

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2017

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of June 30, 2017, 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, during fiscal year 2017 the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Town reported a restatement for the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v – xiii, and the Schedule of Changes in the Town's Net OPEB Liability and Related Ratios, Schedule of Contributions – Other Postemployment Benefits, the Schedule of Pension Plan Contributions, and the Budgetary Comparison Schedule and related notes on pages 45 – 50 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 8, 2018, on our consideration of the Town of East Bridgewater, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts' internal control over financial reporting and compliance.

Lynch Marini & Associates Inc.

Norwell, Massachusetts
March 8, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of East Bridgewater, Massachusetts' basic financial statements, and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Norwell, Massachusetts
March 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

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, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements, with notes, to enhance their understanding of the Town's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4.9 million (net position). The Town's net investment in capital assets and restricted net position consisted of approximately \$58.7 and \$7.6 million, respectively. The \$61.4 million deficit balance reported in the unrestricted net position classification is due in large part to the reporting of approximately \$60.9 million of net other postemployment benefits (OPEB) liability and \$22.3 million of net pension liability as of June 30, 2017.
- The Town's business-type activities assets exceed its liabilities at the close of the most recent fiscal year by \$9.4 million (net position). This is comprised of net investment in capital assets of \$7.0 million and unrestricted net position of \$2.4 million.
- The total cost of all Town services for fiscal year 2017 was \$60.1 million.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.4 million, or approximately 18.4% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with prior years. Required supplementary information as required by the Government Accounting Standards Board (GASB), are presented following the financial statements and related notes to provide additional analysis.

Government-Wide Statements

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

Statement of Net Position: The Statement of Net Position presents information on all of the Town's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

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 (business-type activities). The governmental activities of the Town include the broad functions of general government, public safety, education, public works, health and human services, culture and recreation, and the major services provided within each functional category. The Town's business-type activities include water and solid waste activities.

Fund Financial Statements

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

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

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

The Town maintains several governmental funds. The Town has considered, as major funds, the general fund, 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. Individual fund data for each of these other governmental funds is available from the Town Accountant's office.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found the accompanying pages of this report following the basic financial statements described above.

Required supplementary information: Budgetary comparison information, the schedule of pension plan contributions, and the related schedules and notes associated with the Town's Other Post-Employment Benefit Plan (OPEB) are presented following the basic financial statements and notes as required by Governmental Accounting Standards.

Government Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of East Bridgewater, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.9 and \$9.4 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the accompanying tables. During fiscal year 2017, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The beginning net position balances have been restated to reflect the change in accounting principle. This restatement has been detailed at Note 15 following the accompanying financial statements. Prior year amounts have been restated in the following table.

	FY 2017	FY 2016
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 29,588,373	\$ 29,060,852
Capital assets	98,708,867	101,182,988
Total assets	128,297,240	130,243,840
Deferred outflows of resources	8,294,758	2,603,664
Total assets and deferred outflows of resources	<u>\$ 136,591,998</u>	<u>\$ 132,847,504</u>
Current liabilities	\$ 6,741,204	\$ 7,756,153
Long-term liabilities	123,214,851	115,865,001
Total liabilities	129,956,055	123,621,154
Deferred inflows of resources	1,775,639	1,320,992
Net position:		
Net investment in capital assets	58,661,492	57,559,187
Restricted	7,616,431	5,707,804
Unrestricted	(61,417,619)	(55,361,633)
Total net position	<u>4,860,304</u>	<u>7,905,358</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 136,591,998</u>	<u>\$ 132,847,504</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS**Management's Discussion and Analysis**

June 30, 2017

	FY 2017 Business-type Activities	FY 2016 Business-type Activities
Current assets	\$ 4,093,487	\$ 4,536,473
Capital assets	18,377,662	18,823,333
Total assets	22,471,149	23,359,806
Deferred outflows of resources	128,700	
Total assets and deferred outflows of resources	<u>\$ 22,599,849</u>	<u>\$ 23,359,806</u>
Current liabilities	\$ 1,060,632	\$ 1,175,314
Long-term liabilities	12,158,581	12,720,052
Total liabilities	13,219,213	13,895,366
Deferred inflows of resources		
Net position		
Net investment in capital assets	6,980,945	6,617,957
Unrestricted	2,399,691	2,846,483
Total net position	<u>9,380,636</u>	<u>9,464,440</u>
Total liabilities, deferred inflows and net position	<u>\$ 22,599,849</u>	<u>\$ 23,359,806</u>

Included within the governmental activities current assets are \$14.6 million in cash, \$7.9 million in investments, and \$7.1 million in receivables, net of allowances for uncollectible accounts. Receivables consist primarily of approximately \$900,000 of sewer betterment, \$5.8 million of property taxes, excise, charges for services and other, and \$400,000 of intergovernmental receivables. Business-type activities' current assets are comprised of \$2.9 million of cash, and approximately \$1.2 million of receivables, associated with the user charges.

The Town reported \$2.8 million of deferred outflows of resources associated with the Town's net pension liability and \$5.6 million of deferred outflows associated with net OPEB liability; both are to be amortized over future periods. The Town reports the net pension liability and associated deferred outflows of resources solely within governmental activities and net OPEB liability and associated deferred outflows of resources in both the governmental and business-type activities.

Current year additions to capital assets totaled approximately \$1.6 million for governmental activities and \$154,000 for business-type activities. Capital asset additions included town hall repairs, police commutations upgrades, road improvements, water infrastructure improvements and vehicle purchases.

Current liabilities for governmental activities of \$6.7 million consist primarily of \$1.5 million of accounts payable and wages, \$1.9 million of accrued payroll, \$234,000 of accrued interest expense, \$520,000 of notes payable, and \$2.6 million of current portion of bonded debt because it is due in fiscal year 2017. Business-type activities current liabilities of \$1.1 million consist of approximately \$184,000 of accounts payable and wages, \$86,500 of accrued interest expense, and \$790,000 of current portion of bonded debt due in 2017.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

Governmental activities long-term liabilities (due in more than one year) include \$40.9 million in general obligation bonds, \$1.4 million for compensated absences, \$60.9 million for other post-employment benefits, \$313,000 for landfill closure and monitoring liability and \$22.3 million in net pension liability.

Deferred inflows of resources of \$1.78 million is comprised of \$980,000 of unamortized bond premiums and \$795,000 related to net pension liability. These amounts are to be amortized over future periods.

The largest portion of the Town's governmental activities and business-type activities net position \$65.6 million, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$7.6 million represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the Town's net position, which may be used to meet the Town's ongoing obligations to its citizens and creditors, was in a deficit of approximately \$59.0 million at the end of fiscal year 2017. This relates primarily to the Town's net OPEB liability and the net pension liability reported at year end.

The Town's governmental activities' net position decreased by \$3.0 million and business-type activities' net position decreased by \$84,000 during fiscal 2017. A summary of revenues and major functional expenditures is presented below. No changes have been made to 2016 amounts, on the following table, as a result of implementation of GASB Statement #75.

Revenues:

- Property taxes represent approximately 52% of the Town's governmental activities revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- Operating grants and contributions make up the second largest governmental activities' revenue representing nearly 33% of the Town's total revenue. The largest proportion of this revenue, nearly \$14.7 million, an increase of \$2.1 million from the prior year, represents Chapter 70 school aid, MTRS contributions made by the Commonwealth on behalf of the Town and other educational grants received from the Commonwealth and federal government.
- Capital Grants and contributions decreased from fiscal year 2016 by almost \$1.6 million due to prior year recognition of MSBA assistance for the High School Building Project.

Expenses:

- Governmental activities expenses showed an increase of 5.3% from the prior year, primarily due to increases in pension expenses and other post-employment benefits expenses.
- Business-type activities' total expenses showed an increase of 3.9% from prior year due to increased water fund operating expenses that were not considered capital expenditures (i.e. meter replacement).

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

	FY 2017 Governmental <u>Activities</u>	FY 2016 Governmental <u>Activities</u>
Revenues:		
Program revenues:		
Charges for service	\$ 3,387,680	\$ 3,829,686
Operating grants and contributions	17,705,056	15,619,803
Capital grants and contributions	424,243	2,031,573
Total program revenues	21,516,979	21,481,062
General revenues and other:		
Property taxes levied	28,152,679	27,528,811
Excise taxes	1,992,545	1,903,442
Penalties and interest on taxes	343,932	275,998
Grants and contributions no restricted	1,972,718	1,864,619
Investment income	45,180	323,704
Miscellaneous and bond premiums		579,776
Transfers	(250,000)	(98,956)
Total general revenues	32,257,054	32,377,394
Total revenues	53,774,033	53,858,456
Expenses:		
General government	14,519,231	13,415,434
Public safety	5,828,522	6,099,716
Education	30,636,097	29,178,134
Public works	2,149,151	1,655,355
Health and human services	1,045,384	963,589
Culture and recreation	557,191	613,165
Interest on long term debt	1,615,069	1,618,713
State and county charges	468,442	396,329
Total expenses	56,819,087	53,940,435
Change in net position	<u>\$ (3,045,054)</u>	<u>\$ (81,979)</u>

	FY 2017 Business-type <u>Activities</u>	FY 2016 Business-type <u>Activities</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,966,044	\$ 2,940,150
Total operating revenues	2,966,044	2,940,150
Expenses:		
Salaries and wages	692,394	685,871
Operating expenses	1,773,229	1,637,086
Depreciation	599,680	627,037
Total expenses	3,065,303	2,949,994
Total operating income	(99,259)	(9,844)
Non-operating revenues (expenses)		
Investment income	12,669	11,439
Debt service	(247,214)	(257,747)
Total non-operating revenues (expenses), net	(234,545)	(246,308)
Transfers		
Transfers in from other funds	250,000	98,956
Change in net position	<u>\$ (83,804)</u>	<u>\$ (157,196)</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

Financial Analysis of the Governmental Funds Financial Statements

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18.8 million an increase of approximately \$3.2 million from the prior year. This increase is due primarily to the issuance of long term debt and MSBA receipts (revenues) related to the High School Building Project. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,000, restricted fund balance of \$6.4 million, committed fund balance of \$3.9 million; assigned fund balance of \$206,000 and unassigned fund balance of \$8.2 million.

The General Fund is the chief operating fund. At the end of the current fiscal year, the General Fund reported aggregate fund balance of \$11.4 million, a decrease of \$772,000 from the previous year. Of this amount \$102,000 or 0.9%, represents restricted fund balance. Committed fund balance of \$2.7 million and assigned fund balance of \$206,000 represent 23.4% and 1.8% of total general fund balance respectively. Unassigned fund balance of \$8.4 million represents 73.9% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 18.4% and 18.5%, respectively, of total general fund expenditures and revenues.

General Fund Budgetary Highlights

The difference between the original budget of \$45,274,698 and the final budget of \$45,299,520 (both figures represent total budgeted expenditures and transfers to other funds) is due to additional appropriations at special town meetings of approximately \$797,381, less \$772,559 in encumbrances and carryover articles being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$391,000 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 2018 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, 2017 and 2016 amounts to \$98.7 million and \$101.2 million, respectively, which is net of accumulated depreciation of \$55.5 million and \$51.4 million. 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, 2017

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 4.9	\$ 4.9
Art and historical treasures	0.1	0.1
Buildings and improvements	77.0	79.1
Equipment, machinery & vehicles	3.9	4.2
Infrastructure	12.8	12.9
	<u>\$ 98.7</u>	<u>\$ 101.2</u>

Significant capital asset events during 2017 include the purchases of automobiles and a fire engine, road improvements and Town Hall improvements.

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2017 and 2016 amounts to \$18.3 million and \$18.8 million, respectively, which is net of accumulated depreciation of \$11.8 million and \$11.2 million, 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):

	<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 0.2	\$ 0.2
Buildings and improvements	2.3	2.4
Equipment, machinery & vehicles	0.4	0.9
Infrastructure	15.5	16.2
	<u>\$ 18.4</u>	<u>\$ 19.7</u>

Capital asset events during 2017 include water infrastructure improvements and the purchase of an automobile.

Long Term Debt

Governmental Activities

At June 30, 2017 and 2016, the Town's governmental activities had total bonded debt outstanding of \$40.9 million and \$42.4 million, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had short-term notes of \$520,000 at June 30, 2017 and \$3.6 million at June 30, 2017.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2017

Business-type Activities

At June 30, 2017 and 2016, the Town's business-type activities had total bonded debt outstanding of \$11.4 million and \$12.2 million, respectively. This debt is supported by water rates.

The Town of East Bridgewater maintains bond rating with Moody's Investor Service of Aa3 as of September 22, 2017.

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 3.3% which includes new growth.

The operating budget increased 1.96% over the FY 17 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 For the Year Ended June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,635,892	\$ 2,882,725	\$ 17,518,617
Investments	7,888,007		7,888,007
Receivables, net of allowance for uncollectibles	7,064,474	1,210,762	8,275,236
Noncurrent assets:			
Capital assets, net of accumulated depreciation	98,708,867	18,377,662	117,086,529
Total assets	128,297,240	22,471,149	150,768,389
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with net pension liability	2,860,299		2,860,299
Associated with net OPEB liability	5,434,459	128,700	5,563,159
Total deferred outflows of resources	8,294,758	128,700	8,423,458
Total assets and deferred outflows of resources	\$ 136,591,998	\$ 22,599,849	\$ 159,191,847
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 1,536,922	\$ 184,128	\$ 1,721,050
Accrued payroll	1,860,854		1,860,854
Accrued interest	234,852	86,588	321,440
Notes payable	520,000		520,000
Noncurrent liabilities:			
Due within one year	2,588,576	789,916	3,378,492
Due in more than one year	123,214,851	12,158,581	135,373,432
Total liabilities	129,956,055	13,219,213	143,175,268
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	980,375		980,375
Associated with net pension liability	795,264		795,264
Total deferred inflows of resources	1,775,639		1,775,639
<u>NET POSITION</u>			
Net investment in capital assets	58,661,492	6,980,945	65,642,437
Restricted	7,616,431		7,616,431
Unrestricted	(61,417,619)	2,399,691	(59,017,928)
Total net position	4,860,304	9,380,636	14,240,940
Total liabilities, deferred inflows of resources and net position	\$ 136,591,998	\$ 22,599,849	\$ 159,191,847

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, 2017

<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>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government							
Governmental activities:							
General government	\$ 14,519,231	\$ 330,565	\$ 210,886	\$	\$ (13,977,780)	\$	\$ (13,977,780)
Public safety	5,828,522	1,089,906	369,576		(4,369,040)		(4,369,040)
Education	30,636,097	1,758,298	16,844,610		(12,033,189)		(12,033,189)
Public works	2,149,151	130		424,243	(1,724,778)		(1,724,778)
Human services	1,045,384	171,689	228,055		(645,640)		(645,640)
Culture and recreation	557,191	37,092	31,272		(488,827)		(488,827)
State and county charges	468,442				(468,442)		
Interest	1,615,069		20,657		(1,594,412)		(1,594,412)
Total governmental activities	56,819,087	3,387,680	17,705,056	424,243	(35,302,108)		(35,302,108)
Business-type activities:							
Water	2,554,397	2,369,158				(185,239)	(185,239)
Sewer	758,120	596,886				(161,234)	(161,234)
Total business-type activities	3,312,517	2,966,044				(346,473)	(346,473)
Total primary government	<u>\$ 60,131,604</u>	<u>\$ 6,353,724</u>	<u>\$ 17,705,056</u>	<u>\$ 424,243</u>	(35,302,108)	(346,473)	(35,648,581)
General revenues and transfers							
Property taxes, net of allowances for uncollectibles					28,152,679		28,152,679
Excise taxes, net of allowance for uncollectibles					1,992,545		1,992,545
Penalties and interest on taxes					343,932		343,932
Grants and contributions not restricted to specific programs					1,972,718		1,972,718
Investment income					45,180	12,669	57,849
Transfers, net					(250,000)	250,000	
Total general revenues and transfers					32,257,054	262,669	32,519,723
Change in net position					(3,045,054)	(83,804)	(3,128,858)
Net position - beginning of year, restated					7,905,358	9,464,440	17,369,798
Net position - end of year					<u>\$ 4,860,304</u>	<u>\$ 9,380,636</u>	<u>\$ 14,240,940</u>

The accompanying notes are an integral part of these financial statements

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2017

	General Fund	High School Building Project Fund	Septic Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash, cash equivalents and investments	\$ 6,870,610	\$ 8,370	\$ 2,133,606	\$ 5,623,306	\$ 14,635,892
Investments	7,314,604			573,403	7,888,007
Receivables	5,796,007		915,856	449,717	7,161,580
Total assets	<u>\$ 19,981,221</u>	<u>\$ 8,370</u>	<u>\$ 3,049,462</u>	<u>\$ 6,646,426</u>	<u>\$ 29,685,479</u>
<u>LIABILITIES</u>					
Accounts payable and wages	\$ 1,073,198	\$	\$	\$ 463,724	\$ 1,536,922
Accrued payroll	1,765,583			95,271	1,860,854
Notes payable				520,000	520,000
Total liabilities	<u>2,838,781</u>			<u>1,078,995</u>	<u>3,917,776</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	<u>5,725,831</u>		<u>915,856</u>	<u>275,905</u>	<u>6,917,592</u>
Total deferred inflows of resources	<u>5,725,831</u>		<u>915,856</u>	<u>275,905</u>	<u>6,917,592</u>
<u>FUND BALANCES</u>					
Nonspendable				96,270	96,270
Restricted	101,770	8,370	2,133,606	4,186,424	6,430,170
Committed	2,669,578			1,207,820	3,877,398
Assigned	206,482				206,482
Unassigned	8,438,779			(198,988)	8,239,791
Total fund balances	<u>11,416,609</u>	<u>8,370</u>	<u>2,133,606</u>	<u>5,291,526</u>	<u>18,850,111</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,981,221</u>	<u>\$ 8,370</u>	<u>\$ 3,049,462</u>	<u>\$ 6,646,426</u>	<u>\$ 29,685,479</u>

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

Total fund balances of governmental funds	\$ 18,850,111
Capital assets used in governmental activities are not financial resources and are not reported in funds.	98,708,867
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds.	6,917,592
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(97,106)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(125,803,427)
Deferred outflows of resources not recognized on the modified accrual basis	8,294,758
Deferred inflows of resources, not recognized on the modified accrual basis	(1,775,639)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(234,852)
Net position of governmental activities	<u>\$ 4,860,304</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, 2017

	<u>General Fund</u>	<u>High School Building Project Fund</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 28,096,206	\$	\$	\$	\$ 28,096,206
Excise taxes	2,024,561				2,024,561
Licenses and permits	199,858				199,858
Penalties and interest	341,524				341,524
Investment income	50,199			14,568	64,767
Charges for services			235,399	2,900,215	3,135,614
Fees and fines	188,527			50,917	239,444
Departmental and other	150,564			226,267	376,831
Intergovernmental	14,655,861	1,699,968	51,015	2,954,216	19,361,060
Total revenues	<u>45,707,300</u>	<u>1,699,968</u>	<u>286,414</u>	<u>6,146,183</u>	<u>53,839,865</u>
Expenditures					
General government	10,446,728			600,335	11,047,063
Public safety	5,092,186			819,448	5,911,634
Education	22,820,219	57,114		3,198,166	26,075,499
Public works	1,386,683			833,148	2,219,831
Human services	797,183		40,714	94,747	932,644
Culture and recreation	477,022			62,899	539,921
State and county assessments	468,442				468,442
Debt Service:					
Principal	2,633,293		243,546		2,876,839
Interest and other charges	1,749,716		20,656		1,770,372
Total expenditures	<u>45,871,472</u>	<u>57,114</u>	<u>304,916</u>	<u>5,608,743</u>	<u>51,842,245</u>
Revenues over (under) expenditures	(164,172)	1,642,854	(18,502)	537,440	1,997,620
Other financing sources (uses)					
Proceeds from long term debt issuance		854,000		544,000	1,398,000
Proceeds from premiums on issuance of debt				19,077	19,077
Transfers in	647,000	985,733		3,707	1,636,440
Transfers out	(1,254,440)			(632,000)	(1,886,440)
Total other financing sources and (uses)	<u>(607,440)</u>	<u>1,839,733</u>		<u>(65,216)</u>	<u>1,167,077</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(771,612)	3,482,587	(18,502)	472,224	3,164,697
Fund balance, beginning of year	<u>12,188,221</u>	<u>(3,474,217)</u>	<u>2,152,108</u>	<u>4,819,302</u>	<u>15,685,414</u>
Fund balance, end of year	<u>\$ 11,416,609</u>	<u>\$ 8,370</u>	<u>\$ 2,133,606</u>	<u>\$ 5,291,526</u>	<u>\$ 18,850,111</u>

The accompanying notes are an integral part of these financial statements

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Reconciliation to the Statement Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ 3,164,697
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year	1,658,491
Depreciation recorded for the fiscal year	(4,132,612)
Certain deferred outflows of resources are reported on the government-wide financial statements to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements	
Changes in amounts associated with net pension liability	256,635
Changes in amounts associated with net OPEB liability	5,434,459
Certain deferred inflows of resources are reported on the government-wide financial statements to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements	
Changes in amounts associated with net pension liability	(583,760)
Changes in amounts associated with unamortized bond premiums	129,113
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	(1,971,728)
Net change in allowance for doubtful accounts	47,134
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.	
Issuance of long-term debt	(1,398,000)
Principal payments on long-term debt	2,846,481
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.	
Net change in accrued interest expense	7,113
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 are as follows:	
Other postemployment benefits	(8,488,906)
Net pension liability	(215,072)
Capital leases	65,657
Landfill postclosure liability	26,800
Compensated absences	108,444
Change in net position of governmental activities	<u>\$ (3,045,054)</u>

The accompanying notes are an integral part of these financial statements

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2017

	Business-type Activities		
	Water	Solid Waste	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,525,947	\$ 356,778	\$ 2,882,725
Receivables, net of allowance for uncollectibles	1,143,511	67,251	1,210,762
Noncurrent assets:			
Capital assets, net of accumulated depreciation	18,377,662		18,377,662
Total assets	22,047,120	424,029	22,471,149
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with net OPEB liability	116,416	12,284	128,700
Total deferred outflows of resources	116,416	12,284	128,700
Total assets and deferred outflows of resources	<u>\$ 22,163,536</u>	<u>\$ 436,313</u>	<u>\$ 22,599,849</u>
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 78,594	\$ 105,534	\$ 184,128
Accrued interest	86,588		86,588
Noncurrent liabilities:			
Due within one year	789,916		789,916
Due in more than one year	12,005,661	152,920	12,158,581
Total liabilities	12,960,759	258,454	13,219,213
<u>NET POSITION</u>			
Net investment in capital assets	6,980,945		6,980,945
Unrestricted	2,221,832	177,859	2,399,691
Total net position	9,202,777	177,859	9,380,636
Total liabilities and net position	<u>\$ 22,163,536</u>	<u>\$ 436,313</u>	<u>\$ 22,599,849</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
For the Year Ended June 30, 2017

	Business-type Activities		
	Water Fund	Solid Waste	Total
Operating revenues:			
Charges for services, departmental and other	\$ 2,369,158	\$ 596,886	\$ 2,966,044
Total operating revenues	2,369,158	596,886	2,966,044
Operating expenses:			
Salaries and wages	615,528	76,866	692,394
Operating expenses	1,091,975	681,254	1,773,229
Depreciation	599,680		599,680
Total operating expenses	2,307,183	758,120	3,065,303
Operating income (loss)	61,975	(161,234)	(99,259)
Non operating revenues (expenses)			
Interest income	12,378	291	12,669
Interest expense	(247,214)		(247,214)
Total non operating revenue, net	(234,836)	291	(234,545)
Transfers			
Transfers in		250,000	250,000
Total transfers		250,000	250,000
Change in net position	(172,861)	89,057	(83,804)
Net position at beginning of year, restated	9,375,638	88,802	9,464,440
Net position at end of year	\$ 9,202,777	\$ 177,859	\$ 9,380,636

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, 2017

	<u>Business-type Activities</u>		
	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,379,386	\$ 593,829	\$ 2,973,215
Payments to vendors, including fringe benefits	(1,147,365)	(608,097)	(1,755,462)
Payments to employees	(602,805)	(68,632)	(671,437)
Net cash provided by operating activities	629,216	(82,900)	546,316
Cash flows from noncapital financing activities:			
Operating transfers-in from General Fund		250,000	250,000
Net cash provided by noncapital financing activities		250,000	250,000
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(154,009)		(154,009)
Principal payments on leases	(11,306)		(11,306)
Principal payments on bonds and notes	(797,353)		(797,353)
Interest payments	(282,132)		(282,132)
Net cash used for capital and related activities	(1,244,800)		(1,244,800)
Cash flows from investing activities			
Interest and dividends on investments	12,378	291	12,669
Net change in cash and cash equivalents	(603,206)	167,391	(435,815)
Cash and cash equivalents at beginning of year	3,129,153	189,387	3,318,540
Cash and cash equivalents at end of year	<u>\$ 2,525,947</u>	<u>\$ 356,778</u>	<u>\$ 2,882,725</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 61,975	\$ (161,234)	\$ (99,259)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	599,680		599,680
Changes in assets and liabilities:			
Receivables, net of allowance for collectibles	10,228	(3,057)	7,171
Deferred outflows of resources associated with OPEB	(116,416)	(12,284)	(128,700)
Accounts payable and other liabilities	(127,111)	66,090	(61,021)
Net OPEB liability	188,137	19,351	207,488
Compensated absences	12,723	8,234	20,957
Total adjustments	567,241	78,334	645,575
Net cash provided by operating activities	<u>\$ 629,216</u>	<u>\$ (82,900)</u>	<u>\$ 546,316</u>

The accompanying notes are an integral part of these financial statements

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2017

	Private Purpose Trust Fund	Other Post Employment Benefits Trust Fund	Agency Amounts
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$ 729,997
Investments	329,358	47,628	
Receivables			38,318
Total assets	<u>\$ 329,358</u>	<u>\$ 47,628</u>	<u>\$ 768,315</u>
<u>LIABILITIES</u>			
Accounts payable	\$		\$ 38,429
Amounts due to students			151,531
Amounts held in escrow			578,355
Total liabilities			<u>\$ 768,315</u>
<u>NET POSITION</u>			
Amounts held in trust	<u>329,358</u>	<u>47,628</u>	
Total liabilities and net position	<u>\$ 329,358</u>	<u>\$ 47,628</u>	

The accompanying notes are an integral part of these financial statements

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended June 30, 2017

	Private Purpose Trust Fund	Other Post- Employment Benefits Trust Fund
Additions		
Employer contributions	\$	\$ 1,164,083
Investment income	<u>(9,011)</u>	<u>1,791</u>
Total additions	(9,011)	1,165,874
Deductions		
Benefit payments		1,154,083
Scholarships and awards	<u>8,950</u>	
Change in net position	(17,961)	11,791
Net position at beginning of year	<u>347,319</u>	<u>35,837</u>
Net position at end of year	<u><u>\$ 329,358</u></u>	<u><u>\$ 47,628</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Note 1. Organization and Reporting Entity

A. Organization

The Town of East Bridgewater, Massachusetts (the Town), was incorporated in 1825. The Town is a political subdivision of the Commonwealth of Massachusetts, located in Plymouth County. The Town operates under a Town Meeting form of government, and an elected three member Board of Selectmen. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

B. Reporting Entity

General

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

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment/payments made by the Town in 2017. The Town also belongs to a cost sharing group established pursuant to Massachusetts General Laws for pension benefits; see the accompanying notes for additional information. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2017 Assessment</u>
Southeastern Regional School District 250 Foundry Street, Easton, MA 02375	To provide vocational education	\$ 777,444
North River Collaborative 198 Spring Street, Rockland, MA 02370	To provide special education	\$ 370,923

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

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

Related Organization

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

Government-wide Statements

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

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

The net costs are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in general government expenses in the financial statements.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Fund Financial Statements

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

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

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

Governmental Funds:

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

Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- 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.
- Septic loan repayment fund is a special revenue fund used to account for the repayment of Title V septic loans issued to residents for community septic management.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.
- 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. Although the water fund's debt is a general obligation of the Town, the Town budgets the debt service directly to the water fund. Additionally, the General Fund provided a subsidy to the solid waste fund for the current year. The Town has elected to show those funds as proprietary funds as allowed per Massachusetts' General Law.

Fiduciary Funds:

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

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

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

- Other postemployment benefits trust fund is used to account for resources legally held in trust for the benefit of retirees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, Section 20.
- 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.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

C. Fair Value Measurement

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

D. Cash, Cash Equivalents, and Investments

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

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

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

E. Receivables

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

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

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

User charges: User charges and fees consist of water and solid waste use. Water fees are levied monthly and are based on individual meter readings and are subject to penalties and interest if they are not paid by their respective due date. Solid waste charges are billed to users as those services are incurred. The Town earns revenue based upon the sale of recycling bags to users. Water and Solid Waste liens are processed each year and are included as a lien on the property owner's tax bill. The allowance for uncollectible amounts is based on historical trends and specific account analysis.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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June 30, 2017

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

Special assessments: Special assessments in the governmental funds consist septic repair betterment programs. These receivables are considered to be fully collectible.

Intergovernmental: Intergovernmental receivables represent amounts due from various federal and state agencies for operating and capital purposes.

F. Capital Assets

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

G. Deferred Outflows and Deferred Inflows

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

H. Liabilities

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

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

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

I. Compensated Absences

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

K. Equity Classifications

Government-wide Statements

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

- Net investment in capital assets—This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets are related debt are also included in this component of net position.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

- Restricted net position—This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

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

Fund balance can be classified in the following components:

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

L. Use of estimates

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

M. Pension

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

N. Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position, have been recognized on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

O. Total columns

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

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

B. Budgetary basis of accounting

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

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, 2017, the Town maintained balances of \$2,337,296 in its stabilization fund, \$1,003,599 in its health claims stabilization fund, and \$3,975,459 in its capital stabilization fund.

In addition, the general fund unassigned fund balance included a snow and ice removal appropriation deficit of approximately \$391,000. This deficit is to be raised in the fiscal year 2018 tax levy as allowed by law.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

As of June 30, 2017, the classification of the Town's fund balances can be detailed as follows:

	General Fund	High School Building Project Fund	Septic Loan Repayment Fund	Other Governmental Funds	Total
Non spendable					
Public safety	\$	\$	\$	\$ 500	\$ 500
Culture and recreation				95,770	95,770
subtotal				96,270	96,270
Restricted:					
General Government				619,061	619,061
Public Safety				632,810	632,810
Education		8,370		1,999,027	2,007,397
Public Works				698,291	698,291
Human Services			2,133,606	68,174	2,201,780
Culture & Recreation				169,061	169,061
Debt service	101,770				101,770
subtotal	101,770	8,370	2,133,606	4,186,424	6,430,170
Committed:					
General Government	1,386,697			29,341	1,416,038
Public Safety	207,304			1,136,015	1,343,319
Education	379,647				379,647
Public Works	97,494			39,194	136,688
Human Services	201,936				201,936
Culture & Recreation	30,500				30,500
Debt service	366,000			3,270	369,270
subtotal	2,669,578			1,207,820	3,877,398
Assigned:					
General Government	34,209				34,209
Public Safety	11,442				11,442
Education	156,822				156,822
Public Works	90				90
Human Services	3,919				3,919
subtotal	206,482				206,482
Unassigned	8,438,779			(198,988)	8,239,791
Total	<u>\$ 11,416,609</u>	<u>\$ 8,370</u>	<u>\$ 2,133,606</u>	<u>\$ 5,291,526</u>	<u>\$ 18,850,111</u>

The Town's stabilization funds are reported within the General Fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. At annual or special town meetings the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization funds included in unassigned fund balance of the General Fund at year end balances are as follows:

Stabilization fund:	\$2,337,296
Capital stabilization fund:	<u>\$3,975,459</u>
Total	<u>\$6,312,755</u>

In addition, the health claims stabilization fund is reported as a committed fund balance of the General Fund in the table above. Also, \$1,099,902 reserve for expenditures for the fiscal year 2018 budget is also reported as committed fund balance.

Deficit balances of \$198,988 reported within other governmental funds were related to several education grants and programs.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

D. Restricted Net Position

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

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

Capital projects	\$ 1,280,026
Septic loan	3,049,462
Other special revenue	2,718,843
Permanent	
Expendable	471,830
Non-expendable	96,270
	<u>\$ 7,616,431</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. OPEB funds may be invested in accordance with MGL Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2017 deposits totaled \$18,714,938 and had a carrying amount of \$18,248,614. Of the deposit amounts, \$8,564,229 was exposed to custodial credit risk at June 30, 2017 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, 2017, the Town had the following investments:

Governmental activities:

Type	Value	Measurement	Maturities			Total
			Less than 1 year	1-5 years	6-10 years	
Money Markets	\$ 50,637	Amortized Cost	N/A	N/A	N/A	\$ 50,637
US Treasury/ Agency Securities	4,889,605	Level 1	302,300	3,520,681	1,066,624	4,889,605
Domestic Equities	499,398	Level 1	N/A	N/A	N/A	499,398
Mutual Funds	203,392	Level 1	203,392			203,392
Corporate Bonds	1,157,748	Level 1	355,436	802,312		1,157,748
Certificates of Deposit	1,087,227	Level 1	315,384	771,843		1,087,227
Total	<u>\$ 7,888,007</u>		<u>\$ 1,176,512</u>	<u>\$ 5,094,836</u>	<u>\$ 1,066,624</u>	<u>\$ 7,888,007</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Fiduciary Funds:

Type	Value	Measurement	Maturities			Total
			Less than 1 year	1-5 years	6-10 years	
Money Markets	\$ 4,879	Amortized Cost	N/A	N/A	N/A	\$ 4,879
US Treasury/ Agency Securities	137,926	Level 1		137,926		137,926
Domestic Equities	48,119	Level 1	48,119			48,119
Mutual Funds	19,597	Level 1	19,597			19,597
Corporate Bonds	62,199	Level 1	34,247	27,952		62,199
Certificates of Deposit	104,266	Level 1	29,897	74,369		104,266
Total	<u>\$ 376,986</u>		<u>\$ 131,860</u>	<u>\$ 240,247</u>	<u>\$</u>	<u>\$ 376,986</u>

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

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 currently does not have a policy regarding credit risk.

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

	Rating	Less than		
		on year	1-5 years	Total
AT&T	Baa1	\$ 129,891	\$	\$ 129,891
Wells Fargo	A2	124,960		124,960
Merck & Co Inc	A1	39,962		39,962
Fifth Third Bank	A3	94,869		94,869
Union Pacific Railroad	Aa2		75,683	75,683
Pzifer Inc	A1		74,704	74,704
Burlington Northern Santa Fe	Aa2		79,735	79,735
General Mills	A3		75,491	75,491
Southern Pwr Co	Baa1		52,802	52,802
Bank of America Corp	Baa1		115,047	115,047
AT & T	Baa1		125,643	125,643
Wisconsin Elec Power	A2		102,627	102,627
Verizon Communications	Baa1		77,535	77,535
Carolina Power and Light	Aa3		50,998	50,998
Total		<u>\$ 389,682</u>	<u>\$ 830,265</u>	<u>\$ 1,219,947</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy states that unsecured bank deposits may be limited to no more than 5% of the Town's assets and no more than 10% of the Town's cash. The Town does not address the concentration of credit risk for other investments in which it may invest.

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.

The Town has formal policies that address the aforementioned risks.

Note 5. Receivables

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

Governmental activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property tax	\$ 469,912	\$	\$ 469,912
Tax liens, deferrals and foreclosures	4,923,338		4,923,338
Motor vehicle excise	192,570	(14,335)	178,235
Charges for service - ambulance	275,905	(82,771)	193,134
Departmental and other	7,598		7,598
Betterments	915,856		915,856
Intergovernmental:			
Chapter 90 awards requested	173,812		173,812
Other federal and state grants	202,589		202,589
Total governmental activities	<u>\$ 7,161,580</u>	<u>\$ (97,106)</u>	<u>\$ 7,064,474</u>

Business-type activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 1,143,511	\$	\$ 1,143,511
Solid waste and departmental	67,251		67,251
Total business-type activities	<u>\$ 1,210,762</u>	<u>\$</u>	<u>\$ 1,210,762</u>

Agency accounts report amounts, due from third parties for police and fire details, of \$38,318.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	(restated) Balance June 30, 2016	Increases	(Decreases)	Balance June 30, 2017
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,848,950	\$	\$	\$ 4,848,950
Works of art and historical treasures	93,450			93,450
Sub-total	4,942,400			4,942,400
Capital assets being depreciated:				
Buildings and related improvements	98,994,321	454,420		99,448,741
Equipment, machinery & vehicles	16,190,043	419,541	(7,000)	16,602,584
Infrastructure	32,432,064	784,530		33,216,594
Sub-total	147,616,428	1,658,491	(7,000)	149,267,919
Less accumulated depreciation:				
Buildings and related improvements	19,872,286	2,609,139		22,481,425
Equipment, machinery & vehicles	12,002,585	647,854	(7,000)	12,643,439
Infrastructure	19,500,969	875,619		20,376,588
Sub-total	51,375,840	4,132,612	(7,000)	55,501,452
Governmental capital assets, net	<u>\$ 101,182,988</u>	<u>\$ (2,474,121)</u>	<u>\$</u>	<u>\$ 98,708,867</u>
<u>Business-type activities</u>				
Water enterprise:				
Capital assets not being depreciated				
Land	\$ 192,627	\$	\$	\$ 192,627
Construction in progress				
Sub-total	192,627			192,627
Capital assets being depreciated:				
Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	968,994	68,049		1,037,043
Infrastructure	25,103,736	85,960		25,189,696
Sub-total	29,873,253	154,009		30,027,262
Less accumulated depreciation:				
Buildings and related improvements	1,430,842	67,041		1,497,883
Equipment, machinery & vehicles	636,853	53,342		690,195
Infrastructure	9,174,852	479,297		9,654,149
Sub-total	11,242,547	599,680		11,842,227
Water enterprise capital assets, net	<u>\$ 18,823,333</u>	<u>\$ (445,671)</u>	<u>\$</u>	<u>\$ 18,377,662</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Certain reclassifications have been made to prior year balances to conform to current year presentation.

Depreciation expense was charged to functions/programs as follows:

Governmental activities

General Government	\$ 183,247.0
Public Safety	421,047
Education	2,522,236
Public Works	876,072
Health & Human Services	112,740
Culture & Recreation	<u>17,270</u>
Total governmental activities	<u>\$ 4,132,612</u>

Business-type activities

Total water operations – business-type activity	<u>\$ 599,680</u>
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Note 7. Interfund balances and activity

Interfund transfers, for the year ended June 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>High School Building Projec Fund</u>	<u>Other Governmental Funds</u>	<u>Solid Waste Fund</u>
Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY2017 Operating Budget	\$ 575,000	\$	\$ (575,000)	\$
Amount transferred from General Fund to support the final payments for the High School Building Project	(985,733)	985,733		
Amounts transferred from Other Special Revenue funds to the General Fund for operating and capital expenditures	57,000		(57,000)	
Amounts unused from FY2017 Operating Budget transfer	(3,707)		3,707	
Amount transferred from General Fund to Solid Waste Fund to supplement the FY17 Solid Waste Budget	<u>(250,000)</u>			<u>250,000</u>
Net transfers in/(out)	<u>\$ (607,440)</u>	<u>\$ 985,733</u>	<u>\$ (628,293)</u>	<u>\$ 250,000</u>

During fiscal year 2017, the General Fund transferred \$10,000 to the OPEB Trust Fund. This has been reported as a contribution for financial reporting purposes.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Note 8. Deferred Outflows and Inflows of Resources

Government-wide financial statements

As of June 30, 2017, the Town reported the following deferred outflows and deferred inflows of resources associated with the Town's governmental activities.

The following deferred outflows of resources are associated with the Town's proportionate share of the Plymouth County Retirement Association net pension liability and the Town's net OPEB liability:

<u>Deferred outflows of resources</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<i>Associated with pension:</i>			
Differences between expected and actual experience	\$ 582,366	\$	\$ 582,366
Net differences between expected and actual investment earnings	2,155,140		2,155,140
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,793		122,793
Total deferred outflows associated with pension	<u>\$ 2,860,299.0</u>	<u>\$</u>	<u>\$ 2,860,299.0</u>
<i>Associated with OPEB:</i>			
Differences between expected and actual experience	\$ 5,434,459	\$ 128,700	\$ 5,563,159
Total deferred outflows associated with OPEB	<u>\$ 5,434,459</u>	<u>\$ 128,700</u>	<u>\$ 5,563,159</u>

The following deferred inflows of resources are associated with the Town's proportionate share of the Plymouth County Retirement Association net pension liability and the net OPEB liability:

Deferred inflows of resources

Associated with pension:

Changes in actuarial assumptions	\$ 636,242	\$	\$ 636,242
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,022		159,022
Total deferred inflows of resources associated with pension	<u>\$ 795,264</u>	<u>\$</u>	<u>\$ 795,264</u>

Governmental fund

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

Deferred inflows of resources

<u>Type</u>	<u>General Fund</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes and surcharge	\$ 399,735	\$	\$	\$ 399,735
Liens, deferred and possessor	4,923,339			4,923,339
Excise taxes	192,570			192,570
Special assessments		915,856		915,856
Ambulance fees			275,905	275,905
Departmental and other	7,598			7,598
Intergovernmental	202,589			202,589
Total	<u>\$ 5,725,831</u>	<u>\$ 915,856</u>	<u>\$ 275,905</u>	<u>\$ 6,917,592</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Notes to Financial Statements
June 30, 2017

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

Governmental activities:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>(restated)</u> <u>Balance</u>		<u>(Reductions)</u>	<u>Balance</u>	<u>Current Portion</u>
				<u>July 1, 2016</u>	<u>Additions</u>		<u>June 30, 2017</u>	
General obligation refunding bond	3.50%	6/15/2005	12/15/2016	\$ 252,200	\$	\$ (252,200)	\$	\$
General obligation bond	4.05%	2/6/2007	2/1/2017	150,000		(150,000)		
MCWT subsidized septic bond	N/A	Various	2017 - 2027	2,351,379		(213,188)	2,138,191	202,117
Multi-purpose bonds	3.75 - 5.00%	8/15/2001	8/15/2018	310,000		(105,000)	205,000	105,000
MCWT subsidized landfill bond	N/A	Various	2020	290,000		(70,000)	220,000	70,000
General obligation bond	2.00 - 4.00%	8/5/2010	8/1/2022	775,000		(125,000)	650,000	125,000
MCWT subsidized storm water manager	N/A	N/A	2/15/2027	242,943		(18,093)	224,850	18,459
General obligation bond	3.00 - 5.00%	6/21/2011	6/15/2031	28,010,000		(1,325,000)	26,685,000	1,375,000
General obligation bond	2.00 - 3.00%	8/23/2012	8/15/2032	1,006,000		(62,000)	944,000	65,000
General obligation bond	2.00 - 4.00%	9/27/2013	9/15/2033	4,510,000		(190,000)	4,320,000	195,000
General obligation bond	2.00 - 4.00%	8/27/2015	8/15/2035	3,051,000		(251,000)	2,800,000	255,000
General obligation bond	2.25 - 4.00%	12/27/2015	12/15/2035	1,410,000		(85,000)	1,325,000	115,000
Multi-purpose bonds	2.00 - 2.75%	9/26/2017	9/15/2036		1,398,000		1,398,000	63,000
Total governmental bonds payable				42,358,522	1,398,000	(2,846,481)	40,910,041	2,588,576
Landfill post-closure and monitoring liability				340,751		(26,800)	313,951	
Net OPEB liability, restated				52,379,473	9,634,180	(1,145,274)	60,868,379	
Capital leases payable				65,657		(65,657)		
Net pension liability				22,109,349	3,142,489	(2,927,417)	22,324,421	
Compensated absences, net				1,495,079		(108,444)	1,386,635	
Total Governmental activities				\$ 118,748,831	\$ 14,174,669	\$ (7,120,073)	\$ 125,803,427	\$ 2,588,576

Business-type activities:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2017</u>	<u>Current Portion</u>
General obligation refunding bond	3.50%	6/3/2005	12/15/2016	\$ 42,800	\$	\$ (42,800)	\$	\$
MCWT water filtration project bond	2.00%	12/18/2007	7/15/2027	6,486,689		(483,096)	6,003,593	492,855
MCWT drinking water bond	2.00%	7/8/2010	7/15/2030	2,460,053		(142,046)	2,318,007	144,916
MCWT drinking water bond	2.00%	7/8/2010	7/15/2030	630,528		(36,411)	594,117	37,145
General obligation bond	2.00-3.00%	8/23/2012	8/15/2032	794,000		(38,000)	756,000	40,000
General obligation bond	2.00-4.00%	8/27/2015	8/15/2035	875,000		(35,000)	840,000	40,000
General obligation bond	2.00-4.00%	8/27/2015	8/15/2035	905,000		(20,000)	885,000	35,000
Total business-type bonds payable				12,194,070		(797,353)	11,396,717	789,916
Net OPEB liability, restated				1,240,486	216,295	(8,809)	1,447,972	
Capital leases payable				11,306		(11,306)		
Compensated absences, net				82,849	20,959		103,808	
Total business-type activities				\$ 13,528,711	\$ 237,254	\$ (817,468)	\$ 12,948,497	\$ 789,916

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

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 recently completed high school. The final audit of the project was concluded and accepted August 19, 2017. These financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$1,699,968 related to the grant award. This amount has been accrued as revenue on the governmental financial statements.

The outstanding Massachusetts Clean Water Trust (MCWT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. However, it is anticipated that approximately 33% to 44% of the debt service payments relating to septic and landfill bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MWCT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide and governmental financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The septic and landfill bonds have been combined according to type for presentation purposes. These obligations have varying maturity dates as indicated. The Town received interest subsidies of \$20,657 during the current year.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2017, including interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,588,576	\$ 1,634,569	\$ 4,223,145	\$ 789,916	\$ 250,405	\$ 1,040,321
2019	2,670,979	1,528,218	4,199,197	803,551	233,171	1,036,722
2020	2,646,389	1,419,796	4,066,185	817,462	215,460	1,032,922
2021	2,584,827	1,310,266	3,895,093	838,652	197,139	1,035,791
2022	2,624,493	1,199,270	3,823,763	853,129	178,201	1,031,330
2023 - 2027	14,016,970	4,260,737	18,277,707	4,554,248	594,986	5,149,234
2028 - 2032	12,473,522	1,458,515	13,932,037	2,253,759	183,903	2,437,662
2033 - 2037	1,304,285	68,625	1,372,910	486,000	32,015	518,015
Totals	<u>\$40,910,041</u>	<u>\$ 12,879,996</u>	<u>\$ 53,790,037</u>	<u>\$ 11,396,717</u>	<u>\$1,885,280</u>	<u>\$ 13,281,997</u>

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 are required to be reported to the Commonwealth of Massachusetts on an annual basis. For purposes of this reporting, both temporary and permanent financing constitute a reduction of authorizations. At June 30, 2017, the Town reported no unissued debt authorizations.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

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, 2017.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. As of June 30, 2017, there were no material capital lease obligations.

Note 10. Temporary borrowings

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

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

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

Changes in the Town's short-term debt for the year ended June 30, 2017 are as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>		<u>Balance</u>	
			<u>July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>June, 30 2017</u>
3/1/2016	1.00%	9/30/2016	\$ 3,551,000	\$	\$ (3,551,000)	\$
3/7/2017	1.20%	3/9/2018		520,000		520,000
			<u>\$ 3,551,000</u>	<u>\$ 520,000</u>	<u>\$ (3,551,000)</u>	<u>\$ 520,000</u>

The BAN issued in the current year relates to designing, permitting and constructing sewer main extensions.

During FY2017, the Town utilized \$985,732 of fund balance (unamortized bond premiums) to pay down the \$3.6 million BAN associated with the High School Building Project. Additionally, the Town used approximately \$1.7 million of funds received as reimbursement from the MSBA and long term bond issued of \$854,000.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Note 11. Employee Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (the Association) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2016, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2016, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Benefits Provided

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

Contributions

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

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$2,343,657, which was net of the discount of approximately \$45,000.

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

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2016 (measurement date).

	<u>2017</u>
Total pension liability	\$ 1,520,090,445
Less: plan fiduciary net position	886,584,737
Net pension liability	<u>\$ 633,505,708</u>
Plan's fiduciary net position as a percentage of total pension liability	58.32%
Total employer pension expense	\$ 86,118,672
The Town's proportionate share of the collective net pension liability	\$ 22,324,421
The Town's percentage share of the collective net pension liability	3.5239%
Town covered payroll	\$ 10,519,927
The Town's proportionate share of pension expense recognized	\$ 2,885,854

The Town's proportionate share of collective deferred outflows of resources of \$87,945,791 was \$2,860,299. This was due to the result of the net difference between projected and actual investment earnings of the pension plan investments of 2,155,140, differences between expected and actual experience of \$582,366 and changes in proportion of \$122,793. The Town's proportionate share of collective deferred inflows of resources of \$28,448,065 was \$795,264. This amount relates to changes in proportion of \$159,022 and changes in assumptions of \$636,242. These amounts are to be recognized in future pension expense in the amount of \$744,532 for each of the years ending June 30, 2018, June 30, 2019, \$506,185 for June 30, 2020 and \$69,786 for year ending June 30, 2021.

Actuarial Assumptions

Valuation date:	January 1, 2017
Actuarial cost method:	Individual Entry Age Normal Cost Method.
Amortization method:	Payments increase at 3.5% for the unfunded actuarial accrued liability, and level amortization of the 2002, 2003, and 2013 Early Retirement Incentives.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Remaining amortization period:	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, the 2003 ERI over three years, and the 2013 ERI over 11 years as of July 1, 2017.
Asset valuation method:	Market value with a five year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Investment rate of return:	8.00%, net of investment expense
Projected salary increases:	3.75% per year
Cost-of-living adjustments:	3.00% of the less of the pension amount and \$14,000 per year
Rates of retirement:	Varies based upon age for general employees, police, and fire employees
Rates of disability:	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)
Mortality rates:	
Pre-retirement:	RP-2014 Blue Collar Mortality Table, Scale MP-2016, fully generational
Post-retirement:	Group 1 & 2 RP-2014 Blue Collar Mortality Table, set forward 5 or 3 year (male & female), fully generational. Group 4 RP-2014 Blue Collar Mortality Table set forward 3 and 6 years (male & female), fully generational.
Disabled retiree:	RP-2000 Mortality Table, set forward 6 years (2 years for Group 4)
Family composition:	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females

Investment Policy

The Plan's investment policy in regard to the allocation of invested assets is established by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocation as of January 1, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
US equity	26.50%	7.50%
Developed markets equity	16.00%	7.30%
Emerging markets equity	4.00%	9.80%
Core bonds	11.50%	4.20%
Foreign bonds	3.00%	2.40%
Emerging market bonds	4.00%	5.50%
High yield bonds	4.00%	6.00%
Bank loans	3.00%	5.50%
Private equity	10.00%	9.60%
Real estate	10.60%	6.90%
Natural resources	1.00%	7.00%
Infrastructure	2.00%	7.80%
Hedge funds of funds	4.00%	5.30%
Cash	<u>1.0%</u>	2.80%
Total	<u>100.0%</u>	

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%):

	1% Decrease to 7.00%	Current Discount Rate 8.00%	1% Increase to 9.00%
Plymouth County Retirement Association's net pension liability as of December 31, 2016	\$ 792,114,439	\$ 633,505,708	\$ 498,613,279
Town's proportionate share of net pension liability	\$ 27,906,215	\$ 22,324,421	\$ 17,566,161

For fiscal year 2017, the total pension liability is presented as a liability of the governmental activities, and not allocated. The Town elected not to allocate the net pension liabilities and associated deferral outflows/inflows of resources to the business-type activities.

2. Special Funding Situation - MTRS

Plan Description

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the Commonwealth is a nonemployer contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

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

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

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

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$2,080,845. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	2017
Total pension liability	\$ 47,300,000,000
Less: plan fiduciary net position	24,942,072,000
Net pension liability	<u>\$ 22,357,928,000</u>
Plan's fiduciary net position as a percentage of total pension liability	52.73%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 41,369,545
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	0.185033%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 4,219,965

The Commonwealth's proportionate share of pension expense has been included on the Town's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurances expenses. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.
- (4) Experience study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	1.6%
Private Equity	10.0%	8.7%
Real Estate	10.0%	4.6%
Value Added Fixed Income	10.0%	4.8%
Hedge Funds	9.0%	4.0%
Portfolio Completion Strategies	4.0%	3.6%
Timber/Natural Resources	4.0%	5.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2016 (in thousands).

	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
Massachusetts Teacher's Retirement System - Total Plan	\$ 27,464,000,000	\$ 22,357,928,000	\$ 18,022,000,000
Proportionate share associated with the Town	\$ 50,817,463	\$ 41,369,545	\$ 33,346,647

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities of approximately \$1.4 million and \$103,000 respectively.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

C. Other Postemployment Benefits

Plan Description

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

- (1) At least 10 years of credible service are eligible at age 55;
- (2) At least 20 years of credible service are eligible at any age.

The Town maintains an irrevocable trust in accordance with provisions of Massachusetts' General Laws. During fiscal year 2017, the Town employer contribution was \$10,000 into the trust fund. As of the date of these financial statements, the Town has not proposed any funding schedule in accordance with the law's provisions.

Benefits Provided and Employees Covered

Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2017 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

At June 30, 2016, the date of the actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	392
Active employees	<u>299</u>
Total	<u><u>691</u></u>

Contributions

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at 50% - 70% of the insurance premiums, dependent upon the plan, with the remainder funded through retiree contributions.

The Town currently pays postemployment benefits on a pay-as-you-go basis. The Town's latest actuarial valuation (measurement date of June 30, 2016) for the financial reporting date of June 30, 2017 has not taken into account the prefunded monies of \$47,628 accumulated at June 30, 2017. This balance has been determined to be immaterial for actuarial and financial reporting purposes. Contributions in excess of premium payments are determined on an annual basis during the budgetary process. For the year ended June 30, 2017, the Town's average contribution rate was 5.07% of covered-employee payroll. Active employees are not required to contribute to the plan.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise stated:

Inflation:	2.75 percent
Salary increases:	3.0 percent, average, including inflation
Investment rate of return:	6.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	5.0 percent, level for all years

Mortality rates were based on pre-retirement, post-retirement, and disabled mortality tables. Pre-retirement mortality is represented by the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Post-retirement mortality is represented by the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Disabled mortality is represented by the RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the year ended June 30, 2016. The experience study generated a loss that was mainly due to the increase in the number of group 4 employees and an increase in the number of covered retirees. The changes in net OPEB liability due to the experience study were reflected in the deferred outflows of resources and are to be amortized over the next 7.08 years.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	20%	4.00%
Domestic Equity - Small/Mid Cap	10%	6.00%
International Equity - Developed Market	15%	4.50%
International Equity - Emerging Market	10%	7.00%
Domestic Fixed Income	30%	2.00%
International Fixed Income	10%	3.00%
Alternatives	5%	6.50%
Real Estate	0%	6.25%
Cash	0%	0.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.0 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made a “pay as you go” basis. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to no be available to make all projected OPEB payments for current and inactive employees. Therefore, the yield or indirect rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2015	\$ 53,619,959	\$	\$ 53,619,959
Changes for the year:			
Service cost	2,617,379		2,617,379
Interest	1,669,937		1,669,937
Differences between expected and actual experience	5,563,159		5,563,159
Contributions - employer		1,154,083	(1,154,083)
Net investment income			-
Benefit payments	(1,154,083)	(1,154,083)	-
Net changes	8,696,392		8,696,392
Balances at June 30, 2016 (measurement date)	<u>\$ 62,316,351</u>	<u>\$</u>	<u>\$ 62,316,351</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB Liability	\$ 77,731,032	\$ 62,316,351	\$ 51,616,050

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current healthcare cost trend rates for each year within the trend:

	1% Decrease (4.00%)	Current Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 46,978,707	\$ 62,316,351	\$ 82,792,315

The total deferred outflows of resources related to net OPEB liability was \$5,563,159 at June 30, 2017, which was the result of the net difference between projected and actual investment earnings of the plan investments and differences between expected and actual experience. This is to be recognized in future pension expense in the amount of \$785,757 for each of the years ending June 30, 2018 – 2023.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

As of June 30, 2017, \$313,951 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2017, the Town anticipates 10 years of post-closure monitoring remaining. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

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

The Town belongs to the Group Insurance Commission. The Group Insurance Commission (GIC) was established by the Massachusetts Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth of Massachusetts' employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities, and retired municipal employees and teachers in certain governmental units. Total health and dental premiums paid to the GIC for the year ended June 30, 2017 was \$4.6 million.

Note 14. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2017. 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. Restatement of certain beginning balances

The following illustrates restated certain beginning net position balances:

	Total Governmental Activities	Business-type Activities Water Fund	Solid Waste Fund	Total Business-type Activities	Total Primary Government
Net position, June 30, 2016	\$ 45,781,454	\$ 10,241,697	\$ 143,010	\$ 10,384,707	\$ 56,166,161
OPEB obligation, June 30, 2016, reported pursuant to GASB #45	14,503,377	256,005	64,214	320,219	14,823,596
OPEB liability, June 30, 2015, (beginning of measurement period) pursuant to implementation of GASB #75	(52,379,473)	(1,122,064)	(118,422)	(1,240,486)	(53,619,959)
Net position, July 1, 2016, restated	<u>\$ 7,905,358</u>	<u>\$ 9,375,638</u>	<u>\$ 88,802</u>	<u>\$ 9,464,440</u>	<u>\$ 17,369,798</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

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 #74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This pronouncement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Town has implemented this pronouncement.

The GASB issued Statement #75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town early implemented this statement in the current year.

The GASB issued Statement #77, Tax Abatement Disclosures. This pronouncement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Town has assessed this pronouncement and determined that it is not applicable in the current year.

The GASB issued Statement #80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 41. The objective of this pronouncement is to improve financial reporting by clarifying the financial statement presentation for certain component units. The Town has assessed this pronouncement and determined that it is not applicable in the current year.

The GASB issued Statement #81, Irrevocable Split-Interest Agreements. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The Town has assessed this pronouncement and determined that it is not applicable in the current year.

Future pronouncements

The GASB issued Statement #82, Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73 which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #83, Certain Asset Retirement Obligations, which is required to be implemented in fiscal year 2019. The pronouncement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Town does not expect this pronouncement to have a material effect on the financial statements.

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2017

The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in fiscal year 2018. This pronouncement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #86, *Certain Debt Extinguishing Issues*, which is required to be implemented in fiscal year 2018. This pronouncement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transaction in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Town expects to implement the pronouncement as applicable.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information and Notes
Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2017

	2017
Total OPEB liability	
Service cost	\$ 2,617,379
Interest	1,669,937
Changes of benefit terms	
Differences between expected and actual experience	5,563,159
Changes of assumptions	
Benefits payments	(1,154,083)
Net change in total OPEB liability	8,696,392
Total OPEB liability - beginning	53,619,959
Total OPEB liability - ending (a)	<u>\$ 62,316,351</u>
Plan fiduciary net position*	
Contributions - employer	\$ 1,154,083
Interest	
Net investment income	
Benefit payments	(1,154,083)
Administrative expense	
Net change in fiduciary net position	
Plan fiduciary net position - beginning	
Plan fiduciary net position - ending (b)	
Town's net OPEB liability - ending (a-b)	<u>\$ 62,316,351</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered - employee payroll	22,748,755
Town's net OPEB liability as a percentage of covered-employee payroll	273.93%

* Amounts prefunded in the OPEB trust fund have been determined to be immaterial for actuarial valuation purposes as of the measurement dated.

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

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information and Notes
Schedule of Contributions – Other Postemployment Benefits
For the Year Ended June 30, 2017

	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 5,641,053
Contributions in relation to the actuarially determined contribution	<u>\$ (1,154,083)</u>
Contribution deficiency (excess)	<u>\$ 6,795,136</u>
Covered-employee payroll	\$ 22,748,755
Contributions as a percentage of covered-employee payroll	5.07%

Notes to Schedule

Valuation date: Actuarially determined contribution was calculated as of June 30, 2016.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Individual entry age normal

Amortization method: Level percentage of payroll

Amortization period: 30 years

Asset valuation method: Market Value

Inflation: 2.75% as of June 30, 2016 and for future periods

Healthcare cost trend rates: 5.0% annually and for future periods

Salary increases: 3.00% annually as of June 30, 2016 and for future periods

Investment rate of return: 6.50%, net of OPEB plan investment expense, including inflation

Retirement age: Adjusted to more closely reflect actual experience

Mortality: Pre-retirement – RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-retirement – RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality – RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

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

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
For the Year Ended June 30, 2017

A. Plymouth County Retirement Association

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan of January 1, 2016, the following is presented:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,520,090,445	\$ 1,466,863,880	\$ 1,417,490,110
Less:			
Plan fiduciary net position	<u>(886,584,737)</u>	<u>(832,637,492)</u>	<u>(834,581,696)</u>
Net pension liability	<u>\$ 633,505,708</u>	<u>\$ 634,226,388</u>	<u>\$ 582,908,414</u>
 Plan fiduciary net position as a percentage of total pension liability	 58.32%	 56.80%	 58.90%
 Town's proportionate/allocated share of collective net pension liability	 \$ 22,324,421	 \$ 22,109,349	 \$ 20,320,378
Town's proportionate share of pension expense	\$ 2,885,854	\$ 2,509,357	\$ 2,101,461
Town's share of collective net pension liability as a percentage of the total	3.52%	3.49%	3.49%
Actuarially determined contribution	\$ 2,343,657	\$ 2,220,461	\$ 2,052,200
Contributions in relation to actuarial determined contribution	<u>\$ (2,343,657)</u>	<u>\$ (2,220,461)</u>	<u>\$ (2,052,200)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
 Town's covered payroll	 \$ 10,519,927	 \$ 9,925,244	 \$ 9,566,500
Town's contributions as a percentage of covered payroll	22.28%	23.21%	21.45%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	 212.2%	 231.1%	 212.4%

*This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
For the Year Ended June 30, 2017

B. Special Funding Situation – Massachusetts Teacher Retirement System

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the Massachusetts Teachers Retirement Plan (MTRS) (the Plan). Since the Town does not contribute directly to the MTRS, there is no net pension liability recognize. Based upon the actuarial valuation of the Plan as of January 1, 2016, the following is presented.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 47,300,000,000	\$ 45,918,711,000	\$ 41,435,000,000
Less:			
Plan fiduciary net position	<u>(24,942,072,000)</u>	<u>(25,429,068,000)</u>	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 22,357,928,000</u>	<u>\$ 20,489,643,000</u>	<u>\$ 15,896,354,000</u>
Plan fiduciary net position as a percentage of total pension liability	52.73%	55.38%	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 41,369,545	\$ 39,327,856	\$ 29,475,401
Commonwealth's proportionate share of collective pension expense associated with the Town	\$ 4,219,965	\$ 3,189,839	\$ 2,047,798
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.185033%	0.191940%	0.185422%
Actuarially determined contribution	\$ 2,080,845	\$ 1,961,494	\$ 1,738,111
Contributions in relation to actuarial determined contribution	<u>\$ (2,080,845)</u>	<u>\$ (1,961,494)</u>	<u>\$ (1,738,111)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll -approximate	\$ 10,044,825	\$ 9,566,500	\$ 9,117,000
Commonwealth's contributions on behalf of the Town as a percentage of covered payroll	20.72%	16.12%	15.29%
Commonwealth's proportionate share of the collective net pension liability as a percentage of covered payroll	411.85%	323.24%	259.26%

*This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive
Revenues				
Property taxes	\$ 27,883,909	\$ 27,883,909	\$ 28,109,184	\$ 225,275
Excise taxes	1,716,159	1,716,159	2,024,561	308,402
Licenses and permits	215,000	215,000	199,858	(15,142)
Penalties and interest	200,000	200,000	341,524	141,524
Investment income	25,000	25,000	65,573	40,573
Fees and fines	155,000	155,000	188,527	33,527
Departmental and other	99,500	99,500	377,203	277,703
Intergovernmental	12,250,877	12,250,877	12,348,377	97,500
Total revenues	42,545,445	42,545,445	43,654,807	1,109,362
Expenditures				
General government	11,351,587	11,196,588	10,667,999	528,589
Public safety	5,280,664	5,174,766	5,092,186	82,580
Education	21,003,113	20,786,258	20,739,374	46,884
Public works	1,041,332	1,013,597	1,386,683	(373,086)
Human services	841,515	865,824	797,183	68,641
Culture and recreation	476,721	482,721	477,022	5,699
State and county assessments	433,488	433,488	468,442	(34,954)
Debt service	4,390,868	4,390,868	4,383,009	7,859
Total expenditures	44,819,288	44,344,110	44,011,898	332,212
Revenues over (under) expenditures	(2,273,843)	(1,798,665)	(357,091)	1,441,574
Other financing sources (uses)				
Transfers in from other funds	1,788,219	1,845,219	1,707,181	(138,038)
Transfers out to other funds	(455,410)	(955,410)	(1,959,850)	(1,004,440)
Total other financing sources	1,332,809	889,809	(252,669)	(1,142,478)
Revenues and other financing sources over (under) expenditures and other financing uses	(941,034)	(908,856)	<u>\$ (609,760)</u>	<u>\$ 299,096</u>
Other budget items				
Use of available fund balance	175,000	915,381		
Overlay appropriations	200,000	200,000		
Carryover articles and encumbrances	801,159	28,600		
Funding of prior year deficits	(235,125)	(235,125)		
Total other budget items	941,034	908,856		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Note 1. Budgetary basis of accounting

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

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

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2017, is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses), Net
As reported on a budgetary basis	\$ 43,654,807	\$ 44,011,898	\$ (252,669)
Adjustments for property tax revenues	(12,978)		
State funded teachers pension (MTRS)	2,080,845	2,080,845	
Stabilization fund activity	(15,374)		(133,500)
Transfer to OPEB trust fund		10,000	10,000
Indirect costs of other funds reported as operating transfers on budgetary basis	<u> </u>	<u>(231,271)</u>	<u>(231,271)</u>
As reported on GAAP basis	<u><u>\$ 45,707,300</u></u>	<u><u>\$ 45,871,472</u></u>	<u><u>\$ (607,440)</u></u>

See Independent Auditor's Report.