

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, 2013

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2013**

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and the schedule of funding progress on the accompanying pages 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 March 7, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts's internal control over financial reporting and compliance.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
March 7, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

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, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$72.0 million (net position). Of this amount, approximately \$6.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2013 was \$51.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$3,264,533 or approximately 7.4% 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 four components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

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.

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

Statement of Activities: 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.

Both of the government wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges. 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

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. Of the funds three (3) are considered major funds (general fund, high school building 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.

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 types of 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 account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the Town's functions and activities. The full accrual basis of accounting is used for fiduciary funds.

The fiduciary fund financial statements provide separate information for private purpose trust funds and agency funds. The fiduciary fund financial statements can be found on the accompanying pages of this report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

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.

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, assets exceeded liabilities by \$61.9 and \$10.1 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the following tables.

Included within the governmental activity current assets, are \$12,271,430 in cash, \$4,933,129 in investments, \$10,792,190 in receivables, net of allowances for uncollectible accounts and \$18,886 due from agency funds. Receivables consist primarily of approximately \$1.3 million of sewer betterment, \$5.8 million of property taxes, excise, charges for services and other, and \$3.8 million of intergovernmental receivables. Intergovernmental receivables include veteran benefit receivable, school building assistance reimbursement and other federal and state town and school grants.

Current year additions to capital assets totaled approximately \$40 million. Of this amount, approximately \$38 million related to construction of the high school. Additionally, capital asset additions included road related construction and improvement projects, equipment, and vehicle acquisitions.

Governmental activity long-term liabilities include \$42.0 million in general obligation bonds, of which approximately \$2.8 million has been classified as current because it is due within fiscal year 2014. Long-term liabilities also include \$1.4 million for compensated absences, \$7.7 million for other post employment benefits, \$0.4 million for landfill closure and monitoring liability, and \$0.1 million for capital leases.

Deferred inflows of resources of \$1,844,000 is comprised of \$1,526,000 of unamortized bond premiums and \$318,000 of deferred revenue associated with amounts due from the Commonwealth of Massachusetts' highway awards for which expenditures and related reimbursement have not been incurred at year end.

The fiscal year 2012 balances have been reclassified to conform to current year presentation.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

| | FY 2013 Governmental Activities | FY 2012 Governmental Activities | Percent Change |
|---|---------------------------------------|---------------------------------------|-------------------|
| Current assets | \$ 28,015,635 | \$ 44,209,617 | -36.63% |
| Capital assets | 91,565,968 | 54,431,830 | 68.22% |
| Total assets | 119,581,603 | 98,641,447 | 21.23% |
| Current liabilities | 7,095,795 | 5,925,787 | 19.74% |
| Long-term liabilities | 48,745,623 | 47,763,026 | 2.05% |
| Total liabilities | 55,841,418 | 53,688,813 | 4.00% |
| Unamortized bond premiums | 1,525,977 | 1,672,411 | -8.76% |
| Deferred revenue | 318,011 | | 100.00% |
| Total deferred inflows of resources | 1,843,988 | 1,672,411 | -10.26% |
| Net position: | | | |
| Invested in capital assets, net of related debt | 53,672,098 | 31,317,377 | 71.38% |
| Restricted | 5,996,838 | 8,335,702 | -28.06% |
| Unrestricted | 2,227,261 | 3,627,144 | -38.59% |
| Total net position | \$ 61,896,197 | \$ 43,280,223 | 43.01% |

| | FY 2013 Business-type Activities | FY 2012 Business-type Activities | Percent Change |
|---|--|--|-------------------|
| Current assets | \$ 4,392,494 | \$ 3,895,109 | 12.77% |
| Capital assets | 18,581,031 | 18,481,140 | 0.54% |
| Total assets | 22,973,525 | 22,376,249 | 2.67% |
| Current liabilities | 915,978 | 868,792 | 5.43% |
| Long-term liabilities | 11,931,535 | 11,747,539 | 1.57% |
| Total liabilities | 12,847,513 | 12,616,331 | 1.83% |
| Net position: | | | |
| Invested in capital assets, net of related debt | 6,332,631 | 6,147,790 | 3.01% |
| Unrestricted | 3,793,381 | 3,612,128 | 5.02% |
| Total net position | \$ 10,126,012 | \$ 9,759,918 | 3.75% |

The largest portion of the Town's total net position \$60.0 million (83.3%) 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

An additional portion of the Town's net position, \$6.0 million (8.3%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance is unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, is \$6.0 million (8.4%) of total net position.

The Town's governmental activities' net position increased by \$18,615,974 and business-type activities' net position increased by \$366,094 during fiscal 2013. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ♦ Property taxes represent approximately 38% 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.
- ♦ Capital grants and contributions make up the second largest governmental activities' revenue representing nearly 28% of the Town's total revenue. The largest proportion of this revenue, nearly \$18.5 million represents SBA reimbursement grants received from the Commonwealth of Massachusetts for the construction of the new high school.
- ♦ Operating grants and contributions make up the third largest governmental activities' revenue representing nearly 25% of the Town's total revenue. The largest proportion of this revenue, nearly \$11.4 million represents Chapter 70 school aid and other educational grants received from the Commonwealth and federal government.
- ♦ Charges for services for the Town's business-type activities of \$2,939,736, represent 4.2% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2,208,417 and \$731,319 respectively.

Expenses:

- ♦ Governmental activities expenses showed an increase of 6.74% from the prior year due primarily to increasing employee benefit costs.
- ♦ Business-type activities' operational expenses showed a small decrease of 2.89% from prior year.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

Governmental activities:

| | Governmental Activities | | |
|---|-------------------------|----------------------|-----------------|
| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>% Change</u> |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 3,074,785 | \$ 3,210,817 | -4.24% |
| Operating grants and contributions | 16,795,636 | 16,992,558 | -1.16% |
| Capital grants and contributions | 18,882,821 | 12,990,150 | 45.36% |
| Total program revenues | 38,753,242 | 33,193,525 | 16.75% |
| General Revenues: | | | |
| Property taxes levied | 25,422,382 | 23,897,474 | 6.38% |
| Excise taxes | 1,515,863 | 1,414,684 | 7.15% |
| Penalties and interest on taxes | 222,954 | 241,892 | -7.83% |
| Grants and contributions not restricted | 1,444,548 | 1,155,719 | 24.99% |
| Investment income | 100,244 | 313,460 | -68.02% |
| Miscellaneous | 105,747 | 86,751 | 21.90% |
| Gain on sale of assets | 9,044 | | 100.00% |
| Transfers | (5,000) | | -100.00% |
| Total general revenues | 28,815,782 | 27,109,980 | 6.29% |
| Total Revenues | 67,569,024 | 60,303,505 | 12.05% |
| Expenses: | | | |
| General government | 16,259,064 | 15,194,766 | 7.00% |
| Public safety | 4,804,307 | 4,551,246 | 5.56% |
| Education | 22,497,534 | 21,251,327 | 5.86% |
| Public works | 2,111,959 | 1,931,019 | 9.37% |
| Health and human services | 814,210 | 552,856 | 47.27% |
| Culture and recreation | 548,639 | 528,890 | 3.73% |
| Interest on long term debt | 1,617,328 | 1,540,647 | 4.98% |
| State and county charges | 300,009 | 312,649 | -4.04% |
| Total Expenses | 48,953,050 | 45,863,400 | 6.74% |
| Change in net position | 18,615,974 | 14,440,105 | 28.92% |
| Net position – beginning of year | 43,280,223 | 28,840,118 | 50.07% |
| Net position – end of year | <u>\$ 61,896,197</u> | <u>\$ 43,280,223</u> | 43.01% |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

Business-type activities:

| | Business-Type Activities | | |
|--|---------------------------------|-----------------------------|------------------------|
| | <u>June 30, 2013</u> | <u>June 30, 2012</u> | <u>% Change</u> |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 2,939,736 | \$ 2,612,913 | 12.51% |
| Capital grant | | 204,455 | -100.00% |
| Total operating revenues | 2,939,736 | 2,817,368 | 4.34% |
| Expenses: | | | |
| Salaries, wages, and employee benefits | 518,157 | 529,109 | -2.07% |
| Expenses | 1,353,440 | 1,444,366 | -6.30% |
| Depreciation | 495,640 | 464,258 | 6.76% |
| Total expenses | 2,367,237 | 2,437,733 | -2.89% |
| Total operating income | 572,499 | 379,635 | 50.80% |
| Non operating revenues (expenses) | | | |
| Debt service | (212,434) | (211,937) | 0.23% |
| Investment income | 6,029 | 1,852 | 225.54% |
| Total non operating revenue (expenses), net | (206,405) | (210,085) | -1.75% |
| Change in net position | 366,094 | 169,550 | 115.92% |
| Net position – beginning of year | 9,759,918 | 9,590,368 | 1.77% |
| Net position – end of year | <u><u>\$ 10,126,012</u></u> | <u><u>\$ 9,759,918</u></u> | 3.75% |

Financial Analysis of the Government's Fund 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 \$13,262,166, a decrease of approximately \$15,400,000 from the prior year. This significant decrease was due primarily to the expenditures on the High School Building Project. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,271, restricted fund balance of \$8,132,475, committed fund balance of \$2,197,728; assigned fund balance of \$215,250 and unassigned fund balance of \$2,620,442.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$6.1 million, a decrease of \$0.2 million from the previous year. Of this amount \$1,384,200 or 22.8% represents restricted fund balance. Committed fund balance of \$1,194,795 and assigned fund balance of \$215,250 represent 19.7% and 3.6% of total general fund balance respectively. Unassigned fund balance of \$3.3 million represents 53.9% 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 7.4% and 7.4%, respectively, of total general fund expenditures and revenues, while total General fund balance represents 13.7% and 13.8%, respectively, of the same amounts.

General Fund Budgetary Highlights

The difference between the original budget of \$40,025,536 and the final budget of \$39,932,202 is due to approximately \$269,000 of additional appropriations at special Town meetings, less approximately \$347,000 in encumbrances being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$296,000, contributing to the over expenditure in public works appropriations. This amount is included as a general fund unreserved fund balance to be raised on the fiscal 2014 tax rate recapitulation sheet.

Capital Asset and Debt Administration

Governmental Activities

Capital Assets: The Town's investment in capital assets for governmental activities as of June 30, 2013 and 2012 amounts to \$91,565,958 and \$54,431,830 which is net of accumulated depreciation of \$46,667,416 and \$44,646,793. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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

| | <u>Governmental Activities</u> | |
|---------------------------------------|---------------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 4.9 | \$ 4.9 |
| Construction in progress | | 27.1 |
| Works of art and historical treasures | 0.1 | 0.1 |
| Buildings and improvements | 72.0 | 8.1 |
| Equipment, machinery & vehicles | 1.8 | 1.7 |
| Infrastructure | 12.7 | 12.5 |
| | <u>\$ 91.5</u> | <u>\$ 54.4</u> |

Capital asset events during 2013 include the following:

- Improvements to town roads
- Purchase of public safety vehicles
- High school construction project

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2013 and 2012 amounts to \$18,581,031 and \$18,481,140 which is net of accumulated depreciation of \$9,557,053 and \$9,061,413. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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>2013</u> | <u>2012</u> |
| Land | \$ 0.19 | \$ 0.19 |
| Construction in progress | | 2.16 |
| Buildings and improvements | 2.60 | 0.47 |
| Equipment, machinery & vehicles | 0.04 | 0.06 |
| Infrastructure | 15.75 | 15.60 |
| | <u>\$ 18.58</u> | <u>\$ 18.48</u> |

Capital asset events during 2013 include the following:

- Construction of water filtration system

Long Term Debt

Governmental Activities

At June 30, 2013 and 2012, the Town's governmental activities had total bonded debt outstanding of \$42,051,985 and \$42,722,803, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had short-term notes of \$0 at June 30, 2013 and \$800,000 at June 30, 2012.

Business-type Activities

At June 30, 2013 and 2012, the Town's business-type activities had total bonded debt outstanding of \$12,571,361 and \$12,333,350, respectively. This debt is supported by water rates.

The Town's business-type activities did not have any short-term notes outstanding as of June 30, 2013 or June 30, 2012.

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 3.7% which includes new growth.

The operating budget increased 2.2% over the FY 13 budget.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

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, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | <u>Governmental</u> | <u>Business-type</u> | |
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 12,271,430 | \$ 1,608,538 | \$ 13,879,968 |
| Investments | 4,933,129 | 1,495,891 | 6,429,020 |
| Receivables | 10,792,190 | 1,255,211 | 12,047,401 |
| Inventories | | 32,854 | 32,854 |
| Due from agency funds | 18,886 | | 18,886 |
| Capital assets, net of accumulated depreciation | 91,565,968 | 18,581,031 | 110,146,999 |
| Total assets | <u>\$ 119,581,603</u> | <u>\$ 22,973,525</u> | <u>\$142,555,128</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable, wages and other current liabilities | \$ 3,843,163 | \$ 96,497 | \$ 3,939,660 |
| Provision for refund of paid taxes | 220,578 | | 220,578 |
| Accrued interest | 134,657 | 111,854 | 246,511 |
| Noncurrent liabilities | | | |
| Due within one year | 2,897,397 | 707,627 | 3,605,024 |
| Due in more than one year | 48,745,623 | 11,931,535 | 60,677,158 |
| Total liabilities | <u>55,841,418</u> | <u>12,847,513</u> | <u>68,688,931</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unamortized bond premiums | 1,525,977 | | 1,525,977 |
| Deferred revenue | 318,011 | | 318,011 |
| Total deferred inflows of resources | <u>1,843,988</u> | | <u>1,843,988</u> |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 53,672,098 | 6,332,631 | 60,004,729 |
| Restricted | 5,996,838 | | 5,996,838 |
| Unrestricted | 2,227,261 | 3,793,381 | 6,020,642 |
| Total net position | <u>61,896,197</u> | <u>10,126,012</u> | <u>72,022,209</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 119,581,603</u> | <u>\$ 22,973,525</u> | <u>\$142,555,128</u> |

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, 2013

| <u>Functions/Programs</u> Primary government | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--|-------------------------|-----------------------------|---|--|--------------------------------|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Primary Government Business-type Activities</u> <u>Total</u> |
| Governmental activities | | | | | | |
| General government | \$ 16,259,064 | \$ 386,566 | \$ 4,856,381 | \$ | \$ (11,016,117) | \$ (11,016,117) |
| Public safety | 4,804,307 | 925,194 | 149,082 | | (3,730,031) | (3,730,031) |
| Education | 22,497,534 | 1,582,264 | 11,368,391 | 18,459,215 | 8,912,336 | 8,912,336 |
| Public works | 2,111,959 | 5,543 | | 423,606 | (1,682,810) | (1,682,810) |
| Health and human services | 814,210 | 132,735 | 75,577 | | (605,898) | (605,898) |
| Culture and recreation | 548,639 | 42,483 | 22,677 | | (483,479) | (483,479) |
| Interest | 1,617,328 | | 323,528 | | (1,293,800) | (1,293,800) |
| State and county charges | 300,009 | | | | (300,009) | (300,009) |
| Total governmental activities | 48,953,050 | 3,074,785 | 16,795,636 | 18,882,821 | (10,199,808) | (10,199,808) |
| Business-type activities | | | | | | |
| Water | 1,799,936 | 2,208,417 | | | 408,481 | 408,481 |
| Solid waste | 779,735 | 731,319 | | | (48,416) | (48,416) |
| Total business-type | 2,579,671 | 2,939,736 | | | 360,065 | 360,065 |
| Total primary government | \$ 51,532,721 | \$ 6,014,521 | \$ 16,795,636 | \$ 18,882,821 | (10,199,808) | (9,839,743) |
| General revenues | | | | | | |
| Property taxes, net of allowances for uncollectibles | | | | | 25,422,382 | 25,422,382 |
| Excise taxes | | | | | 1,515,863 | 1,515,863 |
| Penalties and interest on taxes | | | | | 222,954 | 222,954 |
| Grants and contributions not restricted to specific programs | | | | | 1,444,548 | 1,444,548 |
| Investment income | | | | | 100,244 | 106,273 |
| Miscellaneous | | | | | 105,747 | 105,747 |
| Gain on sale of capital assets | | | | | 9,044 | 9,044 |
| Transfers | | | | | (5,000) | (5,000) |
| Total general revenues and transfers | | | | | 28,815,782 | 28,821,811 |
| Change in net position | | | | | 18,615,974 | 18,982,068 |
| Net position - beginning of year | | | | | 43,280,223 | 53,040,141 |
| Net position - end of year | | | | | \$ 61,896,197 | \$ 72,022,209 |

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2013

| | <u>General Fund</u> | <u>High School Building Project</u> | <u>Septic Loan Repayment Fund</u> | <u>Non-major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|---|---|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 4,834,339 | \$ 3,535,634 | \$ 2,319,900 | \$ 1,581,557 | \$ 12,271,430 |
| Investments | 2,210,010 | | | 2,723,119 | 4,933,129 |
| Receivables | 7,167,037 | 1,136,166 | 1,298,105 | 1,362,457 | 10,963,765 |
| Due from other funds | 18,886 | | | | 18,886 |
| Total assets | <u>\$ 14,230,272</u> | <u>\$ 4,671,800</u> | <u>\$ 3,618,005</u> | <u>\$ 5,667,133</u> | <u>\$ 28,187,210</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable, wages, and other current liabilities | \$ 886,341 | \$ 2,817,623 | \$ | \$ 139,199 | \$ 3,843,163 |
| Provision for refund of paid taxes | 220,578 | | | | 220,578 |
| Total liabilities | <u>1,106,919</u> | <u>2,817,623</u> | | <u>139,199</u> | <u>4,063,741</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Deferred revenue | 7,064,575 | 1,136,166 | 1,298,105 | 1,362,457 | 10,861,303 |
| Total deferred inflows of resources | <u>7,064,575</u> | <u>1,136,166</u> | <u>1,298,105</u> | <u>1,362,457</u> | <u>10,861,303</u> |
| <u>FUND BALANCES</u> | | | | | |
| Nonspendable | | | | 96,271 | 96,271 |
| Restricted | 1,384,200 | 718,011 | 2,319,900 | 3,710,364 | 8,132,475 |
| Committed | 1,194,795 | | | 1,002,933 | 2,197,728 |
| Assigned | 215,250 | | | | 215,250 |
| Unassigned | 3,264,533 | | | (644,091) | 2,620,442 |
| Total fund balances | <u>6,058,778</u> | <u>718,011</u> | <u>2,319,900</u> | <u>4,165,477</u> | <u>13,262,166</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 14,230,272</u> | <u>\$ 4,671,800</u> | <u>\$ 3,618,005</u> | <u>\$ 5,667,133</u> | <u>\$ 28,187,210</u> |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | | |
| Total fund balances of governmental funds | | | | | \$ 13,262,166 |
| Capital assets used in governmental activities are not financial resources and not reported in funds. | | | | | 91,565,968 |
| Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles | | | | | 10,371,716 |
| Long-term liabilities, net of deferred costs, are not due and payable in the current period and are not included in funds. | | | | | (53,168,997) |
| Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued. | | | | | (134,657) |
| Net position of governmental activities | | | | | <u>\$ 61,896,196</u> |

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

| | <u>General Fund</u> | <u>High School Building Project</u> | <u>Septic Loan Repayment Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---|---|---|---|
| Revenues | | | | | |
| Property taxes | \$ 24,161,323 | \$ | \$ | \$ | \$ 24,161,323 |
| Excise taxes | 1,477,562 | | | | 1,477,562 |
| Licenses and permits | 278,696 | | | | 278,696 |
| Penalties and interest | 222,954 | | | | 222,954 |
| Investment income | 102,495 | | | (2,251) | 100,244 |
| Charges for services | | | 413,997 | 2,149,631 | 2,563,628 |
| Fees and fines | 161,110 | | | 8,026 | 169,136 |
| Departmental and other | 275,745 | | | 233,234 | 508,979 |
| Intergovernmental | 17,344,214 | 21,303,653 | | 1,393,637 | 40,041,504 |
| Total revenues | <u>44,024,099</u> | <u>21,303,653</u> | <u>413,997</u> | <u>3,782,277</u> | <u>69,524,026</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 14,272,983 | | | 308,315 | 14,581,298 |
| Public safety | 4,584,772 | | | 278,463 | 4,863,235 |
| Education | 18,569,659 | 37,650,084 | | 2,636,136 | 58,855,879 |
| Public works | 1,379,261 | | | 866,513 | 2,245,774 |
| Human services | 432,578 | | 255,063 | 625,476 | 1,313,117 |
| Culture and recreation | 422,856 | | | 87,397 | 510,253 |
| State and county assessments | 300,009 | | | | 300,009 |
| Debt Service: | | | | | |
| Principal | 2,518,915 | | 151,419 | | 2,670,334 |
| Interest and other charges | 1,743,124 | | | | 1,743,124 |
| Total Expenditures | <u>44,224,157</u> | <u>37,650,084</u> | <u>406,482</u> | <u>4,802,300</u> | <u>87,083,023</u> |
| Revenues over (under) expenditures | <u>(200,058)</u> | <u>(16,346,431)</u> | <u>7,515</u> | <u>(1,020,023)</u> | <u>(17,558,997)</u> |
| Other financing sources (uses) | | | | | |
| Proceeds from long-term debt | | | 1,000,000 | 1,181,000 | 2,181,000 |
| Transfers in from other funds | 934,835 | | | 874,121 | 1,808,956 |
| Transfers out to other funds | (972,871) | | | (841,085) | (1,813,956) |
| Total other financing sources and (uses) | <u>(38,036)</u> | | <u>1,000,000</u> | <u>1,214,036</u> | <u>2,176,000</u> |
| Revenues and other financing sources (under) expenditures and other financing uses | <u>(238,094)</u> | <u>(16,346,431)</u> | <u>1,007,515</u> | <u>194,013</u> | <u>(15,382,997)</u> |
| Fund balances, beginning of year | <u>6,296,872</u> | <u>17,064,442</u> | <u>1,312,385</u> | <u>3,971,464</u> | <u>28,645,163</u> |
| Fund balances, end of year | <u>\$ 6,058,778</u> | <u>\$ 718,011</u> | <u>\$ 2,319,900</u> | <u>\$ 4,165,477</u> | <u>\$ 13,262,166</u> |

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, 2013

| | |
|--|-----------------|
| Revenues and other financing sources expenditures and other financing uses - governmental funds | \$ (15,382,997) |
|--|-----------------|

Governmental funds report outlays for capital assets as expenditures, however, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense in the Statement of Activities.

| | |
|---|-------------|
| Capital outlays during the fiscal year | 39,622,540 |
| Depreciation recorded for the fiscal year | (2,482,402) |
| Disposal of capital assets | (6,000) |

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 | (2,117,663) |
| Net change in allowance for uncollectible accounts | (26,332) |

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.

| | |
|--|-------------|
| Principal and other payments on long-term debt | 2,651,821 |
| Amortization of bond premiums | 146,434 |
| Issuance of long-term debt | (1,981,000) |

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.

| | |
|--------------------------|---------|
| Accrued interest expense | (2,123) |
|--------------------------|---------|

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 net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

| | |
|----------------------------------|-------------|
| Other Post Employment Benefits | (1,664,899) |
| Capital Lease principal payments | 59,190 |
| Compensated absences | (233,975) |
| Landfill closure and monitoring | 33,381 |

| | |
|---|---------------|
| Change in net position of governmental activities | \$ 18,615,975 |
|---|---------------|

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Net Position - Proprietary Funds
June 30, 2013

| | Business-Type Activities | | |
|---|---------------------------------|--------------------|----------------------|
| | <u>Water</u> | <u>Solid Waste</u> | <u>Totals</u> |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,511,303 | \$ 97,235 | \$ 1,608,538 |
| Investments | 1,495,891 | | 1,495,891 |
| Receivables, net of allowances for uncollectibles | 1,095,279 | 159,932 | 1,255,211 |
| Inventory | | 32,854 | 32,854 |
| Capital assets, net of accumulated depreciation | 18,577,631 | 3,400 | 18,581,031 |
| Total assets | <u>\$ 22,680,104</u> | <u>\$ 293,421</u> | <u>\$ 22,973,525</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable, wages and other current liabilities | \$ 47,646 | \$ 48,851 | \$ 96,497 |
| Accrued interest | 111,854 | | 111,854 |
| Noncurrent liabilities: | | | |
| Due within one year | 707,627 | | 707,627 |
| Due in more than one year | 11,920,411 | 11,124 | 11,931,535 |
| Total liabilities | <u>12,787,538</u> | <u>59,975</u> | <u>12,847,513</u> |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 6,329,231 | 3,400 | 6,332,631 |
| Unrestricted | 3,563,335 | 230,046 | 3,793,381 |
| Total net position | <u>9,892,566</u> | <u>233,446</u> | <u>10,126,012</u> |
| Total liabilities and net position | <u>\$ 22,680,104</u> | <u>\$ 293,421</u> | <u>\$ 22,973,525</u> |

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
June 30, 2013

| | Business-Type Activities | | |
|--|---------------------------------|--------------------|----------------------|
| | <u>Water</u> | <u>Solid Waste</u> | <u>Totals</u> |
| Operating revenues | | | |
| Charges for services, departmental and other | \$ 2,208,417 | \$ 731,319 | \$ 2,939,736 |
| Total operating revenues | <u>2,208,417</u> | <u>731,319</u> | <u>2,939,736</u> |
| Operating expenses | | | |
| Salaries and wages | 444,474 | 73,683 | 518,157 |
| Expenses | 649,088 | 704,352 | 1,353,440 |
| Depreciation | 493,940 | 1,700 | 495,640 |
| Total operating expenses | <u>1,587,502</u> | <u>779,735</u> | <u>2,367,237</u> |
| Operating income (loss) | 620,915 | (48,416) | 572,499 |
| Non operating revenues (expenses) | | | |
| Interest income | 5,653 | 376 | 6,029 |
| Interest expense | (212,434) | | (212,434) |
| Total non-operating revenue (expenses), net | <u>(206,781)</u> | <u>376</u> | <u>(206,405)</u> |
| Change in net position | 414,134 | (48,040) | 366,094 |
| Net position at beginning of year | 9,478,432 | 281,486 | 9,759,918 |
| Net position at end of year | <u>\$ 9,892,566</u> | <u>\$ 233,446</u> | <u>\$ 10,126,012</u> |

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, 2013

| | <u>Business-Type Activities</u> | | |
|---|---------------------------------|---------------------|-------------------------|
| | <u>Water</u> | <u>Solid Waste</u> | <u>Total Enterprise</u> |
| Cash flows from operating activities | | | |
| Receipts from customers and users | \$ 2,230,028 | \$ 661,285 | \$ 2,891,313 |
| Payments to vendors, including fringe benefits | (633,004) | (742,666) | (1,375,670) |
| Payments to employees | (453,277) | (73,254) | (526,531) |
| Net cash provided by (used for) operating activities | 1,143,747 | (154,635) | 989,112 |
| Cash flows from capital and related financing activities | | | |
| Principal payments on bonds and notes | (661,989) | | (661,989) |
| Construction of infrastructure, net | (595,531) | | (595,531) |
| Interest expense | (209,674) | | (209,674) |
| Bond proceeds | 900,000 | | 900,000 |
| Net cash used for capital and related financing activities | (567,194) | | (567,194) |
| Cash flows from investing activities | | | |
| Investing activities, net | 6,157 | 200,700 | 206,857 |
| Net cash used for investing activities | 6,157 | 200,700 | 206,857 |
| Net change in cash and cash equivalents | 582,710 | 46,065 | 628,775 |
| Balances at the beginning of year | 928,593 | 51,170 | 979,763 |
| Balances at the end of year | <u>\$ 1,511,303</u> | <u>\$ 97,235</u> | <u>\$ 1,608,538</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating (loss) | \$ 620,915 | \$ (48,416) | \$ 572,499 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 493,940 | 1,700 | 495,640 |
| Changes in assets and liabilities: | | | |
| User fees receivables, net of allowance for collectibles | 21,612 | (70,032) | (48,420) |
| Inventory | | (21,019) | (21,019) |
| Accounts payable and other liabilities | 7,280 | (16,868) | (9,588) |
| Total adjustments | 522,832 | (106,219) | 416,613 |
| Net cash provided by (used for) operating activities | <u>\$ 1,143,747</u> | <u>\$ (154,635)</u> | <u>\$ 989,112</u> |

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position - Fiduciary Funds

June 30, 2013

| | Private Purpose Trust Fund | Other Post-Employment Benefits Trust Fund | Agency Accounts |
|------------------------------------|---------------------------------------|--|----------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ | \$ | \$ 930,965 |
| Investments | 337,071 | 5,026 | |
| Receivables | | | 18,886 |
| Total assets | <u>\$ 337,071</u> | <u>\$ 5,026</u> | <u>\$ 949,851</u> |
| <u>LIABILITIES</u> | | | |
| Guaranteed deposits | \$ | \$ | \$ 822,828 |
| Due to General Fund | | | 18,886 |
| Due to student groups | | | 108,137 |
| Total liabilities | | | 949,851 |
| <u>NET POSITION</u> | | | |
| Held in trust | <u>337,071</u> | <u>5,026</u> | |
| Total liabilities and net position | <u>\$ 337,071</u> | <u>\$ 5,026</u> | <u>\$ 949,851</u> |

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2013

| | Private Purpose Trust Funds | Other Post-Employment Benefits Trust Fund |
|-----------------------------------|--|--|
| Additions | | |
| Contributions and donations | \$ 25 | \$ 26 |
| Interest and dividends | 359 | |
| | <hr/> | <hr/> |
| Total additions | 384 | 26 |
| Deductions | | |
| Scholarships and awards | 8,600 | |
| Total deductions | <hr/> 8,600 | |
| Transfers in | | 5,000 |
| | <hr/> | <hr/> |
| Change in net position | (8,216) | 5,026 |
| Net position at beginning of year | 345,287 | |
| | <hr/> | <hr/> |
| Net position at end of year | <u><u>\$ 337,071</u></u> | <u><u>\$ 5,026</u></u> |

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, 2013

Note 1. Organization and Reporting Entity

A. Organization

The Town of East Bridgewater, Massachusetts (the "Town"), was incorporated in 1825. The Town operates under a Town Meeting form of government. 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 2013. 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>2013 Assessment</u> |
|---|------------------------------------|-------------------------------|
| Southeastern Regional School District 250 Foundry Street, Easton, MA 02375 | To provide vocational education | \$ 1,116,463 |
| Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110 | To provide regional transportation | \$ 89,665 |

Related Organizations

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts - invested in capital assets (net of related debt); restricted net position, 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 and business-type activities. 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 (by function or business-type activity) are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of 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, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are 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.
- High school building project fund is a capital project fund used to account for the financial resources to be used to fund the construction of the Town's new high school. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

- 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.

Nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor 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.
- Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- 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.
- 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:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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- Other post employment 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.
- 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.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise 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.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose 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.

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., measurement 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. Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand, savings accounts of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in these Notes.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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D. 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.

E. 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. The Town classifies outstanding personal property taxes and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates 30% of current ambulance charges and amounts more than one year outstanding to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable, except for certain parcels, specifically identified, which have been set up as uncollectible. Outstanding water charges are also subject to lien procedures; accordingly, such amounts are considered to be fully collectible.

F. Inventories

Inventory items are valued at the lower of cost (first in, first out) or market.

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, fixed 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 estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

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 |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Fund Financial Statements

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

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. The Town has not reported and deferred outflows of resources as of June 30, 2013. 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 and other post-employment obligations.

J. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

K. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

- Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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. 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.
- 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
- 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 within the general fund.

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.

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. 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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, and are normally due on a quarterly basis during the 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.

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.

Pursuant to MGL, the Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund unassigned fund balance. As of June 30, 2013, the Town maintained a balance of \$2,168,530 in its stabilization fund.

In addition, the general fund unassigned fund balance included a \$296,164 snow and ice removal appropriation deficit.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

As of June 30, 2013, the classification of the Town's fund balances can be detailed as follows:

| | General Fund | High School Building Project | MWPAT Loan Repay | Other Governmental Funds | Total |
|----------------------|---------------------|------------------------------------|---------------------|--------------------------------|----------------------|
| Nonspendable: | | | | | |
| Public Works | \$ | \$ | \$ | \$ 14,461 | \$ 14,461 |
| Culture & Recreation | | | | 81,810 | 81,810 |
| subtotal | | | | 96,271 | 96,271 |
| Restricted: | | | | | |
| General Government | | | | 2,509,151 | 2,509,151 |
| Public Safety | | | | 233,530 | 233,530 |
| Education | | 718,011 | | 433,280 | 1,151,291 |
| Public Works | | | | 367,837 | 367,837 |
| Human Services | | | 2,319,900 | 59,880 | 2,379,780 |
| Culture & Recreation | | | | 106,686 | 106,686 |
| Debt service | 1,384,200 | | | | 1,384,200 |
| subtotal | 1,384,200 | 718,011 | 2,319,900 | 3,710,364 | 8,132,475 |
| Committed: | | | | | |
| General Government | 293,305 | | | 5,579 | 298,884 |
| Public Safety | 25,714 | | | 933,870 | 959,584 |
| Education | 453,425 | | | | 453,425 |
| Public Works | 31,160 | | | 60,558 | 91,718 |
| Human Services | 25,158 | | | | 25,158 |
| Culture & Recreation | 43,610 | | | 2,926 | 46,536 |
| Debt service | 322,423 | | | | 322,423 |
| subtotal | 1,194,795 | | | 1,002,933 | 2,197,728 |
| Assigned: | | | | | |
| General Government | 28,635 | | | | 28,635 |
| Public Safety | 98,259 | | | | 98,259 |
| Education | 87,728 | | | | 87,728 |
| Human Services | 628 | | | | 628 |
| subtotal | 215,250 | | | | 215,250 |
| Unassigned | 3,264,533 | | | (644,091) | 2,620,442 |
| Total | <u>\$ 6,058,778</u> | <u>\$ 718,011</u> | <u>\$ 2,319,900</u> | <u>\$ 4,165,477</u> | <u>\$ 13,262,166</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 insurance reimbursement 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:

| | |
|--------------------------------|---------------------|
| Capital Project Fund balances: | |
| High school building project | \$ 1,532,364 |
| Other capital project funds | 4,361 |
| Special Revenue Fund balances: | |
| Septic loans | 3,618,005 |
| Other special revenue funds | 306,653 |
| Permanent Funds: | |
| Expendable | 439,184 |
| Non-expendable | 96,271 |
| Total restricted net position | <u>\$ 5,996,838</u> |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 4. Cash and investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. 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 securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. 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 does not have a formal deposit policy for custodial credit risk. At June 30, 2013 deposits totaled \$15,750,190 and had a carrying amount of \$14,810,933. Of the deposit amounts, \$14,230,304 was exposed to custodial credit risk at June 30, 2013 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

As of June 30, 2013, the Town had the following investments:

| <u>Investment Type</u> | (Level 1) <u>Fair Market Value</u> | <u>Cost</u> | <u>Average Credit/Quality Rating</u> | <u>Weighted Average Days to Maturity</u> |
|---|---------------------------------------|---------------------|--|--|
| Primary Government | | | | |
| MMDT | \$ 41,485 | \$ 41,485 | N/A | N/A |
| Treasury/Agency Securities | 2,188,041 | 2,195,576 | Aaa | 78 - 3,478 days |
| Money market Funds | 516,282 | 516,282 | N/A | N/A |
| Equities | 291,214 | 288,145 | N/A | N/A |
| Mutual Funds | 1,771,553 | 1,781,924 | N/A | N/A |
| Corporate Bonds | 500,129 | 489,371 | A1 - Baa2 | 187 - 2,283 days |
| Certificates of Deposit | 1,120,316 | 1,116,016 | N/A | 86 - 900 days |
| Total Primary Government Investments | \$ 6,429,020 | \$ 6,428,799 | | |
| Fiduciary Funds | | | | |
| Treasury/Agency Securities | 22,817 | 23,074 | Aaa | 1,320 - 1,764 days |
| Money market Funds | 69,313 | 69,313 | N/A | N/A |
| Equities | 31,463 | 31,285 | N/A | N/A |
| Mutual Funds | 24,697 | 25,686 | N/A | N/A |
| Corporate Bonds | 40,956 | 41,099 | A1 - Baa1 | 446 - 1,430 days |
| Certificates of Deposit | 152,851 | 152,301 | N/A | 86 - 696 days |
| Total Fiduciary Fund Investments | \$ 342,097 | \$ 342,758 | | |

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

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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 above table.

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 above table. Equity securities and equity mutual funds are not rated as to credit risk. The Town has an investment policy which limits its investment choices.

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.

Concentration of credit risk – The Town has an investment policy which limits the amount that can be invested in any one issuer or security. Excluding U.S. Treasury securities, mutual funds and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues are also reported on the Statement of Net Position.

The Town includes the following receivables for individual major and non-major governmental funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts:

| <u>Receivable type</u> | <u>Gross Amount</u> | <u>Allowance for Uncollectible</u> | <u>Net Amount</u> | <u>Deferred Revenue</u> |
|---|---------------------|------------------------------------|-------------------|-------------------------|
| Real estate and personal property taxes | \$ 563,105 | \$ (11,040) | \$ 552,065 | \$ 460,643 |
| Tax liens, deferrals and foreclosures | 4,601,144 | | 4,601,144 | 4,601,144 |
| Motor vehicle excise | 239,063 | (30,456) | 208,607 | 239,063 |
| Charges for service | 433,597 | (130,079) | 303,518 | 433,597 |
| Departmental and other | 9,650 | | 9,650 | 9,650 |
| Betterments | 1,298,105 | | 1,298,105 | 1,298,105 |
| Intergovernmental: | | | | |
| School Building Assistance | 2,668,530 | | 2,668,530 | 2,668,530 |
| Chapter 90 awards not yet requested | 318,011 | | 318,011 | 318,011 |
| Other federal and state grants | 832,560 | | 832,560 | 832,560 |
| Total on governmental fund basis | 10,963,765 | | | \$ 10,861,303 |
| Totals on entity-wide basis | \$ 10,963,765 | \$ (171,575) | \$ 10,792,190 | |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Receivables for the Town's business-type activities consist of the following:

| <u>Receivable type</u> | <u>Gross Amount</u> | <u>Allowance for Uncollectible</u> | <u>Net Amount</u> |
|--------------------------|-------------------------|--|-----------------------|
| Water rates and charges | \$ 1,095,279 | \$ | \$ 1,095,279 |
| Solid waste departmental | 159,932 | | 159,932 |
| Totals | <u>\$ 1,255,211</u> | <u>\$</u> | <u>\$ 1,255,211</u> |

Receivables of the Fiduciary Funds – Agency consisted of \$18,886, due from third parties for police and fire details.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|----------------------|------------------------|----------------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,943,128 | \$ | \$ | \$ 4,943,128 |
| Works of art and historical treasures | 93,450 | | | 93,450 |
| Construction in progress | 27,109,136 | | (27,109,136) | |
| Sub-total | 32,145,714 | | (27,109,136) | 5,036,578 |
| Capital assets being depreciated: | | | | |
| Buildings and related improvements | 26,681,564 | 65,273,726 | | 91,955,290 |
| Equipment, vehicles and other | 11,441,595 | 532,391 | (467,789) | 11,506,197 |
| Infrastructure | 28,809,750 | 925,559 | | 29,735,309 |
| Sub-total | 66,932,909 | 66,731,676 | (467,789) | 133,196,796 |
| Less accumulated depreciation: | | | | |
| Land improvements | 18,835 | 3,139 | | 21,974 |
| Buildings and related improvements | 18,607,704 | 1,266,355 | | 19,874,059 |
| Equipment, vehicles and other | 9,747,610 | 439,899 | (461,789) | 9,725,720 |
| Infrastructure | 16,272,644 | 773,009 | | 17,045,653 |
| Sub-total | 44,646,793 | 2,482,402 | (461,789) | 46,667,406 |
| Governmental capital assets, net | <u>\$ 54,431,830</u> | <u>\$ 64,249,274</u> | <u>\$ (27,115,136)</u> | <u>\$ 91,565,968</u> |
| <u>Business-type activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 192,627 | \$ | \$ | \$ 192,627 |
| Construction in progress | 2,163,524 | | (2,163,524) | |
| Sub-total | 2,356,151 | | (2,163,524) | 192,627 |
| Capital assets being depreciated: | | | | |
| Buildings and related improvements | 1,637,000 | 2,163,523 | | 3,800,523 |
| Equipment, machinery & vehicles | 606,567 | | (4,895) | 601,672 |
| Infrastructure | 22,942,835 | 600,427 | | 23,543,262 |
| Sub-total | 25,186,402 | 2,763,950 | (4,895) | 27,945,457 |
| Less accumulated depreciation: | | | | |
| Buildings and related improvements | 1,169,976 | 50,159 | | 1,220,135 |
| Equipment, machinery & vehicles | 547,790 | 9,366 | (407) | 556,749 |
| Infrastructure | 7,343,647 | 436,522 | | 7,780,169 |
| Sub-total | 9,061,413 | 496,047 | (407) | 9,557,053 |
| Business-type capital assets, net | <u>\$ 18,481,140</u> | <u>\$ 2,267,903</u> | <u>\$ (2,168,012)</u> | <u>\$ 18,581,031</u> |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | |
|--|---------------------|
| General government | \$ 90,012 |
| Public safety | 268,933 |
| Education | 1,168,702 |
| Public works | 854,421 |
| Health and human services | 61,948 |
| Culture and recreation | 38,386 |
| Total depreciation expense – governmental activities | <u>\$ 2,482,402</u> |

Business-type activities:

| | |
|---|-------------------|
| Water | \$ 494,347 |
| Solid Waste | 1,700 |
| Total depreciation expense – business-type activities | <u>\$ 496,047</u> |

Note 7. Interfund balances and activity

Interfund balances, at June 30, 2013, consisted of \$18,886 of police and fire department details, net, paid by the General Fund. This amount has been reported as amounts due from and due to in the General Fund, and Agency Fund, respectively.

Interfund transfers, for the year ended June 30, 2013, consisted of the following:

| | <u>General Fund</u> | <u>Stabilization Fund</u> | <u>Other Governmental Funds</u> | <u>OPEB Trust Fund</u> | <u>Business- Type Water Fund</u> |
|--|-------------------------|-------------------------------|---|--------------------------------|--|
| Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY 2013 Operating Budget | \$ 921,937 | \$ (93,750) | \$ (828,187) | \$ | \$ |
| Amounts transferred to Capital Stabilization Fund | (600,769) | | 600,769 | | |
| Amounts transferred to Maintenance Stabilization Fund | (260,000) | | 260,000 | | |
| Close out excess Chapter 90 fund balance | 11,661 | | (11,661) | | |
| Amounts transferred to OPEB trust fund | (5,000) | | | 5,000 | |
| Bond premiums received transferred to General Fund | 1,237 | | (1,237) | | |
| Amounts transferred to School Lunch revolving fund | (13,352) | | 13,352 | | |
| Amounts transferred from Water Fund to fund indirect costs appropriated in General Fund. | 226,051 | | | | (226,051) |
| Totals on budgetary basis | 281,765 | (93,750) | 33,036 | 5,000 | (226,051) |
| Stabilization Fund reported with General Fund for modified accrual basis | (93,750) | 93,750 | | | |
| Water Fund overhead reclassified for modified accrual basis | (226,051) | | | | 226,051 |
| Totals on governmental fund basis | <u>\$ (38,036)</u> | <u>\$</u> | <u>\$ 33,036</u> | <u>\$ 5,000</u> | <u>\$</u> |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 8. Deferred inflows of resources

As of June 30, 2013, the Town reported aggregate deferred inflows of resources of \$10,861,303 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5 above.

As of June 30, 2013, the governmental activities reported deferred inflows of resources in the amount of \$1,843,988. This is comprised of unamortized bond premiums of \$1,525,977, and deferred revenues of \$318,011 comprised of highway awarded funds not yet earned.

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

| <u>Purpose</u> | <u>Balance July 1, 2012</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance June 30, 2013</u> | <u>Current Portion</u> |
|---|--|-------------------------|----------------------------|---|-----------------------------------|
| Governmental activities: | | | | | |
| MWPAT subsidized septic bond, due 2017-2027 | \$ 2,339,304 | \$ 800,000.00 | \$ (151,419) | \$ 2,987,885 | \$ 211,659 |
| MWPAT subsidized landfill bond, due 2020 | 545,000 | | (60,000) | 485,000 | 60,000 |
| General obligation bond, 4.05%, dtd 2/6/2007, due 2/1/2017 | 750,000 | | (150,000) | 600,000 | 150,000 |
| Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018 | 750,000 | | (110,000) | 640,000 | 110,000 |
| General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016 | 3,891,700 | | (878,700) | 3,013,000 | 914,400 |
| MWPAT subsidized storm water management bond, due 2/15/2027 | 311,802 | | (16,702) | 295,100 | 17,039 |
| General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022 | 1,280,000 | | (130,000) | 1,150,000 | 125,000 |
| General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031 | 32,855,000 | | (1,155,000) | 31,700,000 | 1,190,000 |
| General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032 | | 1,181,000 | | 1,181,000 | 57,000 |
| Total long-term bonds | 42,722,806 | 1,981,000 | (2,651,821) | 42,051,985 | 2,835,098 |
| Landfill closure and monitoring liability | 462,631 | | (33,381) | 429,250 | 31,523 |
| Other post employment benefits | 6,081,243 | 3,109,203 | (1,444,304) | 7,746,142 | |
| Leases payable | 89,966 | | (59,190) | 30,776 | 30,776 |
| Compensated absences | 1,150,892 | 233,975 | | 1,384,867 | |
| Total governmental noncurrent liabilities | <u>\$ 50,507,538</u> | <u>\$ 5,324,178</u> | <u>\$ (4,188,696)</u> | <u>\$ 51,643,020</u> | <u>\$ 2,897,397</u> |
| Business-type activities: | | | | | |
| General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016 | \$ 238,300 | \$ | \$ (51,300) | \$ 187,000 | \$ 50,600 |
| MWPAT water filtration project bond, 2.0%, dtd. 12/18/2007, due 7/15/2027 | 8,325,283 | | (445,952) | 7,879,331 | 454,961 |
| MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030 | 3,000,661 | | (131,124) | 2,869,537 | 133,774 |
| MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030 | 769,106 | | (33,613) | 735,493 | 34,292 |
| General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032 | | 900,000 | | 900,000 | 34,000 |
| Total long-term bonds payable | 12,333,350 | 900,000 | (661,989) | 12,571,361 | 707,627 |
| Compensated absences | 76,178 | | (8,377) | 67,801 | |
| Total business-type activities noncurrent liabilities | <u>\$ 12,409,528</u> | <u>\$ 900,000</u> | <u>\$ (670,366)</u> | <u>\$ 12,639,162</u> | <u>\$ 707,627</u> |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Long-term debt

The Town has also applied and received approval for a grant from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on the above December 15, 1999 multi purpose loan relating to the School project. Initial reimbursement commenced in fiscal 1997 based upon approximately 80% of eligible construction and interest costs of the project to be paid over 20 years. Final eligible costs are subject to final audit by the Massachusetts School Building Association. The final audit of the project was concluded and accepted November, 2007. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 33, (Accounting and financial Reporting for Nonexchange Transactions), these financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$1,532,364 related to the grant award.

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) 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 MWPAT (and MWPAT 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 annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2013, including interest, are as follows:

| | <u>Governmental Activities</u> | | | <u>Business-Type Activities</u> | | |
|--------------------|--------------------------------|-----------------|---------------|---------------------------------|-----------------|---------------|
| <u>Year Ending</u> | | | | | | |
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | \$ 2,835,098 | \$ 1,669,162 | \$ 4,504,260 | \$ 707,627 | \$ 251,997 | \$ 959,624 |
| 2015 | 2,868,472 | 1,578,210 | 4,446,682 | 721,212 | 236,957 | 958,169 |
| 2016 | 2,960,893 | 1,474,084 | 4,434,977 | 728,452 | 221,758 | 950,210 |
| 2017 | 2,320,480 | 1,379,221 | 3,699,701 | 742,353 | 206,399 | 948,752 |
| 2018 | 1,960,576 | 1,298,165 | 3,258,741 | 714,916 | 191,505 | 906,421 |
| 2019 – 2023 | 10,179,614 | 5,180,783 | 15,360,397 | 3,792,691 | 730,113 | ,522,804 |
| 2024 – 2028 | 11,283,723 | 2,885,647 | 14,169,370 | 4,206,695 | 324,582 | ,531,277 |
| 2029 – 2033 | 7,643,129 | 627,638 | 8,270,767 | 957,415 | 40,593 | 998,008 |
| Totals | \$ 42,051,985 | \$ 16,092,910 | \$ 58,144,895 | \$ 12,571,361 | \$ 2,203,904 | \$ 14,775,265 |

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Unissued debt authorizations consist of the following at June 30, 2013:

| <u>Purpose</u> | <u>Year(s)</u> <u>Authorized</u> | <u>Amount</u> |
|------------------------------------|-------------------------------------|----------------------|
| High School Construction | 2011 | \$46,649,353 |
| Improvements of Osamequin Pines | 2013 | 34,000 |
| Improvements of Village Road | 2013 | 117,000 |
| Improvements of Broad Meadow Drive | 2013 | 178,000 |
| Improvements of Elm Street | 2013 | 191,000 |
| Total authorized and unissued | | <u>\$ 47,169,353</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, 2013.

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. The annual requirement to pay down capital lease obligations outstanding as of June 30, 2013, including interest is as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Lease</u> <u>Principal</u> | <u>Lease</u> <u>Interest</u> | <u>Total Lease</u> <u>Payments</u> |
|---------------------------------------|----------------------------------|---------------------------------|---------------------------------------|
| 2014 | \$ 30,776 | \$ 1,733 | \$ 32,509 |
| Totals | <u>\$ 30,776</u> | <u>\$ 1,733</u> | <u>\$ 32,509</u> |

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. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings related to MWPAT Septic Loans are recorded in the Town's Special Revenue Funds. Temporary borrowings related to Filtration Project are recorded in the Town's Water Enterprise Fund. See Note 5 relating to the MWPAT Water Filtration Project. Temporary borrowings related to capital projects are recorded in the Town's Capital Project Funds.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Changes in the Town's short-term debt for the year ended June 30, 2013 are as follows:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance July 1, 2012</u> | <u>Issued</u> | <u>Retirements</u> | <u>Balance June 30, 2013</u> |
|---------------------------------------|--------------------------|--------------------------|---------------------------------|---------------|---------------------|----------------------------------|
| <u>Governmental Activities</u> | | | | | | |
| MWPAT Septic note | 0.00% | 9/1/2014 | \$ 400,000 | \$ | \$ (400,000) | \$ |
| MWPAT Septic note | 0.00% | 7/1/2013 | 400,000 | | (400,000) | |
| Total Governmental Activities | | | <u>\$ 800,000</u> | <u>\$</u> | <u>\$ (800,000)</u> | <u>\$</u> |

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances related to Special Revenue Septic Funds and Capital Project Funds. These deficits will be funded through long-term borrowing.

Note 11. Employee Benefits**A. Retirement Benefits****Plan Description**

The Town contributes, for eligible employees other than teachers, to the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five-member board. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current year contribution is \$1,788,935, representing approximately 3.39% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the Association for the years ending June 30, 2012 and 2011 were \$1,579,103 and \$1,666,968, respectively, equal to the required contributions for each year.

As previously noted, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$4,853,492 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general government (employee benefits) expenditures.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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.

Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 50% of the health, dental and life insurance premiums for approximately 256 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as expenditures as premiums are paid. For 2013, those costs totaled approximately \$1,487,000. The costs for 2012 and 2011 were \$1,653,000 and \$1,599,000 respectively.

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|---------------------|
| Annual required contribution | \$ 3,102,152 |
| Interest on net OPEB obligation | 243,249 |
| Amortization of Actuarial (Gain) / Losses | 101,954 |
| Adjustment to annual required contribution | <u>(338,152)</u> |
| Annual OPEB cost (expenses) | 3,109,203 |
| Contributions made | <u>(1,444,304)</u> |
| Increase in net OPEB obligation | 1,664,899 |
| Net OPEB obligation, beginning year | <u>6,081,243</u> |
| Net OPEB obligation, end of year | <u>\$ 7,746,142</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 6/30/2013 | \$ 3,109,203 | 46.45% | \$ 1,664,899 |
| 6/30/2012 | \$ 2,807,417 | 61.70% | \$ 1,075,168 |
| 6/30/2011 | \$ 2,792,237 | 61.68% | \$ 1,069,944 |

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | UAAL as of Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|-----------------|-----------------|--------------------|---|
| 7/1/2012 | \$ - | \$ 34,387,384 | \$ 34,387,384 | 0.00% | \$ 21,248,189 | 161.8% |

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

| <u>Year</u> | <u>Medical</u> | <u>Dental</u> |
|-------------|----------------|---------------|
| FY 2008 | 11.0% | 8.0% |
| FY 2009 | 10.0% | 7.5% |
| FY 2010 | 9.0% | 7.0% |
| FY 2011 | 8.0% | 6.5% |
| FY 2012 | 7.0% | 6.0% |
| FY 2013 | 6.0% | 5.5% |
| FY 2014 | 5.0% | 5.0% |
| FY 2015 | 5.0% | 5.0% |

General Inflation Assumption: 2.5% per annum

Annual Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years at latest valuation

Remaining Amortization Period: 26 years at July 1, 2012

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Landfill Closure and Postclosure 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, 2013, \$429,250 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. 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, except for health insurance. During fiscal year 2013, the Town was a member of the Southeastern Massachusetts Health Group, a joint purchasing group established under MGL Chapter 32B, Section 12, for health insurance. For fiscal year 2013, the Group is self-insured; however, financial information for the Group is unavailable.

Note 14. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2013. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. 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. 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 #60, Accounting and Financial Reporting for Service Concession Arrangements, which was required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The standards in this statement currently do not apply to the Town and therefore did not impact the Town's financial statements.

The GASB issued Statement #61, The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34, which was required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The standards in this statement currently do not apply to the Town and therefore did not impact the Town's financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

The GASB issued Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which was required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was required to be implemented in fiscal year 2013. This pronouncement will standardize the financial reporting relating to the elements of a government's consumption of net position, and an acquisition of net position that is applicable to a future reporting period. The requirements of this pronouncement have been implemented in the Town's financial statements.

The GASB issued Statement #65, Items Previously Reported as Assets and Liabilities, which was required to be implemented in fiscal year 2013. This pronouncement will clarify the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this pronouncement have been implemented in the Town's financial statements.

The GASB issued Statement #66, Technical Corrections - 2012, which was required to be implemented in fiscal year 2013. This pronouncement will resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The requirements of this pronouncement have been implemented in the Town's financial statements.

Future pronouncements

The GASB issued Statement #67, Financial Reporting for Pension Plans, which is required to be implemented in fiscal year 2014. This pronouncement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The Town expects this pronouncement will require additional disclosure and impact the Town's financial statements.

The GASB issued Statement #68, Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. This pronouncement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Town expects this pronouncement will require additional disclosure and impact the Town's financial statements.

The GASB issued Statement #69, Government Combinations and Disposals of Government Operations, which is required to be implemented in fiscal year 2015. This pronouncement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Town does not expect this pronouncement will impact the Town's financial statements.

The GASB issued Statement #70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented in fiscal year 2014. This pronouncement requires consistent reporting by those governments that extend nonexchange financial guarantees. The Town does not expect this pronouncement will impact the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

June 30, 2013

Funding Status and Schedule of Funding Progress

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using the level dollar, thirty year amortization basis.

The Town was required to implement the provisions of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for the year ended June 30, 2009. Accordingly, valuations for preceding periods were not required.

| <u>Funding Status and Schedule of Funding Progress</u> | | | | | | | |
|--|---------------------------------|---|-----------------|-----------------|--------------------|---|--|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | UAAL as of Percentage of Covered Payroll | |
| 7/1/2012 | \$ - | \$ 34,387,384 | \$ 34,387,384 | 0.00% | \$ 21,248,189 | 161.8% | |
| 7/1/2010 | \$ - | \$ 33,373,211 | \$ 33,373,211 | 0.00% | \$ 21,359,339 | 156.2% | |
| 7/1/2008 | \$ - | \$ 35,220,602 | \$ 35,220,602 | 0.00% | \$ 21,918,393 | 160.7% | |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

| <u>Schedule of Employer Contributions</u> | | |
|---|------------------------------------|---------------------------|
| Fiscal Year Ended | Annual Required Contribution | Percentage Contributed |
| 6/30/2013 | \$ 3,102,152 | 46.56% |
| 6/30/2012 | \$ 2,885,541 | 60.03% |
| 6/30/2011 | \$ 2,853,663 | 60.35% |

Actuarial Methods and Assumptions

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

June 30, 2013

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

| <u>Year</u> | <u>Medical</u> | <u>Dental</u> |
|-------------|----------------|---------------|
| FY 2008 | 11.0% | 8.0% |
| FY 2009 | 10.0% | 7.5% |
| FY 2010 | 9.0% | 7.0% |
| FY 2011 | 8.0% | 6.5% |
| FY 2012 | 7.0% | 6.0% |
| FY 2013 | 6.0% | 5.5% |
| FY 2014 | 5.0% | 5.0% |
| FY 2015 | 5.0% | 5.0% |

General Inflation Assumption: 2.5% per annum

Annual Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years at latest valuation

Remaining Amortization Period: 26 years at July 1, 2012

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the Year Ended June 30, 2013

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| Property Taxes | \$ 24,147,430 | \$ 24,147,430 | \$ 24,092,199 | \$ (55,231) |
| Excise Taxes | 1,228,640 | 1,228,640 | 1,477,562 | 248,922 |
| Licenses and permits | 197,600 | 197,600 | 278,696 | 81,096 |
| Penalties and interest | 209,852 | 209,852 | 222,954 | 13,102 |
| Investment interest | 53,246 | 53,246 | 95,734 | 42,488 |
| Fees and fines | 167,163 | 167,163 | 161,110 | (6,053) |
| Departmental and other | 186,455 | 186,455 | 275,745 | 89,290 |
| Intergovernmental | 12,438,564 | 12,438,564 | 12,454,512 | 15,948 |
| Total revenues | 38,628,950 | 38,628,950 | 39,058,512 | 429,562 |
| Expenditures | | | | |
| General government | 10,213,372 | 10,115,455 | 9,645,542 | 469,913 |
| Public safety | 4,781,894 | 4,667,995 | 4,584,772 | 83,223 |
| Education | 18,452,570 | 18,576,367 | 18,569,659 | 6,708 |
| Public works | 1,126,110 | 1,098,464 | 1,379,261 | (280,797) |
| Human services | 430,968 | 448,119 | 432,578 | 15,541 |
| Culture and recreation | 420,373 | 425,553 | 422,856 | 2,697 |
| State and county assessments | 334,424 | 334,424 | 300,009 | 34,415 |
| Debt Service | 4,265,825 | 4,265,825 | 4,225,829 | 39,996 |
| Total Expenditures | 40,025,536 | 39,932,202 | 39,560,506 | 371,696 |
| Revenues over (under) expenditures | (1,396,586) | (1,303,252) | (501,994) | 801,258 |
| Other financing sources (uses) | | | | |
| Transfers in from other funds | 1,137,988 | 1,147,988 | 1,160,886 | 12,898 |
| Transfers out to other funds | (865,769) | (879,121) | (879,121) | |
| Total other financing sources | 272,219 | 268,867 | 281,765 | 12,898 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,124,367) | (1,034,385) | (220,229) | \$ 814,156 |
| Fund balance, beginning of year | | | 4,364,044 | |
| Fund balances, end of year | | | \$ 4,143,815 | |
| Other budget items | | | | |
| Free cash appropriations | \$ 553,800 | \$ 810,652 | | |
| Carryover encumbrances | 484,629 | 137,795 | | |
| Premiums reserved for excluded debt | 146,434 | 146,434 | | |
| Funding of prior year deficits | (60,496) | (60,496) | | |
| Total other budget items | 1,124,367 | 1,034,385 | | |
| Net budget | \$ | \$ | | |

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**Required Supplementary Information**

June 30, 2013

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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are 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, 2013, is presented below:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources (Uses), Net</u> |
|---|----------------------|----------------------|--|
| As reported on a budgetary basis | \$ 39,058,512 | \$ 39,560,506 | \$ 281,765 |
| Adjustment for property tax revenues | 69,124 | | |
| State funded teacher's pension | 4,853,492 | 4,853,492 | |
| MWPAT subsidy accrual | 36,210 | 36,210 | |
| Stabilization fund activity | 6,761 | | (93,750) |
| Indirect costs of other funds recorded as operating transfers on budgetary basis | | (226,051) | (226,051) |
| | | | |
| As reported on a GAAP basis | <u>\$ 44,024,099</u> | <u>\$ 44,224,157</u> | <u>\$ (38,036)</u> |

During the year, the Town incurred a snow and ice appropriation deficit which is allowed by law. Amounts will be raised in the current year budget related thereto.