, and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The General Fund and certain other funds may have more than one purpose.

Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting, the Town's highest level of decision making. Any modification or recession must be through Town Meeting votes.
- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations. Amounts may also be assigned by Town Meeting vote.
- Unassigned fund balance – represents the residual classification for the General Fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

M. Pension

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

N. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position, have been recognized on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Total Columns

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

The total column presented 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 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 (of the prior fiscal year) and are normally due on a quarterly basis during the fiscal year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All General Fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). A comparison of the budget to actual amounts on a budgetary basis is provided as required supplementary information to provide a meaningful comparison with the budget.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

C. Fund equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2019, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>School Projects Fund</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Public safety	\$	\$	\$	\$ 500	\$ 500
Culture and recreation				80,110	80,110
subtotal				80,610	80,610
Restricted:					
General Government				412,231	412,231
Public Safety				254,827	254,827
Education		461,715		2,397,311	2,859,026
Public Works				357,562	357,562
Human Services			1,901,814	80,010	1,981,824
Culture & Recreation				201,493	201,493
Debt service	101,770				101,770
subtotal	101,770	461,715	1,901,814	3,703,434	6,168,733
Committed:					
General Government	344,600			8,807	353,407
Public Safety	184,221			1,491,675	1,675,896
Education	59,396				59,396
Public Works	20,000			43,110	63,110
Culture & Recreation				2,241	2,241
Capital outlay	4,357,066				4,357,066
Debt service	100,000				100,000
subtotal	5,065,283			1,545,833	6,611,116
Assigned:					
General Government	87,908				87,908
Public Safety	16,660				16,660
Education	286,550				286,550
Public Works	1,895				1,895
Human Services	13,000				13,000
Culture & Recreation	5,838				5,838
subtotal	411,851				411,851
Unassigned	6,856,414			(141,953)	6,714,461
Total	<u>\$12,435,318</u>	<u>\$ 461,715</u>	<u>\$ 1,901,814</u>	<u>\$ 5,187,924</u>	<u>\$ 19,986,771</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Pursuant to MGL, the Town maintains stabilization funds, which maintain funds set aside by Town Meeting votes for further appropriations, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. As of June 30, 2019, the Town maintained balances of \$2,424,703 in its general stabilization fund and \$4,357,066 in its capital stabilization fund. These amounts have been reported in unassigned and committed fund balance, respectively. The capital stabilization fund was previously reported in unassigned fund balance in the General Fund.

In addition, the General Fund unassigned fund balance included a snow and ice removal appropriation deficit of approximately \$282,000. The snow and ice deficit is to be raised in the fiscal year 2020 tax levy as allowed by law.

As required by the Department of Revenue, the Town closed out an amount, as of June 30, 2019, to the general fund unassigned fund balance, \$1,040,991 received in previous years from the Southeastern Massachusetts Health Group and previously reported as committed fund balance of the general fund, as well as, \$342,983 from health claims fund.

The Town reported deficit unassigned fund balances of \$142,000 in other governmental funds as of June 30, 2019. The school and town grant deficits are due to unbilled amounts on cost reimbursement grants, which will be subsequently billed. These deficit balances are as follows:

School grants	\$ (121,787)
Town grants	(18,175)
School other special revenue	<u>(1,991)</u>
Total	<u>\$ (141,953)</u>

D. Restricted Net Position

Certain net position reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and health claims funds are classified as unrestricted net position because they are available for appropriation to fund the general operations of the Town.

Restricted net position on the government-wide Statement of Net Position consist of the following:

Septic loan	\$ 2,674,834
Special revenue:	
School lunch	344,552
Town Federal and State grants	75,514
Town other special revenue	642,669
School revolving & other special revenue	1,767,644
School Federal and State grants	219,068
Permanent:	
Expendable	148,119
Non-expendable	<u>80,610</u>
Total restricted net position	<u>\$ 5,953,010</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 4. Cash, Cash Equivalents, and Investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. OPEB funds may be invested in accordance with MGL Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2019 cash deposits totaled \$16,967,348 and had a carrying amount of \$17,378,302. Of the deposit amounts, \$3,820,999 was exposed to custodial credit risk at June 30, 2019 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

As noted below, the Town's policy states that unsecured bank deposits may be limited to no more than 10% of the Town's cash. As of June 30, 2019, the Town had unsecured deposits in excess of the 10% limit by \$2,173,845 in one bank.

As of June 30, 2019, the Town had the following investments:

Governmental activities:

Investment Type	Fair Value Measurement	June 30, 2019 Value
Money Market Funds (including MMDT)	Amortized Cost	\$ 115,296
Certificates of Deposit	Level 1	869,576
U.S. Government & Agencies	Level 1	4,150,301
Domestic Fixed Income Mutual Funds	Level 1	361,159
Domestic Equities	Level 1	1,196,557
Domestic Corporate Bonds	Level 2	1,745,528
		<u>\$ 8,438,417</u>

Fiduciary funds:

Investment Type	Fair Value Measurement	June 30, 2019 Value
Certificates of Deposit	Level 1	\$ 83,194
U.S. Government & Agencies	Level 1	145,642
Domestic Equities	Level 1	51,747
Domestic Corporate Bonds	Level 2	103,126
		<u>\$ 383,709</u>

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June 30, 2019

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. Although the Town's investment policy does not entirely address all aspects for custodial credit risk, the Town's investment policy addresses the certain factors associated with custodial credit risk. In addition, the Town does currently have a collateralization agreement with Rockland Trust.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town has an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The approximate maturities of the Town's debt investments are disclosed in the following table.

As of June 30, 2019:

Investment Type	Value	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years
U.S. Government & Agencies	\$ 4,295,943	\$ 1,022,748	\$ 1,319,406	\$ 1,061,957	\$ 891,832
Domestic Fixed Income Mutual Funds	361,159			105,609	255,550
Domestic Corporate Bonds	1,848,654	243,204	1,358,763	116,214	130,473
Domestic Certificates of Deposit	952,770	427,891	524,879		
	<u>\$ 7,458,526</u>	<u>\$ 1,693,843</u>	<u>\$ 3,203,048</u>	<u>\$ 1,283,780</u>	<u>\$ 1,277,855</u>

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the table below. Equity securities and equity mutual funds are not rated as to credit risk. The Town's investment policy limits the Town to investing in U.S. treasuries and agencies, financial institution depository accounts and certain corporate bonds as allowed by Massachusetts General Law.

The credit ratings associated with the corporate bonds reported is based upon Moody's ratings is as follows:

As of June 30, 2019:

Investment Type	Value	Exempt from Disclosure	Moody's Ratings as of Year End			
			Aaa to Aa3	A1 to A3	Baa1 to Baa2	Not Rated
U.S. Government & Agencies	\$ 4,295,943	\$ 2,240,829	\$ 2,055,114	\$	\$	\$
Domestic Fixed Income Mutual Funds	361,159	361,159				
Domestic Corporate Bonds	1,848,654		188,789	738,595	868,429	52,841
	<u>\$ 6,505,756</u>	<u>\$ 2,601,988</u>	<u>\$ 2,243,903</u>	<u>\$ 738,595</u>	<u>\$ 868,429</u>	<u>\$ 52,841</u>

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy states that unsecured bank deposits may be limited to no more than 5% of an institutions asset and no more than 10% of the Town's cash. Additionally, the Town has an investment policy which limits the amount that can be invested in any one issuer or security.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have an investment policy which covers foreign currency risk.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. The Town includes the following receivables for individual major and nonmajor governmental funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts:

Governmental activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property tax	\$ 472,164	\$ (10,995)	\$ 461,169
Tax liens and deferrals	1,946,496		1,946,496
Tax possessions	1,957,487		1,957,487
Motor vehicle excise	234,110	(24,996)	209,114
Charges for service - ambulance	340,305	(102,091)	238,214
Betterments	773,020		773,020
Intergovernmental:			
MSBA	134,221		134,221
Chapter 90 awards requested	118,121		118,121
State and federal grants	346,673		346,673
Veterans benefits	185,814		185,814
Total governmental activities	<u>\$6,508,411</u>	<u>\$ (138,082)</u>	<u>\$ 6,370,329</u>

Tax liens, deferrals, possessions and betterments are classified as current assets on the accompanying financial statements, however, it is unlikely that a significant portion of these amounts will be collected in fiscal year 2020. These amounts are considered to be fully collectible.

Massachusetts School Building Authority

Central School Boiler – In November 2018, the Town entered an agreement with the Massachusetts School Building Authority (MSBA) for partial funding assistance related to the replacement of the Town's Central School boiler. Per the agreement, the MSBA approved the estimated total facilities grant not to exceed the lesser of 56.26% of the final approved total eligible projects costs, as determined by the MSBA, or \$829,000. The MSBA, under its own authority, may determine that expenditures from the owner's contingency and construction contingency line items of the total project budget are eligible for reimbursement and in the event of such determination the MSBA shall adjust the above stated maximum total facilities grant to the amount of \$867,000. In no event shall the final, maximum total facilities grant, including any eligible owners and construction contingency amounts exceed \$867,000. The receivable of \$134,221 at June 30, 2019 represents amounts due to the Town for eligible cost reimbursements.

Business-type activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$1,270,361	\$	\$ 1,270,361
Solid waste and departmental	165,140		165,140
Total business-type activities	<u>\$1,435,501</u>	<u>\$</u>	<u>\$ 1,435,501</u>

Agency funds report amounts, due from third parties for police and fire details, of \$30,334.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u> <u>Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,848,950	\$	\$	\$ 4,848,950
Construction in progress		335,533		335,533
Works of art and historical treasures	<u>93,450</u>	<u> </u>	<u> </u>	<u>93,450</u>
Subtotal	4,942,400	335,533		5,277,933
Capital assets being depreciated:				
Buildings and related improvements	99,725,735			99,725,735
Equipment, machinery & vehicles	17,600,125	659,858	(291,318)	17,968,665
Infrastructure	<u>34,627,462</u>	<u>1,105,325</u>	<u> </u>	<u>35,732,787</u>
Subtotal	151,953,322	1,765,183	(291,318)	153,427,187
Less accumulated depreciation:				
Buildings and related improvements	24,929,612	2,462,858		27,392,470
Equipment, machinery & vehicles	13,561,232	1,015,787	(291,318)	14,285,701
Infrastructure	<u>21,172,428</u>	<u>769,290</u>	<u> </u>	<u>21,941,718</u>
Subtotal	<u>59,663,272</u>	<u>4,247,935</u>	<u>(291,318)</u>	<u>63,619,889</u>
Governmental capital assets, net	<u>\$ 97,232,450</u>	<u>\$ (2,147,219)</u>	<u>\$</u>	<u>\$ 95,085,231</u>
	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u> <u>Balances</u>
<u>Business-type activities</u>				
Water enterprise:				
Capital assets not being depreciated				
Land	<u>\$ 192,627</u>	<u>\$</u>	<u>\$</u>	<u>\$ 192,627</u>
Subtotal	192,627			192,627
Capital assets being depreciated:				
Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	1,259,609			1,259,609
Infrastructure	<u>25,397,698</u>	<u> </u>	<u> </u>	<u>25,397,698</u>
Subtotal	30,457,830			30,457,830
Less accumulated depreciation:				
Buildings and related improvements	1,564,678	66,795		1,631,473
Equipment, machinery & vehicles	764,102	77,272		841,374
Infrastructure	<u>10,130,188</u>	<u>463,822</u>	<u> </u>	<u>10,594,010</u>
Subtotal	<u>12,458,968</u>	<u>607,889</u>	<u> </u>	<u>13,066,857</u>
Water enterprise capital assets, net	<u>\$ 18,191,489</u>	<u>\$ (607,889)</u>	<u>\$</u>	<u>\$ 17,583,600</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Depreciation expense was charged to functions/programs as follows:

Governmental activities

General Government	\$ 151,501
Public Safety	547,487
Education	2,594,903
Public Works	838,133
Health & Human Services	101,237
Culture & Recreation	<u>14,674</u>
Total governmental activities	<u>\$ 4,247,935</u>

Business-type activities

Total water enterprise – business-type activity	<u>\$ 607,889</u>
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Note 7. Interfund balances and activity

At June 30, 2019, the Town did not have any interfund receivables/payables. Interfund transfers, for the year ended June 30, 2019, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Solid Waste Fund</u>
Amounts transferred from the Ambulance Fund to fund the FY2019 Operating Budget	\$ 550,000	\$ (550,000)	\$
Amounts transferred to pay short term notes	(100,000)	100,000	
Amounts transferred from other special revenue funds (library fines) to purchase supplies	6,000	(6,000)	
Amounts unused from ambulance operating subsidy	(26,454)	26,454	
Amounts from Health Claims Fund closed out per Massachusetts Department of Revenue	342,983	(342,983)	
Amounts transferred for Solid Waste operating subsidy	<u>(280,000)</u>	<u></u>	<u>280,000</u>
Net transfers in/(out)	<u>\$ 492,529</u>	<u>\$ (772,529)</u>	<u>\$ 280,000</u>

During fiscal year 2019, the Town transferred \$10,000 to the OPEB Trust Fund. This has been reported as a contribution in the Statement of Changes in Fiduciary Net Position and a general government expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance. In addition, the Town appropriated and transferred \$1.2 million from the General fund to the Capital Stabilization fund and appropriated and transferred \$899,000 from the Capital Stabilization fund to the General fund for purposes of paying long term debt associated with previously completed capital projects.

Note 8. Deferred Outflows and Inflows of Resources

The following tables summarize the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2019 reported for governmental activity and business-type activities, as well as governmental funds.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Governmental Activities/Business-type Activities:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Deferred outflows of resources</u>			
<i>Associated with pension:</i>			
Differences between expected and actual experience	\$ 1,750,142	\$ 90,373	\$ 1,840,515
Net differences between expected and actual investment earnings	3,072,114	158,636	3,230,750
Changes in actuarial assumptions	502,820	25,964	528,784
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>138,054</u>	<u>7,130</u>	<u>145,184</u>
Total deferred outflows associated with pension	5,463,130	282,103	5,745,233
<i>Associated with OPEB:</i>			
Differences between actual and expected experience	<u>3,888,405</u>	<u>103,242</u>	<u>3,991,647</u>
Total deferred outflows associated with OPEB	<u>3,888,405</u>	<u>103,242</u>	<u>3,991,647</u>
Total deferred outflows of resources	<u><u>\$ 9,351,535</u></u>	<u><u>\$ 385,345</u></u>	<u><u>\$ 9,736,880</u></u>
<u>Deferred inflows of resources</u>			
Unamortized bond premiums	\$ 884,933	\$	\$ 884,933
<i>Associated with pension:</i>			
Changes in actuarial assumptions	248,554	12,835	261,389
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>259,329</u>	<u>13,391</u>	<u>272,720</u>
Total deferred inflows of resources associated with pension	507,883	26,226	534,109
<i>Associated with OPEB:</i>			
Differences between actual and expected experience	5,618,599	149,181	5,767,780
Changes of assumptions	5,016,032	133,182	5,149,214
Net difference between projected and actual investment earning	<u>1,291</u>	<u>35</u>	<u>1,326</u>
Total deferred inflows associated with OPEB	<u>10,635,922</u>	<u>282,398</u>	<u>10,918,320</u>
Total deferred inflows of resources	<u><u>\$ 12,028,738</u></u>	<u><u>\$ 308,624</u></u>	<u><u>\$ 12,337,362</u></u>

Governmental Funds:

The following deferred inflows of resources are reported on the governmental funds and are fully accrued on the government-wide financial statements.

<u>Type</u>	<u>General Fund</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Real estate and personal property taxes	\$ 391,516	\$	\$	\$ 391,516
Tax liens and deferrals	1,946,496			1,946,496
Tax foreclosures	1,957,487			1,957,487
Motor vehicle excise	234,110			234,110
Charges for service - ambulance			340,305	340,305
Betterments		773,020		773,020
Intergovernmental - veteran's benefits	<u>185,814</u>			<u>185,814</u>
Total	<u><u>\$ 4,715,423</u></u>	<u><u>\$ 773,020</u></u>	<u><u>\$ 340,305</u></u>	<u><u>\$ 5,828,748</u></u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	(restated) <u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending</u> <u>Balances</u>	<u>Current</u> <u>Portion</u>
<u>Governmental Activities:</u>					
MCWT subsidized septic bond, 4%, dtd. Various, due 2017-2027	\$ 1,936,074	\$	\$ (202,147)	\$ 1,733,927	\$ 202,177
Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018	100,000		(100,000)		
MCWT subsidized landfill bond, N/A, dtd. Various, due 2020	150,000		(75,000)	75,000	75,000
General obligation bond, 2.00-4.00%, dtd. 8/5/2010, due 8/1/2022	525,000		(125,000)	400,000	100,000
MCWT subsidized storm water mgt bond, N/A, dtd. N/A, due 2/15/2027	206,391		(18,832)	187,559	19,212
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	25,310,000		(1,450,000)	23,860,000	1,520,000
General obligation bond, 2.00-3.00%, dtd 8/23/2012, due 8/15/2032	879,000		(65,000)	814,000	65,000
General obligation bond, 2.00-4.00%, dtd 9/27/2013, due 9/15/2033	4,125,000		(200,000)	3,925,000	210,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	2,545,000		(255,000)	2,290,000	265,000
General obligation bond, 2.25-4.00%, dtd 12/27/2015, due 12/15/2035	1,210,000		(115,000)	1,095,000	120,000
General obligation bond, 2.00-2.75%, dtd. 9/26/2017, due 9/15/2036	1,335,000		(65,000)	1,270,000	70,000
General obligation bond, 1.60-3.50%, dtd. 3/5/2019, due 3/1/2039		1,627,000		1,627,000	62,000
Total governmental bonds payable	38,321,465	1,627,000	(2,670,979)	37,277,486	2,708,389
Landfill post-closure and monitoring liability	284,551		(28,200)	256,351	
Net OPEB liability	67,143,405		(9,599,518)	57,543,887	
Net pension liability	18,164,240	6,182,083		24,346,323	
Compensated absences	1,469,045	28,955		1,498,000	
Total Governmental activities	<u>\$125,382,706</u>	<u>\$ 7,838,038</u>	<u>\$(12,298,697)</u>	<u>\$120,922,047</u>	<u>\$ 2,708,389</u>
<u>Business-type Activities:</u>	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending</u> <u>Balances</u>	<u>Current</u> <u>Portion</u>
MCWT water filtration project bond, 2.00%, dtd. 12/18/2007, due 7/15/2027	\$ 5,510,738	\$	\$ (502,812)	\$ 5,007,926	\$ 512,970
MCWT drinking water bond, 2.00%, dtd 7/8/2010, due 7/15/2030	2,173,091		(147,844)	2,025,247	150,830
MCWT drinking water bond, 2.00%, dtd 7/8/2010, due 7/15/2030	556,972		(37,896)	519,076	38,661

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

<u>Business-type Activities (continued):</u>	(restated) Beginning Balances	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balances</u>	<u>Current Portion</u>
General obligation bond, 2.00-3.00%, dtd 8/23/2012, due 8/15/2032	\$ 716,000	\$	\$ (40,000)	\$ 676,000	\$ 40,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	800,000		(40,000)	760,000	40,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	850,000		(35,000)	815,000	35,000
Total business-type bonds payable	10,606,801		(803,552)	9,803,249	817,461
Net OPEB liability	1,768,693		(240,829)	1,527,864	
Net pension liability	937,957	319,228		1,257,185	
Compensated absences	110,113	13,887		124,000	
Total business-type activities	<u>\$ 13,423,564</u>	<u>\$ 333,115</u>	<u>\$ (1,044,381)</u>	<u>\$ 12,712,298</u>	<u>\$ 817,461</u>

Business-type activities long term liabilities include amounts for both water and solid waste. At June 30, 2019, solid waste reported \$135,456 related to net OPEB liability and \$15,000 related to compensated absences.

Long-term debt

The outstanding Massachusetts Clean Water Trust (MCWT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. However, it is anticipated that approximately 33% to 44% of the debt service payments relating to septic and landfill bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide and governmental financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The septic and landfill bonds have been combined according to type for presentation purposes. These obligations have varying maturity dates as indicated. The Town received interest subsidies of \$40,092 during the current year.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2019, including interest, are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,708,389	\$ 1,486,336	\$ 4,194,725	\$ 817,461	\$ 233,171	\$ 1,050,632
2021	2,649,827	1,374,453	4,024,280	838,652	215,460	1,054,112
2022	2,689,493	1,260,208	3,949,701	853,129	197,139	1,050,268
2023	2,787,927	1,142,967	3,930,894	874,898	178,201	1,053,099
2024	2,785,827	1,023,701	3,809,528	895,967	158,841	1,054,808
2025 - 2029	14,895,060	3,346,283	18,241,343	4,120,586	494,801	4,615,387
2030 - 2034	8,075,963	684,975	8,760,938	1,177,556	139,436	1,316,992
2035 - 2039	685,000	32,982	717,982	225,000	17,825	242,825
Totals	<u>\$ 37,277,486</u>	<u>\$ 10,351,905</u>	<u>\$ 47,629,391</u>	<u>\$ 9,803,249</u>	<u>\$ 1,634,874</u>	<u>\$ 11,438,123</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

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

Unissued debt authorizations consist of the following at June 30, 2019:

	Year Authorized	Balance June 30, 2019
Central School boiler replacement	2019	\$ 940,910
Technology and security upgrades	2019	425,917
Road repairs	2019	<u>517,892</u>
		<u>\$ 1,884,719</u>

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases is immaterial as of June 30, 2019.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. As of June 30, 2019, there were no material capital lease obligations.

Note 10. Temporary borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Temporary loan balances are accounted for in the appropriate fund. Internal expenditures for governmental activities are accounted for in the General Fund. Interest for business-type activities are accounted for in the appropriate fund.

Changes in the Town's short-term debt for the year ended June 30, 2019 are as follows:

<u>Purpose & Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
BAN, Sewer Ext., 3/9/2018	1.65%	3/9/2019	\$ 420,000	\$	\$ (420,000)	\$
BAN, Multipurpose, 6/29/2018	2.15%	3/9/2019	<u>707,000</u>	<u> </u>	<u>(707,000)</u>	<u> </u>
			<u>\$ 1,127,000</u>	<u>\$</u>	<u>\$ (1,127,000)</u>	<u>\$</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

Note 11. Employee Benefits

1. Plymouth County Retirement Association

A. Retirement Benefits

Plan Description

The Plymouth County Retirement Association (Association/Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2018, the Association had 54 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2018, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360, or at www.pcr.ma.org.

Benefits Provided

The Association provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service.

Members hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 or age 55, depending on class of membership.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount 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 an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$2,531,361, which was net of the discount of approximately \$49,000.

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

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2019 and measured as of December 31, 2018.

At December 31, 2018, based upon the valuation date of January 1, 2019:

	<u>2018</u>
Total pension liability	\$ 1,669,196,814
Less: plan fiduciary net position	<u>(936,639,806)</u>
Net pension liability	<u>\$ 732,557,008</u>
Plan's fiduciary net position as a percentage of total pension liability	56.11%
Total employer pension expense	\$ 94,166,508
The Town's proportionate share of the collective net pension liability	\$ 25,603,508
The Town's percentage share of the collective net pension liability	3.495%
Town covered payroll	\$ 10,891,412
The Town's proportionate share of pension expense recognized	\$ 3,162,927

Pension expense was allocated to governmental activities and business-type activities in the amount of \$3,007,621 and \$155,306, respectively for the year ended June 30, 2019. The collective net deferred outflows/(inflows) of resources of the Plan was \$154,863,077 at December 31, 2018. The Town's proportionate share of collective net deferred outflows/(inflows) of resources was \$5,211,124, which was the result of the net difference between projected and actual investment earnings of the pension plan investments, differences between expected and actual experience, changes in assumptions and changes in proportion related to pension liability. This is to be recognized in future pension expense in the amount of \$1,638,763 for the year ending June 30, 2020, \$1,207,590 for the year ending 2021, \$1,115,593 for the year ending 2022 and \$1,249,178 for the year ending 2023.

Actuarial Assumptions

Valuation date	January 1, 2019
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Payments increase at 7.0% for the unfunded actuarial accrued liability, and level amortization of the 2002 and 2013 Early Retirement Incentives

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Remaining amortization period	Amortization of the unfunded actuarial accrued liability over 10 years, 2003 ERI over one year, and the 2013 ERI over 9 years; all as of January 1, 2019
Asset valuation method	Market value for GASB 68 and for the actuarial report market value with a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor
Investment rate of return	7.875% nominal rate, net of investment expense
Projected salary increases	3.75% per year
Cost-of-living adjustments	3.00% of the first \$14,000 of retirement income
Rates of retirement	Varies based upon age for general employees, police, and fire employees
Rates of disability	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)
Mortality rates	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retirement members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

Investment Policy

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

The long-term expected rate of return on 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 nominal 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 Plan's target asset allocation of January 1, 2019 are summarized in the following table:

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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<u>Asset Class</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Domestic Equity	13.20%	22.00%
International developed equity	6.30%	14.00%
Emerging markets equity	8.00%	9.00%
Global equity	9.50%	10.00%
Domestic fixed income	3.40%	8.00%
Value-added fixed income	6.00%	11.00%
Hedge funds	3.10%	4.00%
Real estate	4.20%	11.00%
Private equity	9.20%	5.00%
Real assets	4.60%	5.00%
Cash	0.00%	<u>1.00%</u>
		<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.875%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the net position liability calculated using the discount rate of 7.875%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.875%) or 1-percentage point higher (8.875%) than the current discount rate (7.875%):

	<u>1% decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% increase (8.875%)</u>
Plymouth County Retirement Association - Total	\$905,753,273	\$732,557,008	\$584,902,368
Proportionate share associated with the Town	\$ 31,571,427	\$ 25,603,508	\$ 20,387,674

2. Special Funding Situation - MTRS

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. 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 does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements are contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who services ex-officio as the Chairman of the MTRB.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Town, are 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 contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012, cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

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In addition, members who join MTRS on or after April 2, 2012 will have their withholding rate reduced to 8%, after achieving 30 years of credible service.

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$2,673,936. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and Expenses Related to Pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2018, rolled forward to June 30, 2018 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2018</u>
Total pension liability	\$ 50,503,000,000
Less: Plan fiduciary net position	<u>(28,791,711,000)</u>
Net pension liability	<u>\$ 23,711,289,000</u>
Plan's fiduciary net position as a percentage of total pension liability	54.84%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 48,222,769
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	0.203375%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 4,886,679

The Commonwealth's proportionate share of pension expense associated with the Town has been included on the Town's Statement of Activities. These amounts are reported as program revenue operating grant and contributions and education expenses. Commonwealth contribution amounts on behalf of the Town have been reported in the Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund as intergovernmental revenues and education expenditures. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not record a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.35% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

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- (3) Mortality rates were as follows:
 - a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale MP-2016 (gender distinct)
 - b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with MP-2016 (gender distinct)
 - c. Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct)
- (4) Experience study was performed as follows: Dated July 21, 2014 and encompasses the period of January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Value Added Fixed Income	10.0%	3.8%
Real Estate	10.0%	3.8%
Timber/Natural Resources	4.0%	3.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 period of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower (6.35%) or one-percentage-point higher (8.35%) than the current discount rate (7.35%) at June 30, 2018 (in thousands).

<u>June 30, 2018</u>	<u>1% Decrease to 6.35%</u>	<u>Current Discount Rate 7.35%</u>	<u>1% Increase to 8.35%</u>
MTRS- Total	\$29,482,300	\$23,711,289	\$18,771,300
Proportionate share associated with Town	\$ 59,960	\$ 48,223	\$ 38,176

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities of approximately \$1.5 million and \$124,000, respectively.

C. Other Postemployment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and prescription drug benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

1. Completion of 20 years of service.
2. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
3. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.
4. Members in Group 1 and 2, hired on or after April 2, 2012, are eligible upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

The Plan is included as a Fiduciary fund in the Town's basic financial statements. Any actuarial valuation may be obtained by contacting the Town.

Benefits Provided and Employees Covered

Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2019 and are paid on a "pay as you go" basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

At July 1, 2018, the date of the actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	304
Active employees	<u>454</u>
Total	<u><u>758</u></u>

Contributions

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at 60% - 70% of the insurance premiums, dependent upon the plan, with the remainder funded through retiree contributions.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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The Town currently pays postemployment benefits on a pay-as-you-go basis. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid, in the General Fund. Contributions in excess of premium payments are determined on an annual basis during the budgetary process. The Town contributed \$10,000 beyond the pay-as-you-go cost for the period ending June 30, 2019. For the year ended June 30, 2019, total Town premiums plus implicit costs for retiree medical program were \$1,541,652. \$332,032 of this amount represents the implicit cost, which is the portion of premiums being paid for active employees that are being used to subsidize the premiums of retirees that are not yet Medicare eligible. For the year ended June 30, 2019, the Town's average contribution rate was 6.25% of covered-employee payroll. Active employees are not required to contribute to the plan.

GASB Statements 74 and 75

In accordance with GASB No. 75, the Town (the employer) recognizes a net OPEB liability measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. The net OPEB liability is recognized as of the measurement date. The Town's most recent actuarial valuation was performed using a valuation date of July 1, 2018 for the measurement date and reporting period of June 30, 2019. In the prior reporting period, the measurement date was June 30, 2017. To conform to the reporting date, the Town elected to change the measurement date to align with the reporting period, accordingly a restatement to beginning net OPEB liability has been recorded to reflect the change in measurement date. GASB Statement 74 addresses reporting requirements of the Plan as of the end of its fiscal year June 30, 2019. The Town's current actuarial valuation restated certain beginning balances for the current fiscal year to coincide the employer's reporting requirement with that of the Plan. An actuarial valuation report associated with the fund may be obtained by contacting the Town directly.

Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise stated:

Actuarial cost method:	Individual Entry Age Normal.
Asset valuation method:	Market value of assets as of June 30, 2019.
Investment rate of return:	4.26%, net of OPEB plan investment expense, including inflation.
Inflation rate:	2.75% per year.
Compensation increases:	3.00% per year.
Discount rate:	3.00% per annum
Municipal bond rate:	2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)
Amortization:	30-year level dollar of NOL

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Medical care inflation:	4.5% flat per year for non-Medicare integrated plans and for Medicare integrated plans (previously 5.0%).
Participation:	80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement. For life insurance plans, it was assumed that 80% of eligible employees would elect coverage upon retirement.
Spouse participation:	It was assumed that 80% of male employees and 70% of female employees who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement.
Spouse demographics:	It was assumed that a male spouse is three years older than a female spouse and the same sex spouses were assumed to be the same age. For current retirees, the actual census information was used, if available.
Pre-retirement mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-retirement mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females.
Mortality experience study:	The mortality assumptions reflect recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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June 30, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap	12.25%	4.00%
Domestic Fixed Income	63.50%	2.00%
Cash	24.25%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made on a “pay as you go” basis. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be available to make all projected OPEB payments for current and inactive employees. However, since the Plan is partially funded, a blended long term rate of return on investments and the yield or indirect rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances for June 30, 2018	\$ 65,453,705	\$	\$ 65,453,705
Prior period adjustment	<u>3,458,423</u>	<u></u>	<u>3,458,423</u>
Balances for July 1, 2018	68,912,128		68,912,128
<i>Changes for the year:</i>			
Service cost	2,508,172		2,508,172
Interest on total OPEB liability, service cost, and benefit payments	2,119,655		2,119,655
Changes in assumptions	(6,063,816)		(6,063,816)
Differences between expected & actual experience	(6,792,252)		(6,792,252)
Net investment income		3,114	(3,114)
Employer contributions to Trust		1,609,022	(1,609,022)
Benefit payments, including implicit cost	<u>(1,541,652)</u>	<u>(1,541,652)</u>	<u></u>
Net changes	<u>(9,769,893)</u>	<u>70,484</u>	<u>(9,840,377)</u>
Balances at June 30, 2019	<u>\$ 59,142,235</u>	<u>\$ 70,484</u>	<u>\$ 59,071,751</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 %) or 1-percentage-point higher (4.0 %) than the current discount rate (3.0%):

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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	1% Decrease <u>(2.00%)</u>	Current Discount Rate <u>(3.00%)</u>	1% Increase <u>(4.00%)</u>
Net OPEB Liability	\$69,899,326	\$59,071,751	\$50,553,772

Schedule of Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percetnaget-pont lower (3.5 %) or 1-percentage-pont higher (5.5 %) than the current healthcare cost trend rates for each year within the trend:

	1% Decrease <u>(3.50%)</u>	Current Trend Rate <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
Net OPEB Liability	\$49,662,556	\$59,071,751	\$71,339,693

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

The OPEB expense for governmental activities and business-type activities was \$3,408,515 and \$64,235, respectively, for the year ended June 30, 2019. The total net deferred outflows/(inflows) of resources related to other postemployment benefits was \$(6,926,673) at June 30, 2019, which was the result of the difference between expected and actual plan experience, changes in actuarial assumptions and differences between actual and expected investment earnings. This is to be recognized in future pension expense in the amount of \$(1,153,657) for each of the years ending June 30, 2020 to 2023, \$(1,153,318) for year ending June 30, 2024, \$(1,537,809) for the year ending June 30, 2025 and \$379,082 for the year ending June 30, 2026.

Note 12. Landfill Closure and Post-closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2019, \$256,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2019, the Town anticipates 8 years of post-closure monitoring remaining. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

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

The Town belongs to the Group Insurance Commission. The Group Insurance Commission (GIC) was established by the Massachusetts Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth of Massachusetts' employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities, and retired municipal employees and teachers in certain governmental units. The Town paid approximately \$5.0 million to the GIC for the year ended June 30, 2019 which includes Town and employee share of contributions.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Note 14. Commitments and Contingencies

The Town is currently involved in pending litigation. The legal actions are ongoing, and at this point in time, in the opinion of management, no outcome can reasonably be foreseen. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 15. Restatement of Certain Beginning Balances

Certain restatements have been made to beginning balances in the financial statements, as presented as follows:

	Total Governmental Activities	Business-type Activities		Total Primary Government
		Water Fund	Solid Waste Fund	
Net position, June 30, 2018	\$ 1,140,581	\$ 8,933,516	\$ 163,348	\$ 10,237,445
To restate beginning net position liability and related deferred inflows and outflows of resources for water department share	970,297	(970,297)		
To restate beginning net OPEB liability for change in measurement date	(3,213,461)	(233,090)	(11,841)	(3,458,392)
Net position, July 1, 2018, restated	<u>\$ (1,102,583)</u>	<u>\$ 7,730,129</u>	<u>\$ 151,507</u>	<u>\$ 6,779,053</u>

In fiscal year 2019, the Town elected to allocate the water department's share of net pension liability to the Statement of Fund Net Position – Proprietary Funds. The Water Fund's share of net pension liability was based on water department budgeted contributions to the Plymouth County Retirement System.

The net OPEB liability was previously measured one year prior to the financial statement reporting date. To keep the reporting date and measurement date consistent, the Town elected to make the measurement date the same date as the financial statement reporting date.

Note 16. Implementation of New GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #83, Certain Asset Retirement Obligations, was required to be implemented in fiscal year 2019. The pronouncement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The pronouncement had no effect on the financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

The GASB issued Statement #88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*, was required to be implemented in fiscal year 2019. This pronouncement improves consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide additional essential information about debt. The pronouncement had no effect on the financial statements.

Future pronouncements

The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020. The pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #87, *Leases*, which is required to be implemented in fiscal year 2021. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is required to be implemented in fiscal year 2020. This Statement will improve financial reporting by provided users of financial statement with more relevant information about capital assets and the cost of borrowing for a reporting period. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61*, which is required to be implemented in fiscal year 2020. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Town doesn't expect this pronouncement to be applicable.

The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2022. This pronouncement improves the financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #92, *Omnibus 2020*, which is generally required to be implemented in fiscal year 2021 or thereafter. This pronouncement addresses a variety of topics and includes specific provisions of previously issued pronouncements. The Town will evaluate with the applicable pronouncements.

The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is generally required to be implemented in fiscal year 2021. This pronouncement addresses the accounting and reporting implications resulting from interbank offered rates (IBOR). The Town will evaluate the applicability of the pronouncement upon implementation.

The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and reporting of arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or an exchange-like transaction. The Town will evaluate the applicability of the pronouncement upon implementation.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2019

The GASB issued Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which postpones the effective implementation dates of certain pronouncements as a result of the COVID-19 pandemic. Statements #83, #84, #88, #90, #91 #92 and #93 are postponed by one year. Statement #87 has been postponed by 18 months.

The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Town will evaluate the applicability of the pronouncement upon implementation.

Note 17. Subsequent Events

State of Emergency – COVID-19

On January 31, 2020, the United States Health and Human Services declared a public health emergency for the entire United States in responding to the world-wide outbreak of the 2019 novel Coronavirus (COVID-19), a contagious and at times fatal respiratory disease. On March 13, 2020, the President of the United States declared an emergency regarding the COVID-19 outbreak.

On March 10, 2020, the Governor of the Commonwealth of Massachusetts, declared a State of Emergency, to remain in effect until further notice. The COVID-19 outbreak was characterized as a pandemic by the World Health Organization (WHO) on March 11, 2020. On March 15, 2020 the Governor issued an Order requiring all public and private elementary and secondary (K-12) schools in the Commonwealth to suspend normal, in-person instruction. This was further amended through the end of June. On March 23, 2020, the Governor issued an Order closing certain non-essential workplaces and the prohibition of gatherings of more than 10 people. This Order was extended through May 18, 2020. On May 18, 2020, the Governor announced a four-phase reopening plan for workplaces and business.

The economic impact to the Commonwealth and the ramifications upon state aid and local receipts to the Town is uncertain. There are significant uncertainties regarding ongoing guidelines, and restrictions associated with reopening businesses, workplaces, and educational facilities. Accordingly, any economic impact to the Town and its operational budget cannot be fully determined as of the date of these financial statements.

Management of the Town has evaluated subsequent events through July 28, 2020, which is the date the financial statements were available to be issued. Management has determined no other significant or material events that have occurred that have not been previously disclosed within these notes, which are necessary to disclose to keep the financial statements from being misleading.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
Last Ten Fiscal Years

Valuation date:	July 1, 2018	June 30, 2016	June 30, 2016	June 30, 2016
For the reporting period & fiscal year ending on:	June 30, 2019	June 30, 2018*	June 30, 2017	June 30, 2016
Total OPEB liability				
Service cost	\$ 2,508,172	\$ 2,704,845	\$ 2,554,321	\$ 2,617,379
Interest	2,119,655	2,191,966	1,926,124	1,669,937
Differences between expected and actual experience	(6,792,252)			5,563,159
Changes of assumptions	(6,063,816)			
Implicit cost amount	(332,032)	(91,959)	(82,524)	
Benefits payments	(1,209,620)	(1,346,429)	(1,260,567)	(1,154,083)
Net change in total OPEB liability	(9,769,893)	3,458,423	3,137,354	8,696,392
Total OPEB liability - beginning	68,912,128	65,453,705	62,316,351	53,619,959
Total OPEB liability - ending (a)	\$ 59,142,235	\$ 68,912,128	\$ 65,453,705	\$ 62,316,351
Plan fiduciary net position				
Contributions - employer	\$ 1,551,652	\$	\$	\$
Net investment income	3,114			
Benefit payments, including implicit cost	(1,541,652)			
Net change in fiduciary net position	13,114			
Plan fiduciary net position - beginning	57,370			
Plan fiduciary net position - ending (b)	70,484			
Town's net OPEB liability - ending (a-b)	\$ 59,071,751	\$ 68,912,128	\$ 65,453,705	\$ 62,316,351
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 25,730,949	\$ 23,431,218	\$ 22,748,755	\$ 22,748,755
Town's net OPEB liability as a percentage of covered-employee payroll	229.57%	294.10%	287.72%	273.93%
Single discount rate used to calculate Plan liabilities	3.00%	3.00%	3.00%	3.00%

Notes to Schedule:

***Change in Measurement Date**

The Town's most recent actuarial valuation was performed using a valuation date of July 1, 2018 for the measurement date and reporting period ended June 30, 2019. The Town elected to change the measurement date to align the Employer's reporting date with that of the Plan, both being June 30, 2019. In the prior financial statements, the Employer reported the net OPEB obligation one year behind that of the Plan, which was June 30, 2017. The change in measurement date resulted in restatements which have been accounted for in the Town's financial statements. The above schedule reflects the changes in the activity for the Plan based upon the latest actuarial valuation.

Plan Fiduciary Net Position

Effective June 30, 2019, the fiduciary net position of the OPEB Trust Fund was included in the calculation of the net OPEB liability. Previously, the fiduciary net position was omitted from the calculation of net OPEB liability. The beginning fiduciary net position is included in the current year actuarial valuation with the Employer contributions. This amount has been adjusted from Employer contributions to the beginning balance in this schedule.

Changes in Assumptions

Effective July 1, 2018:

The expected long term medical trend has been updated to 4.5% decreasing the disclosed liability by \$6.1 million.
Assumption changes caused service cost to decrease by \$410,000.

Experience Gain

For the reporting year ended June 30, 2019, the Plan saw an experience gain of \$6,792,252 or 9.86% of the beginning total OPEB liability. This was mainly due to premiums increasing less than the expected 10% increase.

-This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of the Town's Contributions - Other Postemployment Benefits Plan
Last Ten Fiscal Years

Valuation date:	July 1, 2018	June 30, 2016	June 30, 2016	June 30, 2016
For the fiscal year ending:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 5,434,188	\$ 5,946,980	\$ 5,796,457	\$ 5,641,053
Contributions in relation to the actuarially determined contribution	<u>(1,609,022)</u>	<u>(1,438,388)</u>	<u>(1,343,091)</u>	<u>(1,154,083)</u>
Contribution deficiency (excess)	<u>\$ 3,825,166</u>	<u>\$ 4,508,592</u>	<u>\$ 4,453,366</u>	<u>\$ 4,486,970</u>
Covered-employee payroll	\$ 25,730,949	\$ 22,748,755	\$ 22,748,755	\$ 22,748,755
Contributions as a percentage of covered-employee payroll	6.25%	6.32%	5.90%	5.07%
Discount rate	3.00%	3.00%	3.00%	3.00%

Notes to Schedule

Actuarial cost method:	Individual Entry Age Normal
Asset valuation method:	Market value of assets
Investment rate of return:	4.26%, net of OPEB plan investment expense, including inflation
Municipal bond rate:	2.79% as of June 30, 2019 (source: S & P Municipal Bond 20-Year High Grade Index - SAPIHG)
Discount rate:	3.00%, net of OPEB plan investment expense, including inflation
Inflation:	2.75% as of June 30, 2019 and for future periods
Healthcare cost trend rates:	4.5% initial flat per year for all plan types
Salary increases:	3.00% annually as of June 30, 2019 and for future periods
Pre-retirement mortality:	RP-2000 Employees Mortality Table projected generationally with a scale BB and a base year 2009 for males and females.
Post-retirement mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with a scale BB and a base year 2009 for males and females.
Disabled mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with a scale BB and a base year 2012 for males and females.

Plan Fiduciary Net Position

Effective June 30, 2019, the fiduciary net position of the OPEB Trust Fund was included in the calculation of the net OPEB liability. Previously, the fiduciary net position was omitted from the calculation of the net OPEB liability. The beginning fiduciary net position is included in the current year actuarial determined Employer contributions.

-This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of Investment Returns - Other Postemployment Benefits Plan
Last Ten Fiscal Years

<u>Fiscal year ending June 30:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.42%	N/A	N/A

-This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

Schedule of the Town's Proportionate Share of the Net Pension Liabilities and Pension Plan Contributions

Last 10 Fiscal Years

Plymouth County Retirement System

The Plymouth County Retirement System (the System) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all eligible employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board), with exception of school department employees who serve in a teaching capacity. Based upon the actuarial valuation date of the System as of December 31, XX the following is presented:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	3.49%	3.57%	3.52%	3.49%	3.49%
System's proportionate share of the net pension liability associated with the Town	\$ 25,603,508	\$ 19,102,197	\$ 22,324,421	\$ 22,109,349	\$ 20,320,378
Town's covered payroll (approximate)	\$ 10,891,412	\$ 10,940,724	\$ 10,519,927	\$ 9,925,244	\$ 9,566,500
Town's proportionate share of the net pension liability as a percentage of its covered payroll	235.08%	174.60%	212.21%	222.76%	212.41%
Plan fiduciary net position as a percentage of the total pension liability	56.10%	65.56%	58.32%	56.76%	58.88%
Actuarially determined contribution	\$ 2,531,361	\$ 2,427,677	\$ 2,343,657	\$ 2,220,461	\$ 2,052,200
Contributions in relation to the actuarial determined contribution	(2,531,361)	(2,427,677)	(2,343,657)	(2,220,461)	(2,052,200)
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Contributions as a percentage of covered payroll	23.24%	22.19%	22.28%	22.37%	21.45%

Notes to Schedule:

Changes of Assumptions:

Effective December 31, 2018:

- Discount rate is 7.875%; previously 8.00%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension Liabilities and Pension Plan Contributions
Last 10 Fiscal Years

Special Funding Situation - Massachusetts Teachers' Retirement System

The Commonwealth of Massachusetts is a nonemployer contributing entity and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the Massachusetts Teachers' Retirement System (MTRS) (the Plan). Since the Town does not contribute directly to the MTRS, there is no net pension liability to recognize. Based upon the actuarial valuations of the Plan for the year ended June 30, 20XX, the following is presented:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.20%	0.17%	0.19%	0.19%	0.19%
Commonwealth's proportionate share of the net pension liability associated with the Town	\$ 48,222,769	\$ 39,035,506	\$ 41,369,545	\$ 39,327,856	\$ 29,475,401
Town's covered payroll (approximate)	\$ 14,282,734	\$ 11,582,470	\$ 10,044,825	\$ 9,566,500	\$ 9,117,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	337.63%	337.02%	411.85%	411.10%	323.30%
Plan fiduciary net position as a percentage of the total pension liability	54.84%	54.25%	52.73%	55.38%	61.64%
Actuarially determined contribution	\$ 2,673,936	\$ 2,107,412	\$ 2,080,845	\$ 1,961,494	\$ 1,738,111
Contributions in relation to the actuarial determined contribution	(2,673,936)	(2,107,412)	(2,080,845)	(1,961,494)	(1,738,111)
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Contributions as a percentage of covered payroll	18.72%	18.19%	20.72%	20.50%	19.06%

Notes to Schedule:

Changes of Assumptions:

Effective June 30, 2018:

- Discount rate is 7.35%; previously 7.5%

Effective June 30, 2015:

- Discount rate is 7.5%; previously 8.0%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 29,731,293	\$ 29,731,293	\$ 30,020,639	\$ 289,346
Excise taxes	1,946,159	1,946,159	2,072,554	126,395
Licenses and permits	240,000	240,000	233,267	(6,733)
Penalties and interest	275,000	275,000	380,634	105,634
Investment income	35,000	35,000	132,737	97,737
Fees and fines	195,000	195,000	269,872	74,872
Departmental and other	96,500	96,500	101,959	5,459
Intergovernmental	12,508,350	12,508,350	12,767,858	259,508
Total revenues	45,027,302	45,027,302	45,979,520	952,218
Expenditures				
General government	12,159,974	11,821,831	11,286,981	534,850
Public safety	5,833,476	5,840,756	5,782,239	58,517
Education	22,454,272	22,144,386	22,101,671	42,715
Public works	1,151,961	1,152,266	1,434,550	(282,284)
Human services	807,455	769,470	751,634	17,836
Culture and recreation	506,595	506,757	490,891	15,866
State and county assessments	631,716	631,716	616,382	15,334
Debt service	4,113,525	4,113,525	4,101,694	11,831
Total expenditures	47,658,974	46,980,707	46,566,042	414,665
Revenues over (under) expenditures	(2,631,672)	(1,953,405)	(586,522)	1,366,883
Other financing sources (uses)				
Transfers in from other funds	1,886,116	1,892,116	3,276,090	1,383,974
Transfers out to other funds	(1,245,362)	(1,325,362)	(1,351,817)	(26,455)
Total other financing sources (uses)	640,754	566,754	1,924,273	1,357,519
Revenues and other financing sources over (under) expenditures and other financing uses	(1,990,918)	(1,386,651)	<u>\$ 1,337,751</u>	<u>\$ 2,724,402</u>
Other budget items				
Use of available fund balance	1,091,672	1,229,449		
Overlay appropriations	120,000	120,000		
Carryover articles and encumbrances	1,061,516	319,472		
Funding of prior year deficits	(282,270)	(282,270)		
Total other budget items	1,990,918	1,386,651		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

See accompanying notes to the budgetary comparison schedule.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Note 1. Budgetary basis of accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All General Fund and enterprise fund functions are budgeted; the Town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2019, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 45,979,520	\$ 46,566,042	\$ 1,924,273
Adjustments for property tax revenues	(85,132)		
State funded teacher's pension (MTRS)	2,673,936	2,673,936	
BAN payment budgeted in General Fund		(100,000)	(100,000)
Stabilization fund activity, inclusive of of health claims fund activity	435,212		(704,792)
Transfer to OPEB trust fund		10,000	10,000
Prefunded FY20 Solid Waste subsidy			(200,000)
Indirect costs of Water Fund reported as operating transfers on budgetary basis		(436,952)	(436,952)
As reported on GAAP basis	<u>\$ 49,003,536</u>	<u>\$ 48,713,026</u>	<u>\$ 492,529</u>

The Town incurred snow and ice deficits in the amount of approximately \$282,000 contributing to the over expenditure in public works appropriations. This amount is included in General Fund unreserved fund balance to be raised on the fiscal year 2020 tax levy.

REPORT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of East Bridgewater, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of East Bridgewater, Massachusetts's basic financial statements, and have issued our report thereon dated July 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of East Bridgewater, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Bridgewater, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Bridgewater, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of East Bridgewater, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of East Bridgewater, Massachusetts' Response to Finding

The Town of East Bridgewater, Massachusetts' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town of East Bridgewater, Massachusetts' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lynch Marini & Associates LLP

Norwell, Massachusetts
July 28, 2020

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
SCHEDULE OF FINDINGS & RESPONSES**

The following finding highlights certain deficiencies that are considered to be significant deficiencies in internal control over financial reporting.

2019-001 Cash Account Reconciliations

Upon commencement of the audit, we noted significant additional work had to be performed by Town personnel in the overall reconciliation, and documentation thereof, of cash balances maintained in the treasury with the accounting ledger. This was due in part to the vacancy in the Treasurer/Collector position at the Town from January 2019 to March 2019. At year end an unidentified variance of approximately \$458 existed between the treasury and the accounting ledger; this variance has subsequently been resolved. It is important that cashbooks be maintained on a routine basis and the documentation and reconciliation of all cashbook activity (inclusive of receipts, disbursements, and balances), be attested to by both the treasurer and town accountant on a monthly basis.

Town of East Bridgewater, Massachusetts' Response to Findings:

Management that implemented additional efforts relating to the documentation and reconciliation of overall cash activity for fiscal year 2020 and the Town expects that an enhanced monthly reconciliation process will be fully implemented for fiscal year 2020.