

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS  
AND MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDING JUNE 30, 2014

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING JUNE 30, 2014**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditors’ Report	i
Management’s Discussion and Analysis	iii
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund balance – Governmental Funds	4
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	5
Statement of Net Position – Propriety Funds	6
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	7
Statement of Cash Flows – Proprietary Funds	8
Statement of Net Position – Fiduciary Funds	9
Statement of Changes in Net Position – Fiduciary funds	10
Notes to Financial Statements	11
Required Supplementary Information	
Funding Status and Schedule of Funding Progress – Other Post Employment Benefits (OPEB)	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – General Fund – Budget and Actual	35
Notes to Required Supplementary Information	36



**Lynch, Malloy, Marini, LLP**

*Certified Public Accountants & Advisors*

www.lmmcpas.com

## **INDEPENDENT AUDITORS' 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, 2014, 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.

### **Auditors' 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii-xii, the funding status and schedule of funding progress – other post-employment benefits (OPEB) on pages 33-34, and budgetary comparison schedule and notes on pages 35-36 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 16, 2015, 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 16, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

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

June 30, 2014

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, 2014.

### **Financial Highlights**

- The assets of the Town (Primary Government) exceeded its liabilities at the close of the most recent fiscal year by \$79.4 million (net position). Of this amount, approximately \$6.1 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 2014 was \$54.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$6,570,946 or approximately 14.3% 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.

See Independent Auditors' Report

## TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

#### **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.

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

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

June 30, 2014

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.

*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 \$69.1 and \$10.3 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the accompanying tables.

Included within the governmental activity current assets, are \$11,358,283 in cash, \$5,350,411 in investments, \$11,811,802 in receivables, net of allowances for uncollectible accounts and \$11,831 of prepaid expenses. Receivables consist primarily of approximately \$1.2 million of sewer betterment, \$5.7 million of property taxes, excise, charges for services and other, and \$4.9 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 \$15.2 million. Capital asset additions included high school building additions, road related construction and improvement projects, equipment, and vehicle acquisitions.

Governmental activity long-term liabilities include \$44.1 million in general obligation bonds, of which approximately \$3.0 million has been classified as current because it is due within fiscal year 2015. Long-term liabilities also include \$1.5 million for compensated absences, \$9.6 million for other post employment benefits, \$0.4 million for landfill closure and monitoring liability, and \$0.25 million for capital leases.

Deferred inflows of resources of \$1,630,000 is comprised of \$1,383,000 of unamortized bond premiums and \$247,000 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.



# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

	<b>FY 2014</b>	<b>FY 2013</b>	<b>Percent</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Change</b>
	<b>Activities</b>	<b>Activities</b>	
Current assets	\$ 28,532,327	\$ 28,015,635	1.84%
Capital assets	<u>103,728,783</u>	<u>91,565,968</u>	13.28%
Total assets	132,261,110	119,581,603	10.60%
Current liabilities	8,888,347	7,095,795	25.26%
Long-term liabilities	<u>52,624,089</u>	<u>48,745,623</u>	7.96%
Total liabilities	61,512,436	55,841,418	10.16%
Unamortized bond premiums	1,383,067	1,525,977	-9.37%
Deferred revenue	<u>247,245</u>	<u>318,011</u>	-22.25%
Total deferred inflows of resources	1,630,312	1,843,988	-11.59%
Net position:			
Invested in capital assets, net of related debt	62,311,504	53,672,098	16.10%
Restricted	4,457,936	5,996,838	-25.66%
Unrestricted	<u>2,348,922</u>	<u>2,227,261</u>	5.46%
Total net position	<u>\$ 69,118,362</u>	<u>\$ 61,896,197</u>	11.67%

	<b>FY 2014</b>	<b>FY 2013</b>	<b>Percent</b>
	<b>Business-type</b>	<b>Business-type</b>	<b>Change</b>
	<b>Activities</b>	<b>Activities</b>	
Current assets	\$ 4,225,730	\$ 4,392,494	-3.11%
Capital assets	<u>18,292,338</u>	<u>18,581,031</u>	-1.55%
Total assets	22,548,068	22,973,525	-1.85%
Current liabilities	1,012,077	915,978	10.49%
Long-term liabilities	<u>11,213,953</u>	<u>11,931,535</u>	-6.01%
Total liabilities	12,226,030	12,847,513	-4.84%
Net position:			
Invested in capital assets, net of related debt	6,524,786	6,332,631	3.03%
Unrestricted	<u>3,797,252</u>	<u>3,793,381</u>	0.10%
Total net position	<u>\$ 10,322,038</u>	<u>\$ 10,126,012</u>	1.94%

The largest portion of the Town's (Primary Government) total net position \$68.8 million (86.7%) 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.

See Independent Auditors' Report

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

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

June 30, 2014

An additional portion of the Town's net position, \$4.5 million (5.6%) 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 \$6.1 million (7.7%) of total net position.

The Town's governmental activities' net position increased by \$7,222,165 and business-type activities' net position increased by \$196,026 during fiscal 2014. A summary of revenues and major functional expenditures is presented below.

#### Revenues:

- ◆ Property taxes represent approximately 43% 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.
- ◆ Operating grants and contributions make up the second largest governmental activities' revenue representing nearly 29% 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.
- ◆ Capital grants and contributions make up the third largest governmental activities' revenue representing nearly 11% of the Town's total revenue. The largest proportion of this revenue, nearly \$6.3 million represents SBA reimbursement grants received from the Commonwealth of Massachusetts for the construction of the new high school. The decrease in capital grants and contributions revenue is due to less reimbursements from the SBA related to the Town's high school building.
- ◆ Charges for services for the Town's business-type activities of \$2,994,376, represent 5.1% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2,237,369 and \$757,007 respectively.

#### Expenses:

- ◆ Governmental activities expenses showed an increase of 5.56% from the prior year due primarily to increasing education, general government, and public safety expenses.
- ◆ Business-type activities' operational expenses showed an increase of 15.9% from prior year due primarily to higher expenses in the water fund.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

### *Governmental activities:*

	Governmental Activities		
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>% Change</u>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 3,415,506	\$ 3,074,785	11.08%
Operating grants and contributions	17,108,312	16,795,636	1.86%
Capital grants and contributions	<u>6,562,818</u>	<u>18,882,821</u>	-65.24%
<b>Total program revenues</b>	<b>27,086,636</b>	<b>38,753,242</b>	<b>-30.10%</b>
General Revenues:			
Property taxes levied	25,453,958	25,422,382	0.12%
Excise taxes	1,622,394	1,515,863	7.03%
Penalties and interest on taxes	267,046	222,954	19.78%
Grants and contributions not restricted	3,958,903	1,444,548	174.06%
Investment income	152,080	100,244	51.71%
Miscellaneous and bond premiums	461,903	105,747	336.80%
Gain on sale of assets	-	9,044	-100.00%
Transfers	<u>(105,000)</u>	<u>(5,000)</u>	2000.00%
<b>Total general revenues</b>	<b>31,811,284</b>	<b>28,815,782</b>	<b>10.40%</b>
<b>Total Revenues</b>	<b>58,897,920</b>	<b>67,569,024</b>	<b>-12.83%</b>
<b>Expenses:</b>			
General government	17,199,841	16,259,064	5.79%
Public safety	5,188,950	4,804,307	8.01%
Education	23,720,193	22,497,534	5.43%
Public works	2,193,358	2,111,959	3.85%
Health and human services	828,295	814,210	1.73%
Culture and recreation	524,005	548,639	-4.49%
Interest on long term debt	1,671,618	1,617,328	3.36%
State and county charges	<u>349,495</u>	<u>300,009</u>	16.49%
<b>Total Expenses</b>	<b>51,675,755</b>	<b>48,953,050</b>	<b>5.56%</b>
<b>Change in net position</b>	<b>7,222,165</b>	<b>18,615,974</b>	<b>-61.20%</b>
Net position – beginning of year	<u>61,896,197</u>	<u>43,280,223</u>	43.01%
Net position – end of year	<u><u>\$ 69,118,362</u></u>	<u><u>\$ 61,896,197</u></u>	11.67%

See Independent Auditors' Report

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2014

### *Business-type activities:*

	<b>Business-Type Activities</b>		
	<u><b>June 30, 2014</b></u>	<u><b>June 30, 2013</b></u>	<u><b>% Change</b></u>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 2,994,377	\$ 2,939,736	1.86%
<b>Total operating revenues</b>	<b>2,994,377</b>	<b>2,939,736</b>	<b>1.86%</b>
<b>Expenses:</b>			
Salaries, wages, and employee benefits	568,450	518,157	-2.07%
Expenses	1,647,348	1,353,440	-6.30%
Depreciation	528,059	495,640	6.76%
<b>Total expenses</b>	<b>2,743,857</b>	<b>2,367,237</b>	<b>-2.89%</b>
<b>Total operating income</b>	<b>250,520</b>	<b>572,499</b>	<b>50.80%</b>
<b>Non operating revenues (expenses)</b>			
Debt service	(154,686)	(212,434)	0.23%
Investment income	5,192	6,029	225.54%
<b>Total non operating revenue (expenses), net</b>	<b>(149,494)</b>	<b>(206,405)</b>	<b>-1.75%</b>
<b>Transfers</b>			
Transfers in from other funds	95,000	-	100.00%
<b>Total transfers</b>	<b>95,000</b>	<b>-</b>	<b>100.00%</b>
<b>Change in net position</b>	<b>196,026</b>	<b>366,094</b>	<b>-46.45%</b>
Net position – beginning of year	<b>10,126,012</b>	<b>9,759,918</b>	<b>3.75%</b>
Net position – end of year	<b>\$ 10,322,038</b>	<b>\$ 10,126,012</b>	<b>1.94%</b>

### **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.

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

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

June 30, 2014

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,354,421, a decrease of approximately \$1,900,000 from the prior year. This decrease was due primarily to the higher state reimbursements in the prior year 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 \$4,908,549, committed fund balance of \$1,972,986; assigned fund balance of \$95,960 and unassigned fund balance of \$4,280,655.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$8.8 million, an increase of \$2.8 million from the previous year, inclusive of the reclassification of \$2.2 million of capital and building maintenance stabilization fund balances to the general fund. Of this amount \$1,345,416 or 15.3% represents restricted fund balance. Committed fund balance of \$806,953 and assigned fund balance of \$95,960 represent 9.1% and 1.1% of total general fund balance respectively. Unassigned fund balance of \$6.6 million represents 74.5% 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 14.3% and 14.3%, respectively, of total general fund expenditures and revenues, while total General fund balance represents 19.2% and 19.2%, respectively, of the same amounts.

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

The difference between the original budget of \$40,896,143 and the final budget of \$41,331,148 is due to approximately \$677,000 of additional appropriations at special Town meetings, less approximately \$225,000 in encumbrances being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$427,000, 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 2015 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, 2014 and 2013 amounts to \$103,728,783 and \$91,565,958 which is net of accumulated depreciation of \$43,456,900 and \$46,667,406. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

## TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

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

	<b><u>Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 4.9	\$ 4.9
Works of art and historical treasures	0.1	0.1
Buildings and improvements	81.7	72.0
Equipment, machinery & vehicles	4.3	1.8
Infrastructure	12.7	12.7
	<u>\$ 103.7</u>	<u>\$ 91.5</u>

Capital asset events during 2014 include the following:

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

#### ***Business-type Activities***

*Capital Assets:* The Town's investment in capital assets for business-type activities as of June 30, 2014 and 2013 amounts to \$18,292,338 and \$18,581,031, respectively, which is net of accumulated depreciation of \$10,085,111 and \$9,557,053, respectively. 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):

	<b><u>Business-type Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 0.19	\$ 0.19
Buildings and improvements	2.50	2.60
Equipment, machinery & vehicles	0.03	0.04
Infrastructure	15.57	15.75
	<u>\$ 18.29</u>	<u>\$ 18.58</u>

Capital asset events during 2014 include the following:

- Construction of water filtration system
- Purchase of vehicles

#### **Long Term Debt**

##### ***Governmental Activities***

At June 30, 2014 and 2013, the Town's governmental activities had total bonded debt outstanding of \$44,086,887 and \$42,051,985, respectively. This debt is a general obligation of the Town's governmental activities.

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

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

June 30, 2014

The Town's governmental activities had short-term notes of \$3,551,000 at June 30, 2014 and \$0 at June 30, 2013.

#### ***Business-type Activities***

At June 30, 2014 and 2013, the Town's business-type activities had total bonded debt outstanding of \$11,863,734 and \$12,571,361, 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, 2014 or June 30, 2013.

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 4.3% which includes new growth.

The operating budget increased 3.0% over the FY 14 budget.

#### **Contacting the Town's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

Statement of Net Position

June 30, 2014

	<b>Primary Government</b>		
	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>	
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 11,358,283	\$ 1,456,181	\$ 12,814,464
Investments	5,350,411	1,495,153	6,845,564
Receivables, net of allowance for uncollectible	11,811,802	1,296,195	13,107,997
Prepaid expenses	11,831		11,831
Inventories		8,201	8,201
Capital assets, net of accumulated depreciation	103,728,783	18,292,338	122,021,121
Total assets	<u>\$ 132,261,110</u>	<u>\$ 22,548,068</u>	<u>\$ 154,809,178</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and wages	\$ 1,895,520	\$ 185,150	\$ 2,080,670
Provision for refund of paid taxes	50,000		50,000
Accrued interest	197,879	105,715	303,594
Note payable	3,551,000		3,551,000
Noncurrent liabilities			
Due within one year	3,193,948	721,212	3,915,160
Due in more than one year	52,624,089	11,213,953	63,838,042
Total liabilities	<u>61,512,436</u>	<u>12,226,030</u>	<u>73,738,466</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unamortized bond premiums	1,383,067		1,383,067
Deferred revenue	247,245		247,245
Total deferred inflows of resources	<u>1,630,312</u>		<u>1,630,312</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	62,311,504	6,524,786	68,836,290
Restricted	4,457,936		4,457,936
Unrestricted	2,348,922	3,797,252	6,146,174
Total net position	<u>69,118,362</u>	<u>10,322,038</u>	<u>79,440,400</u>
Total liabilities, deferred inflows, and net position	<u>\$ 132,261,110</u>	<u>\$ 22,548,068</u>	<u>\$ 154,809,178</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government</b>							
Governmental activities							
General government	\$ 17,199,841	\$ 374,340	\$ 5,077,518	\$	\$ (11,747,983)	\$	\$ (11,747,983)
Public safety	5,188,950	961,714	319,690		(3,907,546)		(3,907,546)
Education	23,720,193	1,896,039	11,380,470	6,257,291	(4,186,393)		(4,186,393)
Public works	2,193,358	2,900		305,527	(1,884,931)		(1,884,931)
Health and human services	828,295	90,765	41,653		(695,877)		(695,877)
Culture and recreation	524,005	67,257	46,317		(410,431)		(410,431)
Interest	1,671,618	22,491	242,664		(1,406,463)		(1,406,463)
State and county charges	349,495				(349,495)		(349,495)
Total governmental activities	51,675,755	3,415,506	17,108,312	6,562,818	(24,589,119)		(24,589,119)
Business-type activities							
Water	2,114,502	2,237,369				122,867	122,867
Solid waste	784,040	757,007				(27,033)	(27,033)
Total business-type	2,898,542	2,994,376				95,834	95,834
Total primary government	\$ 54,574,297	\$ 6,409,882	\$ 17,108,312	\$ 6,562,818	(24,589,119)	95,834	(24,493,285)
General revenues							
Property taxes, net of allowances for uncollectibles					25,453,958		25,453,958
Excise taxes					1,622,394		1,622,394
Penalties and interest on taxes					267,046		267,046
Grants and contributions not restricted to specific programs					3,958,903		3,958,903
Investment income					152,080	5,192	157,272
Miscellaneous					245,748		245,748
Proceeds from debt & premiums					216,155		216,155
Transfers					(105,000)	95,000	(10,000)
Total general revenues and transfers					31,811,284	100,192	31,911,476
Change in net position					7,222,165	196,026	7,418,191
Net position - beginning of year					61,896,197	10,126,012	72,022,209
Net position - end of year					\$ 69,118,362	\$ 10,322,038	\$ 79,440,400

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

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

Balance Sheet - Governmental Fund:

June 30, 2014

	<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>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 4,877,372	\$ 2,567,082	\$ 2,317,191	\$ 1,596,638	\$ 11,358,283
Investments	4,818,483			531,928	5,350,411
Receivables	6,685,361	3,237,765	1,153,234	926,156	12,002,516
Prepaid expenses	11,832				11,832
Total assets	<u>\$ 16,393,048</u>	<u>\$ 5,804,847</u>	<u>\$ 3,470,425</u>	<u>\$ 3,054,722</u>	<u>\$ 28,723,042</u>
<b><u>LIABILITIES</u></b>					
Accounts payable and wages	\$ 968,826	\$ 838,258	\$	\$ 88,436	\$ 1,895,520
Notes payable		3,551,000			3,551,000
Provision for refund of paid taxes	50,000				50,000
Total liabilities	<u>1,018,826</u>	<u>4,389,258</u>		<u>88,436</u>	<u>5,496,520</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred revenue	6,554,947	3,237,765	1,153,233	926,156	11,872,101
Total deferred inflows of resources	<u>6,554,947</u>	<u>3,237,765</u>	<u>1,153,233</u>	<u>926,156</u>	<u>11,872,101</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable				96,271	96,271
Restricted	1,345,416		2,317,192	1,245,941	4,908,549
Committed	806,953			1,166,033	1,972,986
Assigned	95,960				95,960
Unassigned	6,570,946	(1,822,176)		(468,115)	4,280,655
Total fund balances	<u>8,819,275</u>	<u>(1,822,176)</u>	<u>2,317,192</u>	<u>2,040,130</u>	<u>11,354,421</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,393,048</u>	<u>\$ 5,804,847</u>	<u>\$ 3,470,425</u>	<u>\$ 3,054,722</u>	<u>\$ 28,723,042</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 11,354,421
Capital assets used in governmental activities are not financial resources and not reported in funds.	103,728,783
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles	11,434,141
Long-term liabilities, net of deferred costs, are not due and payable in the current period and are not included in funds.	(57,201,104)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(197,879)
Net position of governmental activities	<u>\$ 69,118,362</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 Balance  
Governmental Funds  
For the Year Ended June 30, 2014

	<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>
<b>Revenues</b>					
Property taxes	\$ 25,443,843	\$	\$	\$	\$ 25,443,843
Excise taxes	1,650,641				1,650,641
Licenses and permits	249,924				249,924
Penalties and interest	267,046				267,046
Investment income	145,872			6,205	152,077
Charges for services	-		254,961	2,372,595	2,627,556
Fees and fines	194,520			8,293	202,813
Departmental and other	374,627			148,319	522,946
Intergovernmental	17,698,830	6,768,079		2,145,286	26,612,195
Total revenues	<u>46,025,303</u>	<u>6,768,079</u>	<u>254,961</u>	<u>4,680,698</u>	<u>57,729,041</u>
<b>Expenditures</b>					
Current:					
General government	15,013,841			457,694	15,471,535
Public safety	4,538,395			309,377	4,847,772
Education	19,225,374	13,658,266		2,977,558	35,861,198
Public works	1,399,281			879,746	2,279,027
Human services	602,504		46,010	63,908	712,422
Culture and recreation	442,948			77,963	520,911
State and county assessments	349,495				349,495
Debt Service:	-				
Principal	2,642,634		211,659		2,854,293
Interest and other charges	1,721,288				1,721,288
Total Expenditures	<u>45,935,760</u>	<u>13,658,266</u>	<u>257,669</u>	<u>4,766,246</u>	<u>64,617,941</u>
Revenues over (under) expenditures	<u>89,543</u>	<u>(6,890,187)</u>	<u>(2,708)</u>	<u>(85,548)</u>	<u>(6,888,900)</u>
<b>Other financing sources (uses)</b>					
Proceeds from long-term debt		4,350,000		520,000	4,870,000
Proceeds from bond premiums				216,155	216,155
Transfers in from other funds	857,425			27,431	884,856
Transfers out to other funds	(374,136)			(615,720)	(989,856)
Total other financing sources and (uses)	<u>483,289</u>	<u>4,350,000</u>		<u>147,866</u>	<u>4,981,155</u>
Revenues and other financing sources (under) expenditures and other financing uses	572,832	(2,540,187)	(2,708)	62,318	(1,907,745)
Fund balances, beginning of year (restated)	<u>8,246,443</u>	<u>718,011</u>	<u>2,319,900</u>	<u>1,977,812</u>	<u>13,262,166</u>
Fund balances, end of year	<u>\$ 8,819,275</u>	<u>\$ (1,822,176)</u>	<u>\$ 2,317,192</u>	<u>\$ 2,040,130</u>	<u>\$ 11,354,421</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, 2014

Revenues and other financing sources expenditures and other financing uses - governmental funds	\$ (1,907,745)
 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	15,248,122
Depreciation recorded for the fiscal year	(3,085,308)
 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	1,081,564
Net change in allowance for uncollectible accounts	(19,139)
 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	2,835,098
Amortization of bond premiums	142,910
Issuance of long-term debt	(4,870,000)
 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	(63,222)
 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	(1,823,745)
Capital Lease principal payments	(213,518)
Compensated absences	(133,351)
Landfill closure and monitoring	30,499
Change in net position of governmental activities	<u><u>\$ 7,222,165</u></u>

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

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

## Statement of Net Position - Proprietary Fund:

June 30, 2014

	<b>Business-Type Activities</b>		
	<b><u>Water</u></b>	<b><u>Solid Waste</u></b>	<b><u>Totals</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,231,607	\$ 224,574	\$ 1,456,181
Investments	1,495,153		1,495,153
Receivables, net of allowances for uncollectibles	1,162,131	134,064	1,296,195
Inventory		8,201	8,201
Capital assets, net of accumulated depreciation	18,290,638	1,700	18,292,338
Total assets	<u>\$ 22,179,529</u>	<u>\$ 368,539</u>	<u>\$ 22,548,068</u>
<b><u>LIABILITIES</u></b>			
Accounts payable, wages and other current liabilities	\$ 124,785	\$ 60,365	\$ 185,150
Accrued interest	105,715		105,715
Noncurrent liabilities:			
Due within one year	721,212		721,212
Due in more than one year	11,207,688	6,265	11,213,953
Total liabilities	<u>12,159,400</u>	<u>66,630</u>	<u>12,226,030</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	6,523,086	1,700	6,524,786
Unrestricted	3,497,043	300,209	3,797,252
Total net position	<u>10,020,129</u>	<u>301,909</u>	<u>10,322,038</u>
Total liabilities and net position	<u>\$ 22,179,529</u>	<u>\$ 368,539</u>	<u>\$ 22,548,068</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, 2014

	<b>Business-Type Activities</b>		
	<b><u>Water</u></b>	<b><u>Solid Waste</u></b>	<b><u>Totals</u></b>
<b>Operating revenues</b>			
Charges for services, departmental and other	\$ 2,237,369	\$ 757,008	\$ 2,994,377
Total operating revenues	<u>2,237,369</u>	<u>757,008</u>	<u>2,994,377</u>
<b>Operating expenses</b>			
Salaries and wages	530,294	38,156	568,450
Expenses	903,164	744,184	1,647,348
Depreciation	<u>526,359</u>	<u>1,700</u>	<u>528,059</u>
Total operating expenses	<u>1,959,817</u>	<u>784,040</u>	<u>2,743,857</u>
<b>Operating income (loss)</b>	277,552	(27,032)	250,520
<b>Non operating revenues (expenses)</b>			
Interest income	4,697	495	5,192
Interest expense	<u>(154,686)</u>		<u>(154,686)</u>
Total non-operating revenue (expenses), net	<u>(149,989)</u>	<u>495</u>	<u>(149,494)</u>
<b>Transfers</b>			
Transfers in from other funds		95,000	95,000
Transfers out to other funds			
Total transfers	<u>-</u>	<u>95,000</u>	<u>95,000</u>
<b>Change in net position</b>	127,563	68,463	196,026
Net position at beginning of year	9,892,566	233,446	10,126,012
Net position at end of year	<u>\$ 10,020,129</u>	<u>\$ 301,909</u>	<u>\$ 10,322,038</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, 2014

	<b><u>Business-Type Activities</u></b>		<b>Total</b>
	<b><u>Water</u></b>	<b><u>Solid Waste</u></b>	<b><u>Enterprise</u></b>
Cash flows from operating activities			
Receipts from customers and users	\$ 2,170,517	\$ 807,529	\$ 2,978,046
Payments to vendors, including fringe benefits	(822,395)	(737,529)	(1,559,924)
Payments to employees	(530,294)	(38,156)	(568,450)
Transfer from general fund to fund operations		95,000	95,000
Net cash provided by (used for) operating activities	<u>817,828</u>	<u>126,844</u>	<u>944,672</u>
Cash flows from capital and related financing activities			
Principal payments on bonds and notes	(708,169)		(708,169)
Construction of infrastructure, net	(239,366)		(239,366)
Interest expense	<u>(154,686)</u>		<u>(154,686)</u>
Net cash used for capital and related financing activities	<u>(1,102,221)</u>		<u>(1,102,221)</u>
Cash flows from investing activities			
Investing activities, net	<u>4,697</u>	<u>495</u>	<u>5,192</u>
Net cash provided by for investing activities	<u>4,697</u>	<u>495</u>	<u>5,192</u>
Net change in cash and cash equivalents	(279,696)	127,339	(152,357)
Balances at the beginning of year	<u>1,511,303</u>	<u>97,235</u>	<u>1,608,538</u>
Balances at the end of year	<u>\$ 1,231,607</u>	<u>\$ 224,574</u>	<u>\$ 1,456,181</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating (loss)	\$ 277,552	\$ (27,032)	\$ 250,520
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	526,359	1,700	528,059
Changes in assets and liabilities:			
User fees receivables, net of allowance for collectibles	(66,852)	25,868	(40,984)
Inventory		24,653	24,653
Transfer to fund operations		95,000	95,000
Accounts payable and other liabilities	<u>80,769</u>	<u>6,655</u>	<u>87,424</u>
Total adjustments	<u>540,276</u>	<u>153,876</u>	<u>694,152</u>
Net cash provided by operating activities	<u>\$ 817,828</u>	<u>\$ 126,844</u>	<u>\$ 944,672</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, 2014

	<b>Private Purpose Trust Fund</b>	<b>Other Post-Employment Benefits Trust Fund</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$	\$	\$ 718,563
Investments	344,671	15,200	
Receivables			44,226
Total assets	<u>\$ 344,671</u>	<u>\$ 15,200</u>	<u>\$ 762,789</u>
<b><u>LIABILITIES</u></b>			
Guaranteed deposits	\$	\$	\$ 637,107
Due to student groups			125,682
Total liabilities			762,789
<b><u>NET POSITION</u></b>			
Held in trust	<u>344,671</u>	<u>15,200</u>	
Total liabilities and net position	<u>\$ 344,671</u>	<u>\$ 15,200</u>	<u>\$ 762,789</u>

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

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

## Statement of Changes in Net Position - Fiduciary Fund

For the Year Ended June 30, 2014

	<b>Private Purpose Trust Funds</b>	<b>Other Post-Employment Benefits Trust Fund</b>
<b>Additions</b>		
Contributions and donations	\$	\$ 174
Interest and dividends	14,547	
Total additions	14,547	174
<b>Deductions</b>		
Scholarships and awards	6,947	
Total deductions	6,947	
Transfers in		10,000
Change in net position	7,600	10,174
Net position at beginning of year	337,071	5,026
Net position at end of year	\$ 344,671	\$ 15,200

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, 2014

### **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 2014. 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.

<b><u>Joint venture and address</u></b>	<b><u>Purpose</u></b>	<b><u>2014 Assessment</u></b>
Southeastern Regional School District 250 Foundry Street, Easton, MA 02375	To provide vocational education	\$ 1,143,046
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation	\$ 90,379

##### *Related Organization*

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

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Basis of Presentation**

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

## TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

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 – net investment in capital assets; 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, 2014

- 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. The Town's enterprise funds consist of water and solid waste funds.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

#### Fiduciary Funds:

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

### Notes to Financial Statements

June 30, 2014

- 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, Cash Equivalents, 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**

### **Notes to Financial Statements**

June 30, 2014

#### **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, 2014

#### 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, 2014. 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:

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

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

### **Notes to Financial Statements**

June 30, 2014

- 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 “net investment in capital assets.”

#### **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, 2014

#### **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 stabilization funds, which maintain funds set aside by Town Meeting votes for further appropriations, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since these funds are not supported by specific revenue sources, they are included with the general fund unassigned fund balance. As of June 30, 2014, the Town maintained balances of \$2,221,857 in its stabilization fund, \$261,497 in its building maintenance stabilization fund, and \$2,335,129 in its capital stabilization fund.

In addition, the general fund unassigned fund balance included a \$427,476 snow and ice removal appropriation deficit.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

As of June 30, 2014, 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
<b>Nonspendable:</b>					
Public Works	\$	\$	\$	\$ 14,461	\$ 14,461
Culture & Recreation				81,810	81,810
subtotal				96,271	96,271
<b>Restricted:</b>					
General Government				572,874	572,874
Public Safety				82,328	82,328
Education				128,022	128,022
Public Works				298,496	298,496
Human Services			2,317,192	55,389	2,372,581
Culture & Recreation				108,832	108,832
Debt service	1,345,416				1,345,416
subtotal	1,345,416		2,317,192	1,245,941	4,908,549
<b>Committed:</b>					
General Government	254,624			5,957	260,581
Public Safety	55,985			1,098,298	1,154,283
Education	158,030				158,030
Public Works	42,645			60,558	103,203
Human Services	46,960				46,960
Culture & Recreation	25,000			1,220	26,220
Debt service	223,709				223,709
subtotal	806,953			1,166,033	1,972,986
<b>Assigned:</b>					
General Government	21,485				21,485
Public Safety	61,235				61,235
Public Works	1,020				1,020
Human Services	11,720				11,720
Culture & Recreation	500				500
subtotal	95,960				95,960
<b>Unassigned</b>	6,570,946	(1,822,176)		(468,115)	4,280,655
<b>Total</b>	<u>\$ 8,819,275</u>	<u>\$ (1,822,176)</u>	<u>\$ 2,317,192</u>	<u>\$ 2,040,130</u>	<u>\$ 11,354,421</u>

The Town reported deficit unassigned fund balances of \$468,115 related to other governmental funds and \$1,822,176 related to the high school building project. The balance within other governmental funds was related to several education grants and programs.

### **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.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

Restricted net position on the government-wide statement of net position consist of the following:

Capital Project Fund balances:	
Other capital project funds	\$ 66,539
Special Revenue Fund balances:	
Septic loans	3,470,425
Other special revenue funds	389,044
Permanent Funds:	
Expendable	435,657
Non-expendable	96,271
Total restricted net position	<u>\$ 4,457,936</u>

### **Note 4. Cash, Cash Equivalents, and Investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. 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 maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2014 deposits totaled \$13,914,365 and had a carrying amount of \$13,533,027. Of the deposit amounts, \$11,950,766 was exposed to custodial credit risk at June 30, 2014 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, 2014, the Town had the following investments:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Cost</u>	<u>Average Credit/Quality Rating</u>	<u>Weighted Average to Maturity</u>
<b>Primary Government</b>				
MMDT	\$ 41,564	\$ 41,564	N/A	N/A
Treasury/Agency Securities	2,758,349	2,774,161	Aaa	4 – 58 months
Money market Funds	458,025	458,025	N/A	N/A
Equities	305,544	273,199	N/A	N/A
Mutual Funds	366,223	369,551	N/A	N/A
Corporate Bonds	456,457	438,880	A1 - Baa2	3 – 63 months
Certificates of Deposit	<u>2,459,402</u>	<u>2,455,572</u>	N/A	1 – 28 months
<b>Total Primary Government Investments</b>	<u>\$ 6,845,564</u>	<u>\$ 6,810,952</u>		

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### Fiduciary Funds

Treasury/Agency Securities	51,842	51,926	Aaa	46 – 55 months
Money market Funds	21,636	21,636	N/A	N/A
Equities	34,819	31,218	N/A	N/A
Mutual Funds	36,354	36,945	N/A	N/A
Corporate Bonds	58,818	58,495	A1 – BBB+	3 – 42 months
Certificates of Deposit	<u>156,402</u>	<u>156,001</u>	N/A	1 – 28 months
<b>Total Fiduciary Fund Investments</b>	<b><u>\$ 359,871</u></b>	<b><u>\$ 356,221</u></b>		

*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:

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

<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	\$ 550,243	\$ (12,221)	\$ 538,022	\$ 419,828
Tax liens, deferrals and foreclosures	4,653,256		4,653,256	4,653,256
Motor vehicle excise	214,591	(34,230)	180,361	214,591
Charges for service	480,875	(144,263)	336,612	480,875
Departmental and other	13,749		13,749	13,749
Betterments	1,153,234		1,153,234	1,153,234
Intergovernmental:				
School Building Assistance	4,259,341		4,259,341	4,259,341
Chapter 90 awards not yet requested	182,487		182,487	182,487
Other federal and state grants	494,740		494,740	494,740
Total on governmental fund basis	<u>12,002,516</u>		<u>11,811,802</u>	<u>\$ 11,872,101</u>
Totals on entity-wide basis	<u>\$ 12,002,516</u>	<u>\$ (190,714)</u>	<u>\$ 11,811,802</u>	

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	\$ 1,162,151	\$	\$ 1,162,151
Solid waste departmental	<u>134,044</u>		<u>134,044</u>
Totals	<u>\$ 1,296,195</u>	<u>\$</u>	<u>\$ 1,296,195</u>

Receivables of the Fiduciary Funds – Agency consisted of \$44,226, due from third parties for police and fire details.

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Governmental activities:</u></b>				
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	-	11,250		11,250
Sub-total	<u>5,036,578</u>	<u>11,250</u>		<u>5,047,828</u>
Capital assets being depreciated:				
Buildings and related improvements	91,955,290	11,110,725	(6,295,813)	96,770,202
Equipment, vehicles and other	11,506,197	3,308,364		14,814,561
Infrastructure	<u>29,735,309</u>	<u>817,783</u>		<u>30,553,092</u>
Sub-total	<u>133,196,796</u>	<u>15,236,872</u>	<u>(6,295,813)</u>	<u>142,137,855</u>
Less accumulated depreciation:				
Land improvements	21,974	3,139		25,113
Buildings and related improvements	19,874,059	1,510,492	(6,295,813)	15,088,738
Equipment, vehicles and other	9,725,720	771,163		10,496,893
Infrastructure	<u>17,045,653</u>	<u>800,513</u>		<u>17,846,166</u>
Sub-total	<u>46,667,406</u>	<u>3,085,307</u>	<u>(6,295,813)</u>	<u>43,456,900</u>
Governmental capital assets, net	<u>\$ 91,565,968</u>	<u>\$ 12,162,815</u>	<u>\$ -</u>	<u>\$ 103,728,783</u>

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

**Business-type activities:**

Capital assets not being depreciated:

Land	\$ 192,627	\$ -	\$ -	\$ 192,627
Sub-total	192,627			192,627

Capital assets being depreciated:

Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	601,672	12,586		614,258
Infrastructure	23,543,262	226,779		23,770,041
Sub-total	27,945,457	239,365		28,184,822

Less accumulated depreciation:

Buildings and related improvements	1,220,135	71,795		1,291,930
Equipment, machinery & vehicles	556,749	11,485		568,234
Infrastructure	7,780,169	444,778		8,224,947
Sub-total	9,557,053	528,058		10,085,111

Business-type capital assets, net

\$ 18,581,031	\$ (288,693)	\$ -	\$ 18,292,338
---------------	--------------	------	---------------

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 101,133
Public safety	303,627
Education	1,668,406
Public works	881,925
Health and human services	115,873
Culture and recreation	14,344
Total depreciation expense – governmental activities	\$ 3,085,308

Business-type activities:

Water	\$ 526,359
Solid Waste	1,700
Total depreciation expense – business-type activities	\$ 528,059

**Note 7. Interfund balances and activity**

Interfund transfers, for the year ended June 30, 2014, consisted of the following:



# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

	<u>General Fund</u>	<u>Stabilization Funds</u>	<u>Other Governmental Funds</u>	<u>OPEB Trust Fund</u>	<u>Business- Type Funds</u>
Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY 2014 Operating Budget	\$ 110,172	\$ 361,828	\$ (472,000)	\$	\$
Amounts transferred to OPEB trust fund	(10,000)			10,000	
Bond premiums received transferred to General Fund	143,720		(143,720)		
Amounts transferred to School Lunch revolving fund	(27,431)		27,431		
Amounts transferred to Solid Waste	(95,000)				95,000
Amounts transferred from Water Fund to fund indirect costs appropriated in General Fund.	241,705				(241,705)
Totals on budgetary basis	363,166	361,828	(588,289)	10,000	(146,705)
Stabilization Funds reported with General Fund for modified accrual basis	361,828	(361,828)			
Water Fund overhead reclassified for modified accrual basis	(241,705)				241,705
Totals on governmental fund basis	<u>\$ 483,289</u>	<u>\$</u>	<u>\$ (588,289)</u>	<u>\$ 10,000</u>	<u>\$ 95,000</u>

### **Note 8. Deferred inflows of resources**

As of June 30, 2014, the Town reported aggregate deferred inflows of resources of \$11,872,101 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5 above.

As of June 30, 2014, the governmental activities reported deferred inflows of resources in the amount of \$1,632,441. This is comprised of unamortized bond premiums of \$1,383,067, and deferred revenues of \$249,374 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, 2014:

<u>Purpose</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
MWPAT subsidized septic bond, due 2017-2027	\$ 2,987,885	\$ -	\$ (211,659)	\$ 2,776,226	\$ 211,689
MWPAT subsidized landfill bond, due 2020	485,000		(60,000)	425,000	65,000
General obligation bond, 4.05%, dtd 2/6/2007, due 2/1/2017	600,000		(150,000)	450,000	150,000
Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018	640,000		(110,000)	530,000	110,000
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	3,013,000		(914,400)	2,098,600	905,400
MWPAT subsidized storm water management bond, due 2/15/2027	295,100		(17,039)	278,061	17,383
General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022	1,150,000		(125,000)	1,025,000	125,000
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	31,700,000		(1,190,000)	30,510,000	1,225,000
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	1,181,000		(57,000)	1,124,000	59,000
General obligation bond, 2.00-4.00%, dtd 9/27/13, due 9/15/2033		4,870,000		4,870,000	175,000
Total long-term bonds	42,051,985	4,870,000	(2,835,098)	44,086,887	3,043,472

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

Landfill closure and monitoring liability	429,250		(30,499)	398,751	31,523
Other post employment benefits	7,746,142	3,239,535	(1,415,790)	9,569,887	
Leases payable	30,776	376,365	(162,847)	244,294	118,953
Compensated absences	<u>1,384,867</u>	<u>133,351</u>		<u>1,518,218</u>	
Total governmental noncurrent liabilities	<u>\$ 51,643,020</u>	<u>\$ 8,619,251</u>	<u>\$(4,444,234)</u>	<u>\$ 55,818,037</u>	<u>\$ 3,193,948</u>
<b>Business-type activities:</b>					
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	\$ 187,000	\$	\$ (50,600)	\$ 136,400	\$ 49,600
MWPAT water filtration project bond, 2.0%, dtd. 12/18/2007, due 7/15/2027	7,879,331		(454,961)	7,424,370	464,152
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	2,869,537		(133,774)	2,735,763	136,476
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	735,493		(34,292)	701,201	34,984
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	<u>900,000</u>		<u>(34,000)</u>	<u>866,000</u>	<u>36,000</u>
Total long-term bonds payable	12,571,361	-	(707,627)	11,863,734	721,212
Compensated absences	<u>67,801</u>	<u>3,630</u>		<u>71,431</u>	
Total business-type activities noncurrent liabilities	<u>\$ 12,639,162</u>	<u>\$ 3,630</u>	<u>\$ (707,627)</u>	<u>\$ 11,935,165</u>	<u>\$ 721,212</u>

### 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 \$1,021,576 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.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2014, including interest, are as follows:

Year Ending	<u>Governmental Activities</u>			<u>Business-Type Activities</u>								
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>					
2015	\$	3,043,472	\$	1,757,285	\$	4,800,757	\$	721,212	\$	236,957	\$	958,169
2016		3,145,893		1,684,634		4,794,527		728,452		221,758		950,210
2017		2,510,480		1,548,146		4,058,626		742,353		206,399		948,752
2018		2,155,576		1,460,340		3,615,916		714,916		191,505		906,421
2019		2,235,979		1,367,518		3,603,497		728,551		176,871		905,422
2020 – 2024		11,384,462		5,382,728		16,767,190		3,870,107		651,605		4,521,712
2025 – 2029		12,940,061		2,841,576		15,781,637		3,680,587		244,934		3,925,521
2030 – 2034		6,670,964		467,333		7,138,296		677,556		21,878		699,434
Totals	\$	44,086,887	\$	16,473,560	\$	60,560,446	\$	11,863,734	\$	1,951,907	\$	13,815,641

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

Unissued debt authorizations consist of the following at June 30, 2014:

<u>Purpose</u>	<u>Year(s)</u> <u>Authorized</u>	<u>Amount</u>
High School Construction	2011	\$42,299,353
Water SCADA Upgrade	2014	100,000
Water Mains – Walnut Street	2014	775,000
Central School Chair Lift	2014	50,000
Middle School Tile Replacement	2014	50,000
CS & MS Oil Tank Removal	2014	100,000
Fire Station Renovations	2014	175,000
School Technology	2014	215,600
Town Hall Renovation	2014	337,500
Roads	2014	582,000
Total authorized and unissued		<u>\$ 44,684,453</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, 2014.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### *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, 2014, including interest is as follows:

Year Ending <u>June 30,</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Total Lease Payments</u>
2015	\$ 118,953	\$ 13,119	\$ 132,072
2016	125,341	6,731	132,072
Totals	<u>\$ 244,294</u>	<u>\$ 19,850</u>	<u>\$ 264,144</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 9 relating to the MWPAT Water Filtration Project. Temporary borrowings related to capital projects are recorded in the Town's Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2014 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
<b><u>Governmental Activities</u></b>						
School Building Project BAN	1.00%	3/13/2015	\$ -	\$ 3,551,000	\$ -	\$ 3,551,000
<b>Total Governmental Activities</b>			<u>\$ -</u>	<u>\$ 3,551,000</u>	<u>\$ -</u>	<u>\$ 3,551,000</u>

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has a deficit fund balance related to High School Building Capital Project Fund. This deficit will be funded through long-term borrowing.

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

### **Notes to Financial Statements**

June 30, 2014

#### **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 \$1,827,445, 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, 2013 and 2012 were \$1,788,935 and \$1,579,103, 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 \$5,077,518 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.

##### **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 275 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as expenditures as premiums are paid. For 2014, those costs totaled approximately \$1,484,000. The costs for 2013 and 2012 were \$1,487,000 and \$1,653,000 respectively.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### 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	\$ 3,165,887
Interest on net OPEB obligation	309,846
Amortization of Actuarial (Gain) / Losses	194,533
Adjustment to annual required contribution	<u>(430,731)</u>
Annual OPEB cost (expenses)	3,239,535
Contributions made	<u>(1,415,790)</u>
Increase in net OPEB obligation	1,823,745
Net OPEB obligation, beginning year	<u>7,746,142</u>
Net OPEB obligation, end of year	<u><u>\$ 9,569,887</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 3,239,535	43.70%	\$ 1,823,745
6/30/2013	\$ 3,109,203	46.45%	\$ 1,664,899
6/30/2012	\$ 2,807,417	61.70%	\$ 1,075,168

### 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.

## **TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

### **Notes to Financial Statements**

June 30, 2014

#### **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

#### **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, 2014, \$398,750 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 2014, 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 2014, the Group was self-insured.

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

Effective in FY15, the Town joined Group Insurance Commission (GIC) for health insurance. In January 2015, the Town received 8.71% of Southeastern Massachusetts Health Group's fund balance at 6/30/14 as a result of them leaving the Group. This payment amounted to \$956,954.

### **Note 14. Commitments and Contingencies**

The Town is named as a defendant in several lawsuits at June 30, 2014. 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. Restated Beginning Fund Balance**

At June 30, 2013, the building maintenance stabilization fund and capital stabilization fund were included on the fund basis statements as other governmental funds. However, for fiscal year 2014, these two funds are included in the general fund. See Note 3C for stabilization balances. As these funds have been grouped different for FY14, the beginning balances on the statement of revenues, expenditures and changes in fund balances for governmental funds have been restated. Changes are shown below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Balance at June 30, 2013	\$ 6,058,778	\$ 4,165,477
Building Maintenance Stabilization Fund reclassified	255,274	(255,274)
Capital Stabilization Fund reclassified	<u>1,932,391</u>	<u>(1,932,391)</u>
July 1, 2013 beginning balance restated	<u>\$ 8,246,443</u>	<u>\$ 1,977,812</u>

### **Note 16. Implementation of New GASB Pronouncements**

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

#### **Current pronouncements**

The GASB issued Statement #65, Items Previously Reported as Assets and Liabilities, which was required to be implemented in fiscal year 2014. The pronouncement reclassified certain assets and liabilities as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The pronouncement had a material effect in the current year and was implemented in the prior year.



## TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2014

The GASB issued Statement #66, *Technical Corrections – 2012*, an amendment of *GASB Statements No.10 and No. 62*, which is required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The pronouncement had no effect upon the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which was required to be implemented in fiscal year 2014. This pronouncement required consistent reporting by those governments that extend nonexchange financial guarantees. The pronouncement had no effect upon the Town's financial statements.

#### Future pronouncements

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 #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. The pronouncement addresses application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Town is will evaluate the effect of the pronouncement with the implementation of Statement No. 68.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2014

### 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>							UAAL as of
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll		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 <u>Ended</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
6/30/2014	\$ 3,239,535	43.70%
6/30/2013	\$ 3,102,152	46.56%
6/30/2012	\$ 2,853,541	60.03%

### 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.

See Independent Auditors' Report

**TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2014

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

See Independent Auditors' Report

**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, 2014

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property Taxes	\$ 24,977,483	\$ 25,072,483	\$ 25,566,420	\$ 493,937
Excise Taxes	1,189,779	1,189,779	1,650,641	460,862
Licenses and permits	197,600	197,600	249,924	52,324
Penalties and interest	175,000	175,000	267,046	92,046
Investment interest	25,000	25,000	24,550	(450)
Fees and fines	130,000	130,000	194,520	64,520
Departmental and other	218,500	218,500	374,628	156,128
Intergovernmental	12,537,023	12,537,023	12,602,118	65,095
Total revenues	<u>39,450,385</u>	<u>39,545,385</u>	<u>40,929,847</u>	<u>1,384,462</u>
<b>Expenditures</b>				
General government	11,001,062	10,780,781	10,157,166	623,615
Public safety	4,555,804	4,577,465	4,538,395	39,070
Education	18,633,092	19,209,892	19,225,374	(15,482)
Public works	993,585	974,919	1,399,281	(424,362)
Human services	591,957	647,465	602,504	44,961
Culture and recreation	465,775	451,825	442,948	8,877
State and county assessments	319,528	319,528	349,495	(29,967)
Debt Service	4,335,340	4,369,273	4,344,727	24,546
Total Expenditures	<u>40,896,143</u>	<u>41,331,148</u>	<u>41,059,890</u>	<u>271,258</u>
Revenues over (under) expenditures	(1,445,758)	(1,785,763)	(130,043)	1,655,720
<b>Other financing sources (uses)</b>				
Transfers in from other funds	930,069	940,069	1,083,789	143,720
Transfers out to other funds	(598,193)	(720,624)	(720,624)	
Total other financing sources	<u>331,876</u>	<u>219,445</u>	<u>363,165</u>	<u>143,720</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,113,882)	(1,566,318)	233,122	<u>\$ 1,799,440</u>
Fund balance, beginning of year			4,143,815	
Fund balances, end of year			<u>\$ 4,376,937</u>	
<b>Other budget items</b>				
Free cash appropriations	\$ 840,788	\$ 1,518,166		
Use of overlay	79,410	79,410		
Carryover encumbrances	346,834	121,892		
Premiums reserved for excluded debt	143,014	143,014		
Funding of prior year deficits	(296,164)	(296,164)		
Total other budget items	<u>1,113,882</u>	<u>1,566,318</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditors' Report

# TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2014

### 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, 2014, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 40,929,847	\$ 41,059,890	\$ 363,165
Adjustment for property tax revenues	(122,578)		
State funded teacher's pension	5,077,518	5,077,518	
MWPAT subsidy accrual	19,194	19,194	
Stabilization fund activity	121,322	20,863	361,828
Indirect costs of other funds recorded as operating transfers on budgetary basis		(241,705)	(241,705)
As reported on a GAAP basis	<u>\$ 46,025,303</u>	<u>\$ 45,935,760</u>	<u>\$ 483,288</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.

See Independent Auditors' Report