

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, 2018

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

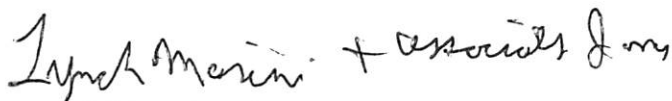
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v – xiv, and the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions – Other Postemployment Benefits, Schedule of Investment Returns – Other Postemployment Benefits, Schedule of Pension Plan Contributions and the Budgetary Comparison Schedule – General Fund and Related Notes on pages 44 – 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 January 14, 2019, on our consideration of the Town of East Bridgewater, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts's internal control over financial reporting and compliance.



Norwell, Massachusetts
January 14, 2019

**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, 2018, and the related notes to the financial statements, which collectively comprise the Town of East Bridgewater, Massachusetts's basic financial statements, and have issued our report thereon dated January 14, 2019.

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.

Lynch Marini & Associates Inc.

Norwell, Massachusetts
January 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

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, 2018. 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 \$1.1 million (net position). The Town's net investment in capital assets and restricted net position consisted of approximately \$60.1 and \$6.8 million, respectively. The \$65.7 million deficit balance reported in the unrestricted net position classification is due in large part to the reporting of approximately \$63.9 million of net other postemployment benefits (OPEB) liability and \$19.1 million of net pension liability as of June 30, 2018.
- The Town's business-type activities assets and deferred outflows of resources exceed its liabilities at the close of the most recent fiscal year by \$9.1 million (net position). This is comprised of net investment in capital assets of \$7.6 million and unrestricted net position of \$1.5 million.
- The total cost of all Town services for fiscal year 2018 was \$61.3 million.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.9 million, or approximately 18.8% 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.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

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

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

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

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

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

Required supplementary information: Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions – Other Postemployment Benefits, Schedule of Investment Returns – Other Postemployment Benefits, Schedule of Pension Plan Contributions and budgetary comparison information 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 \$1.1 million and \$9.1 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the accompanying tables.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

	FY 2018 Governmental Activities	FY 2017 Governmental Activities
Current assets	\$ 28,653,288	\$ 29,588,373
Capital assets, net	<u>97,232,450</u>	<u>98,708,867</u>
Total assets	125,885,738	128,297,240
Deferred outflows of resources	<u>5,302,721</u>	<u>8,294,758</u>
Total assets and deferred outflows of resources	<u><u>\$ 131,188,459</u></u>	<u><u>\$ 136,591,998</u></u>
Current liabilities	\$ 7,460,542	\$ 6,741,204
Long-term liabilities	<u>120,436,223</u>	<u>123,214,851</u>
Total liabilities	127,896,765	129,956,055
Deferred inflows of resources	2,151,113	1,775,639
Net position:		
Net investment in capital assets	60,110,667	58,661,492
Restricted	6,760,343	7,616,431
Unrestricted	<u>(65,730,429)</u>	<u>(61,417,619)</u>
Total net position	<u>1,140,581</u>	<u>4,860,304</u>
Total liabilities, deferred outflows of resources and net position	<u><u>\$ 131,188,459</u></u>	<u><u>\$ 136,591,998</u></u>

	FY 2018 Business-type Activities	FY 2017 Business-type Activities
Current assets	\$ 3,195,205	\$ 4,093,487
Capital assets, net	<u>18,191,489</u>	<u>18,377,662</u>
Total assets	21,386,694	22,471,149
Deferred outflows of resources	<u>110,522</u>	<u>128,700</u>
Total assets and deferred outflows of resources	<u><u>\$ 21,497,216</u></u>	<u><u>\$ 22,599,849</u></u>
Current liabilities	\$ 963,229	1,060,632
Long-term liabilities	<u>11,437,123</u>	<u>12,158,581</u>
Total liabilities	12,400,352	13,219,213
Net position:		
Net investment in capital assets	7,584,688	6,980,945
Unrestricted	<u>1,512,176</u>	<u>2,399,691</u>
Total net position	<u>9,096,864</u>	<u>9,380,636</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 21,497,216</u></u>	<u><u>\$ 22,599,849</u></u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

Included within the governmental activities current assets are \$14.1 million in cash, \$7.6 million in investments, and \$6.9 million in receivables, net of allowances for uncollectible accounts. Receivables consist primarily of approximately \$737,000 of sewer betterments, \$970,000 of property taxes, excise taxes and charges for services (ambulance), \$4.0 million of tax liens, deferrals and foreclosures, and \$1.2 million of intergovernmental receivables. Intergovernmental receivables include veteran benefits receivable, Chapter 90 highway awards and other federal and state town and school grants. Business-type activities' current assets are comprised of \$2.0 million of cash, and approximately \$1.2 million of receivables, associated with the user charges.

The Town reported \$636,000 of deferred outflows of resources associated with the Town's net pension liability, to be amortized over future periods. The Town reports the net pension liability and associated deferred outflows and inflows of resources solely within governmental activities. The Town also reported \$4.7 million and \$100,000 of deferred outflows of resources associated with other postemployment benefits in governmental and business-type activities, respect.

Current liabilities for governmental activities of \$7.5 million consist primarily of \$1.0 million of accounts payable and other current liabilities, \$2.5 million of salaries and withholdings payable, \$216,000 of accrued interest expense, \$1.1 million of notes payable, and \$2.7 million of current portion of bonded debt because it is due in fiscal year 2019. Business-type activities' current liabilities of \$963,000 million consist of approximately \$80,000 of accounts payable and other current liabilities, \$80,000 of accrued interest expense, and \$804,000 of current portion of bonded debt due in fiscal year 2019.

Governmental activities' long-term liabilities (due in more than one year) include \$35.7 million in general obligation bonds, \$1.5 million for compensated absences, \$63.9 million for other postemployment benefits, \$285,000 for landfill closure and monitoring liability and \$19.1 million in net pension liabilities. Business-type activities' long-term liabilities (due in more than one year) include \$9.8 million in general obligation bonds, \$1.5 million for other postemployment benefits and \$110,000 for compensated absences. Net pension liability has not been allocated to business-type activities and is only reported in governmental activities as of June 30, 2018.

Deferred inflows of resources is comprised of \$857,000 of unamortized bond premiums and \$1.3 million related to net pension liability. These amounts are to be amortized over future periods. All deferred inflows of resources pertain to governmental activities.

The largest portion of the Town's total governmental activities and business-type activities net position of \$67.7 million reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position of \$6.8 million represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the Town's total net position, which may be used to meet the Town's ongoing obligations to its citizens and creditors, was in a deficit of approximately \$64.2 million at the end of fiscal year 2018. This relates primarily to the Town's net OPEB liability and the net pension liability reported at year end.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

The Town's governmental activities' net position decreased by \$3.7 million and business-type activities' net position decreased by \$284,000 during fiscal 2018. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ◆ Property taxes represent approximately 52% of the Town's governmental activities revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ 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 \$10.5 million, represents Chapter 70 school aid received from the Commonwealth.
- ◆ Charges for services for the Town's business-type activities of \$2.9 million, represent roughly 5% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2.4 million and \$528,000 respectively.

Expenses:

- ◆ Governmental activities expenses showed an increase of \$1.0 million or 1.8% from the prior year; this was primarily due to increases in salaries and wages and OPEB expense of \$2.5 million, offset by decreases in pension expense of \$1.1 million.
- ◆ Business-type activities' expenses showed an increase of \$131,000 or 4.3% from prior year primarily due to increased operating expenses.

Governmental activities:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues and transfers:		
Program Revenues:		
Charges for services	\$ 3,243,290	\$ 3,387,680
Operating grants and contributions	18,156,318	17,705,056
Capital grants and contributions	414,431	424,243
Total program revenues	21,814,039	21,516,979
General Revenues:		
Property taxes levied	28,334,356	28,152,679
Excise taxes	2,059,305	1,992,545
Penalties and interest on taxes	336,609	343,932
Grants and contributions not restricted	1,690,830	1,972,718
Investment income	64,339	45,180
Transfers	(200,000)	(250,000)
Total general revenues and transfers	32,285,439	32,257,054
Total revenues	54,099,478	53,774,033
Expenses:		
General government	14,422,520	14,519,231
Public safety	6,093,726	5,828,522
Education	31,340,290	30,636,097
Public works	2,339,468	2,149,151
Health and human services	961,473	1,045,384
Culture and recreation	569,990	557,191
State and county charges	593,172	468,442
Interest on long term debt	1,498,562	1,615,069
Total expenses	57,819,201	56,819,087
Change in net position	\$ (3,719,723)	\$ (3,045,054)

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

Business-type activities:

	For the Year Ended:	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,941,150	\$ 2,966,044
Total operating revenues	2,941,150	2,966,044
Expenses:		
Salaries and wages	701,877	692,394
Operating expenses, including fringe benefits	1,877,197	1,773,229
Depreciation	616,741	599,680
Total expenses	3,195,815	3,065,303
Total operating income	(254,665)	(99,259)
Non-operating revenues (expenses)		
Debt service	(243,743)	(247,214)
Investment income	14,636	12,669
Total non-operating revenue (expenses), net	(229,107)	(234,545)
Transfers		
Transfers in from other funds	200,000	250,000
Change in net position	\$ (283,772)	\$ (83,804)

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 \$18.0 million, a decrease of approximately 844,000 from the prior year. This increase is due primarily to the issuance of long term debt in fiscal year 2018. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,000, restricted fund balance of \$5.8 million, committed fund balance of \$3.2 million; assigned fund balance of \$448,000 and unassigned fund balance of \$8.5 million.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

The General Fund is the chief operating fund. At the end of the current fiscal year, the General Fund reported aggregate fund balance of \$11.7 million, an increase of \$236,000 from the previous year. Of this amount \$102,000 million or 0.9%, represents restricted fund balance. Committed fund balance of \$2.2 million and assigned fund balance of \$448,000 represent 18.9% and 3.8% of total General Fund balance respectively. Unassigned fund balance of \$8.9 million represents 76.4% 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 18.8% and 19.0%, respectively, of total General Fund expenditures and revenues.

General Fund Budgetary Highlights

The difference between the original budget of \$46.3 million and the final budget of \$45.9 million is primarily due to additional appropriations at special town meetings of approximately \$730,000, less \$1.1 million in encumbrances and carryover articles being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$282,000 contributing to the over expenditure in public works appropriations. This amount is included as a General Fund unreserved fund balance to be raised on the fiscal 2019 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, 2018 and 2017 amounts to \$97.2 million and \$98.7 million, respectively, which is net of accumulated depreciation of \$59.7 million and \$55.5 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 4.9	\$ 4.9
Works of art and historical treasures	0.1	0.1
Buildings and improvements	74.7	77.0
Equipment, machinery & vehicles	4.0	3.9
Infrastructure	13.5	12.8
	<u>\$ 97.2</u>	<u>\$ 98.7</u>

Major capital asset additions during 2018 include the following:

- Construction of sewer line to bring partial sewer service to Town Center
- Road repaving and improvements
- Fire pumper purchase along with other public safety vehicles and equipment

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2018 and 2017 amounts to \$18.2 million and \$18.4 million, respectively, which is net of accumulated depreciation of \$12.5 million and \$11.8 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>2018</u>	<u>2017</u>
Land	\$ 0.2	\$ 0.2
Buildings and improvements	2.2	2.3
Equipment, machinery & vehicles	0.5	0.4
Infrastructure	15.3	15.5
	<u>\$ 18.2</u>	<u>\$ 18.4</u>

Major capital asset additions during 2018 include the following:

- South St Water Main Project
- Purchase of dump truck

Long Term Debt

Governmental Activities

At June 30, 2018 and 2017, the Town's governmental activities had total bonded debt outstanding of \$38.3 million and \$40.9 million, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had short-term notes of \$1.1 million at June 30, 2018 and \$520,000 at June 30, 2017.

Business-type Activities

At June 30, 2018 and 2017, the Town's business-type activities had total bonded debt outstanding of \$10.6 million and \$11.4 million, respectively. This debt is supported by water rates.

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

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 3.3% in fiscal year 2019, which includes new growth.

The operating budget increased 2.3% over the fiscal year 2018 budget.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2018

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,105,115	\$ 1,959,801	\$ 16,064,916
Investments	7,614,034		7,614,034
Receivables, net of allowance for uncollectibles	6,934,139	1,235,404	8,169,543
Non current assets:			
Capital assets, net of accumulated depreciation	97,232,450	18,191,489	115,423,939
Total assets	<u>125,885,738</u>	<u>21,386,694</u>	<u>147,272,432</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with net pension liability	635,841		635,841
Associated with net OPEB liability	4,666,880	110,522	4,777,402
Total deferred outflows of resources	<u>5,302,721</u>	<u>110,522</u>	<u>5,413,243</u>
Total assets and deferred outflows of resources	<u><u>\$ 131,188,459</u></u>	<u><u>\$ 21,497,216</u></u>	<u><u>\$ 152,685,675</u></u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$ 976,123	\$ 79,751	\$ 1,055,874
Salaries and withholdings payable	2,470,112		2,470,112
Accrued interest	216,328	79,926	296,254
Notes payable	1,127,000		1,127,000
Non current liabilities:			
Due within one year	2,670,979	803,552	3,474,531
Due in more than one year	120,436,223	11,437,123	131,873,346
Total liabilities	<u>127,896,765</u>	<u>12,400,352</u>	<u>140,297,117</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	856,651		856,651
Associated with net pension liability	1,294,462		1,294,462
Total deferred inflows of resources	<u>2,151,113</u>		<u>2,151,113</u>
<u>NET POSITION</u>			
Net investment in capital assets	60,110,667	7,584,688	67,695,355
Restricted	6,760,343		6,760,343
Unrestricted	(65,730,429)	1,512,176	(64,218,253)
Total net position	<u>1,140,581</u>	<u>9,096,864</u>	<u>10,237,445</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 131,188,459</u></u>	<u><u>\$ 21,497,216</u></u>	<u><u>\$ 152,685,675</u></u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental activities:							
General government	\$ 14,422,520	\$ 306,785	\$ 343,586	\$	\$ (13,772,149)	\$	\$ (13,772,149)
Public safety	6,093,726	1,118,191	548,686		(4,426,849)		(4,426,849)
Education	31,340,290	1,731,744	16,985,093		(12,623,453)		(12,623,453)
Public works	2,339,468	5,074	6,746	414,431	(1,913,217)		(1,913,217)
Human services	961,473	50,123	216,415		(694,935)		(694,935)
Culture and recreation	569,990	31,373	30,944		(507,673)		(507,673)
State and county assessments	593,172				(593,172)		
Interest	1,498,562		24,848		(1,473,714)		(1,473,714)
Total governmental activities	57,819,201	3,243,290	18,156,318	414,431	(36,005,162)		(36,005,162)
Business-type activities:							
Water	2,697,127	2,413,230				(283,897)	(283,897)
Solid waste	742,431	527,920				(214,511)	(214,511)
Total business-type activities	3,439,558	2,941,150				(498,408)	(498,408)
Total primary government	<u>\$ 61,258,759</u>	<u>\$ 6,184,440</u>	<u>\$ 18,156,318</u>	<u>\$ 414,431</u>	(36,005,162)	(498,408)	(36,503,570)
General revenues and transfers							
Property taxes, net of allowances for uncollectibles					28,334,356		28,334,356
Excise taxes, net of allowance for uncollectibles					2,059,305		2,059,305
Penalties and interest on taxes					336,609		336,609
Grants and contributions not restricted to specific programs					1,690,830		1,690,830
Investment income					64,339	14,636	78,975
Transfers, net					(200,000)	200,000	
Total general revenues and transfers					32,285,439	214,636	32,500,075
Change in net position					(3,719,723)	(283,772)	(4,003,495)
Net position - beginning of year					4,860,304	9,380,636	14,240,940
Net position - end of year					<u>\$ 1,140,581</u>	<u>\$ 9,096,864</u>	<u>\$ 10,237,445</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	High School Building Project Fund	Septic Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,412,054	\$ 8,370	\$ 2,100,555	\$ 4,584,136	\$ 14,105,115
Investments	7,053,100			560,934	7,614,034
Receivables	4,948,256		737,302	1,392,730	7,078,288
Total assets	<u>\$ 19,413,410</u>	<u>\$ 8,370</u>	<u>\$ 2,837,857</u>	<u>\$ 6,537,800</u>	<u>\$ 28,797,437</u>
<u>LIABILITIES</u>					
Accounts payable and other current liabilities	\$ 462,893	\$	\$	\$ 513,230	\$ 976,123
Salaries and withholdings payable	2,470,112				2,470,112
Notes payable				1,127,000	1,127,000
Total liabilities	<u>2,933,005</u>			<u>1,640,230</u>	<u>4,573,235</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	4,828,126		737,302	652,400	6,217,828
Total deferred inflows of resources	<u>4,828,126</u>		<u>737,302</u>	<u>652,400</u>	<u>6,217,828</u>
<u>FUND BALANCES</u>					
Nonspendable				96,270	96,270
Restricted	101,770	8,370	2,100,555	3,562,040	5,772,735
Committed	2,203,041			992,157	3,195,198
Assigned	448,005				448,005
Unassigned	8,899,463			(405,297)	8,494,166
Total fund balances	<u>11,652,279</u>	<u>8,370</u>	<u>2,100,555</u>	<u>4,245,170</u>	<u>18,006,374</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,413,410</u>	<u>\$ 8,370</u>	<u>\$ 2,837,857</u>	<u>\$ 6,537,800</u>	<u>\$ 28,797,437</u>

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

Total fund balances of governmental funds	\$ 18,006,374
Capital assets used in governmental activities are not financial resources and are not reported in funds.	97,232,450
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds.	6,217,828
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(144,149)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(123,107,202)
Deferred outflows of resources not recognized on the modified accrual basis.	5,302,721
Deferred inflows of resources not recognized on the modified accrual basis.	(2,151,113)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(216,328)
Net position of governmental activities	<u>\$ 1,140,581</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, 2018

	General Fund	High School Building Project Fund	Septic Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 29,245,298	\$	\$	\$	\$ 29,245,298
Excise taxes	2,030,935				2,030,935
Licenses and permits	270,569				270,569
Penalties and interest	336,609				336,609
Investment income	56,191			8,045	64,236
Charges for services			196,134	2,744,056	2,940,190
Fees and fines	211,454			46,407	257,861
Departmental and other	110,771			283,121	393,892
Intergovernmental	14,511,685		16,776	3,011,396	17,539,857
Total revenues	46,773,512		212,910	6,093,025	53,079,447
Expenditures					
General government	10,739,685			309,216	11,048,901
Public safety	5,393,037			1,000,500	6,393,537
Education	23,752,704			3,455,624	27,208,328
Public works	1,483,274			909,149	2,392,423
Human services	750,240		27,069	529,232	1,306,541
Culture and recreation	494,959			55,938	550,897
State and county assessments	593,172				593,172
Debt Service:					
Principal	2,386,459		202,117		2,588,576
Interest and other charges	1,624,034		16,775		1,640,809
Total expenditures	47,217,564		245,961	6,259,659	53,723,184
Revenues over (under) expenditures	(444,052)		(33,051)	(166,634)	(643,737)
Other financing sources (uses)					
Transfers in	983,015			103,293	1,086,308
Transfers out	(303,293)			(983,015)	(1,286,308)
Total other financing sources and (uses)	679,722			(879,722)	(200,000)
Revenues and other financing sources over (under) expenditures and other financing uses	235,670		(33,051)	(1,046,356)	(843,737)
Fund balance, beginning of year	11,416,609	8,370	2,133,606	5,291,526	18,850,111
Fund balance, end of year	\$ 11,652,279	\$ 8,370	\$ 2,100,555	\$ 4,245,170	\$ 18,006,374

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
for the Year Ended June 30, 2018

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ (843,737)
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year	2,807,340
Depreciation recorded for the fiscal year	(4,283,757)
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	(2,224,458)
Changes in amounts associated with net OPEB liability	(767,579)
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	(499,198)
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	(699,764)
Net change in allowance for doubtful accounts	(47,043)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long-term debt	2,588,576
Amortization of premiums associated with long-term debt	123,724
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	18,524
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The change in these liabilities, net of changes in related deferrals, is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Other postemployment benefits	(3,061,565)
Net pension liability	3,222,224
Landfill postclosure liability	29,400
Compensated absences	(82,410)
Change in net position of governmental activities	<u>\$ (3,719,723)</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, 2018

	Business-type Activities		
	Water	Solid Waste	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,643,298	\$ 316,503	\$ 1,959,801
Receivables, net of allowance for uncollectibles	1,179,339	56,065	1,235,404
Non current assets:			
Capital assets, net of accumulated depreciation	18,191,489		18,191,489
Total assets	21,014,126	372,568	21,386,694
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Associated with net OPEB liability	99,973	10,549	110,522
Total deferred outflows of resources	99,973	10,549	110,522
 Total assets and deferred outflows of resources	<u>\$ 21,114,099</u>	<u>\$ 383,117</u>	<u>\$ 21,497,216</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$ 19,790	\$ 59,961	\$ 79,751
Accrued interest	79,926		79,926
Non current liabilities:			
Due within one year	803,552		803,552
Due in more than one year	11,277,315	159,808	11,437,123
Total liabilities	12,180,583	219,769	12,400,352
<u>NET POSITION</u>			
Net investment in capital assets	7,584,688		7,584,688
Unrestricted	1,348,828	163,348	1,512,176
Total net position	8,933,516	163,348	9,096,864
 Total liabilities and net position	<u>\$ 21,114,099</u>	<u>\$ 383,117</u>	<u>\$ 21,497,216</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, 2018

	Business-type Activities		
	Water Fund	Solid Waste	Total
Operating revenues:			
Charges for services, departmental and other	\$ 2,413,230	\$ 527,920	\$ 2,941,150
Total operating revenues	2,413,230	527,920	2,941,150
Operating expenses:			
Salaries and wages	661,522	40,355	701,877
Operating expenses and fringe benefits	1,175,121	702,076	1,877,197
Depreciation	616,741		616,741
Total operating expenses	2,453,384	742,431	3,195,815
Operating income (loss)	(40,154)	(214,511)	(254,665)
Non operating revenues (expenses)			
Interest income	14,636		14,636
Interest expense	(243,743)		(243,743)
Total non operating revenue, net	(229,107)		(229,107)
Transfers			
Transfers in		200,000	200,000
Total transfers		200,000	200,000
Change in net position	(269,261)	(14,511)	(283,772)
Net position at beginning of year	9,202,777	177,859	9,380,636
Net position at end of year	\$ 8,933,516	\$ 163,348	\$ 9,096,864

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, 2018

	<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	\$ 2,377,402	\$ 539,106	\$ 2,916,508
Payments to vendors, including employee fringe benefits	(1,149,259)	(738,616)	(1,887,875)
Payments to employees for salaries and wages	<u>(654,539)</u>	<u>(40,765)</u>	<u>(695,304)</u>
Net cash provided by operating activities	573,604	(240,275)	333,329
Cash flows from noncapital financing activities:			
Operating transfers-in from General Fund	<u> </u>	<u>200,000</u>	<u>200,000</u>
Net cash provided by noncapital financing activities		200,000	200,000
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(430,568)		(430,568)
Principal payments on bonds and notes	(789,916)		(789,916)
Interest payments	<u>(250,405)</u>	<u> </u>	<u>(250,405)</u>
Net cash used for capital and related activities	(1,470,889)		(1,470,889)
Cash flows from investing activities			
Interest and dividends on investments	<u>14,636</u>	<u> </u>	<u>14,636</u>
Net change in cash and cash equivalents	(882,649)	(40,275)	(922,924)
Cash and cash equivalents at beginning of year	<u>2,525,947</u>	<u>356,778</u>	<u>2,882,725</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,643,298</u></u>	<u><u>\$ 316,503</u></u>	<u><u>\$ 1,959,801</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (40,154)	\$ (214,511)	\$ (254,665)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	616,741		616,741
Changes in assets and liabilities:			
Receivables, net of allowance for collectibles	(35,828)	11,186	(24,642)
Deferred outflows of resources associated with OPEB	16,443	1,735	18,178
Accounts payable and other current liabilities	(58,804)	(45,573)	(104,377)
Net OPEB liability	68,464	7,325	75,789
Compensated absences	<u>6,742</u>	<u>(437)</u>	<u>6,305</u>
Total adjustments	<u>613,758</u>	<u>(25,764)</u>	<u>587,994</u>
Net cash provided by operating activities	<u><u>\$ 573,604</u></u>	<u><u>\$ (240,275)</u></u>	<u><u>\$ 333,329</u></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, 2018

	Private Purpose Trust Funds	Other Post- employment Benefits Trust Fund	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$ 647,809
Investments	317,413	57,370	
Receivables			14,315
Total assets	<u>\$ 317,413</u>	<u>\$ 57,370</u>	<u>\$ 662,124</u>
<u>LIABILITIES</u>			
Accounts payable	\$		\$ 11,049
Amounts due to students			108,735
Amounts held in escrow			542,340
Total liabilities			<u>\$ 662,124</u>
<u>NET POSITION</u>			
Restricted for scholarships	317,413		
Restricted for other postemployment benefits		57,370	
Total liabilities and net position	<u>\$ 317,413</u>	<u>\$ 57,370</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, 2018

	Private Purpose Trust Funds	Other Post- employment Benefits Trust Fund
Additions		
Employer contributions	\$	\$ 1,353,091
Investment income (loss)	(2,745)	(258)
Total additions	(2,745)	1,352,833
Deductions		
Benefit payments		1,343,091
Scholarships and awards	9,200	
Total deductions	9,200	1,343,091
Change in net position	(11,945)	9,742
Net position - beginning of year	329,358	47,628
Net position - end of year	\$ 317,413	\$ 57,370

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, 2018

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 2018. The Town also belongs to a cost sharing group established pursuant to Massachusetts General Laws for pension benefits. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2018 Assessment</u>
Southeastern Regional School District 250 Foundry St., Easton, MA 02375	To provide vocational education	\$ 677,048
North River Collaborative 198 Spring St., Rockland, MA 02370	To provide SPED services	\$ 538,736
South Shore Collaborative 75 Abington St., Hingham, MA 02045	To provide SPED services	\$ 297,309
Massachusetts Bay Transit Authority 45 High St., Boston, MA 02110	To provide transportation services	\$ 49,243

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

The North River and South Shore Collaboratives (the Collaboratives) are public entities formed as educational collaboratives by an agreement between member governmental entities pursuant to the provisions of Massachusetts General Law Chapter 40, Section 4E. The Town pays the Collaboratives 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 is reported in three parts – net investment in capital assets; restricted, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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

The net costs are normally covered by general revenue.

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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 along with additional capital improvements related thereto. 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

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

Fiduciary Funds:

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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- 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.

D. Cash, Cash Equivalents, and Investments

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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

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

E. Interfund Receivables and Payables

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

F. Receivables

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

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

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

User charges: User charges and fees consist of water and solid waste use. Water fees are levied monthly and are based on individual meter readings and are subject to penalties and interest if they are not paid by their respective due date. Solid waste charges are billed to users 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

Notes to Financial Statements

June 30, 2018

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.

G. Capital Assets

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures 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, 2018

H. Deferred Outflows and Deferred Inflows

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

I. Liabilities

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

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

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

J. Compensated Absences

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

K. Equity Classifications

Government-wide Statements

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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

Fund Financial Statements

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

Fund balance can be classified in the following components:

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

L. Use of Estimates

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

M. Pension

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

N. Postemployment Benefits Other Than Pensions

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

O. Total Columns

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

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

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

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

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

B. Budgetary Basis of Accounting

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

C. Fund equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2018, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>High School Building Project</u>	<u>Septic Loan</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Public Works	\$	\$	\$	\$ 500	\$ 500
Culture & Recreation				95,770	95,770
subtotal				96,270	96,270
Restricted:					
General Government				737,910	737,910
Public Safety				66,332	66,332
Education		8,370		2,280,510	2,288,880
Public Works				228,540	228,540
Human Services			2,100,555	75,418	2,175,973
Culture & Recreation				173,330	173,330
Debt service	101,770				101,770
subtotal	101,770	8,370	2,100,555	3,562,040	5,772,735
Committed:					
General Government	1,309,553			8,807	1,318,360
Public Safety	427,458			938,863	1,366,321
Education	182,744				182,744
Public Works	32,608			41,092	73,700
Culture & Recreation				3,395	3,395
Debt service	250,678				250,678
subtotal	2,203,041			992,157	3,195,198
Assigned:					
General Government	117,087				117,087
Public Safety	44,198				44,198
Education	264,161				264,161
Public Works	17,637				17,637
Other	4,922				4,922
subtotal	448,005				448,005
Unassigned	8,899,463			(405,297)	8,494,166
Total	<u>\$ 11,652,279</u>	<u>\$ 8,370</u>	<u>\$ 2,100,555</u>	<u>\$ 4,245,170</u>	<u>\$ 18,006,374</u>

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, 2018, the Town maintained balances of \$2,317,678 in its general stabilization fund and \$3,738,576 in its capital stabilization fund. Additionally, the Town reported \$995,905 in its health insurance claims fund, which is included in the General Fund's committed fund balance.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

In addition, the General Fund unassigned fund balance included a snow and ice removal appropriation deficit of approximately \$282,000, and state and county assessments appropriation deficit of \$151,000. The snow and ice deficit is to be raised in the fiscal year 2019 tax levy as allowed by law.

The Town reported deficit unassigned fund balances of \$405,297 in other governmental funds as of June 30, 2018. The sewer main extension fund deficit will be funded through the issuance of long term debt. The school and town grant deficits are due to unbilled amounts on cost reimbursement grants, which will be subsequently billed. These deficit balances are as follows:

Sewer main extension	\$ 356,297
School grants	41,170
Town grants	4,541
School other special revenue	<u>3,289</u>
Total	<u>\$ 405,297</u>

Additionally, the Town appropriated \$1,211,672 of available fund balance in the General Fund during the May 2018 Annual Town Meeting for purposes of funding fiscal year 2019 articles. Of this amount, \$617,239 relates to stabilization fund transfers, and are not reflected in the schedule above because the stabilization funds are reported within the General Fund. All other appropriations have been classified as committed fund balance in their respective function in the above schedule.

D. Restricted Net Position

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

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

Capital projects	\$ 192,587
Septic loan	2,837,857
Special revenue:	
School lunch	311,018
Town Federal and State grants	126,809
Town revolving funds	218,673
Town other special revenue	423,697
School revolving funds & other special revenue	1,895,610
School Federal and State grants	193,158
Permanent:	
Expendable	464,664
Non-expendable	<u>96,270</u>
Total restricted net position	<u>\$ 6,760,343</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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, 2018 cash deposits totaled \$17,499,304 and had a carrying amount of \$16,712,725. Of the deposit amounts, \$6,297,250 was exposed to custodial credit risk at June 30, 2018 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, 2018, the Town had the following investments:

Governmental activities:

<u>Type</u>	<u>Value</u>	<u>Measurement</u>	<u>Maturities</u>		
			<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 years</u>
Money Markets	\$ 76,018	Amortized Cost	\$ N/A	\$ N/A	\$ N/A
US Treasury/Agency Securities	4,014,787	Level 1	889,786	2,619,272	505,729
Domestic Equities	1,029,023	Level 1	N/A	N/A	N/A
Mutual Funds	189,815	Level 1	N/A	N/A	N/A
Corporate Bonds	1,406,560	Level 1	142,577	1,192,679	71,304
Certificates of Deposit	897,831	Level 1	146,645	751,186	
Total	<u>\$ 7,614,034</u>		<u>\$ 1,179,008</u>	<u>\$ 4,563,137</u>	<u>\$ 577,033</u>

Fiduciary funds:

<u>Type</u>	<u>Value</u>	<u>Measurement</u>	<u>Maturities</u>		
			<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 years</u>
Money Markets	\$ 4,337	Amortized Cost	\$ N/A	\$ N/A	\$ N/A
US Treasury/Agency Securities	154,940	Level 1	57,130	97,810	
Domestic Equities	45,277	Level 1	N/A	N/A	N/A
Corporate Bonds	83,414	Level 1	6,554	76,860	
Certificates of Deposit	86,815	Level 1	14,180	72,635	
Total	<u>\$ 374,783</u>		<u>\$ 77,864</u>	<u>\$ 247,305</u>	<u>\$</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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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's investment policy addresses custodial credit risk; however, 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. Weighted average maturities for fixed income mutual funds are not available.

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. Weighted average credit ratings for fixed income mutual funds are not available. The Town's investment policy limits the Town to investing in U.S. treasuries and agencies, financial institution depository accounts and certain corporate bonds.

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

Maturities					
	Rating	Less than one year	1-5 years	6-10 years	Total
Pfizer Inc	A1	\$ 74,332	\$	\$	\$ 74,332
Union Pacific Railroad	Baa1	74,799			74,799
Abbott Labs	Baa1		99,111		99,111
A T & T	Baa2		172,353		172,353
Bank of America Corp.	A3		113,925		113,925
Burlington North Santa Fe	Baa2		76,697		76,697
Carolina Power & Light	A3		49,358		49,358
G E Capital International	A2		132,364		132,364
General Mills	Baa2		74,443		74,443
McDonalds Corp	Baa1		173,394		173,394
Southern Power Co.	Baa1		52,148		52,148
Virginia Power Co.	Baa2		100,260		100,260
Wells Fargo Co.	A2		126,089		126,089
Wisconsin Electric Power	A2		99,397		99,397
Verizon Communications	Baa1			71,304	71,304
Total		<u>\$ 149,131</u>	<u>\$ 1,269,539</u>	<u>\$ 71,304</u>	<u>\$ 1,489,974</u>

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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 taxes	\$ 490,192	\$ (4,830)	\$ 485,362
Tax liens, deferrals and foreclosures	4,046,901		4,046,901
Motor vehicle excise	226,946	(20,341)	206,605
Charges for service	396,594	(118,978)	277,616
Betterments	737,302		737,302
Intergovernmental:			
Chapter 90 awards requested	320,786		320,786
Veterans benefits	184,218		184,218
Other federal and state grants	675,349		675,349
Totals	<u>\$ 7,078,288</u>	<u>\$ (144,149)</u>	<u>\$ 6,934,139</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	\$ 1,179,339	\$	\$ 1,179,339
Solid waste departmental	56,065		56,065
Totals	<u>\$ 1,235,404</u>	<u>\$</u>	<u>\$ 1,235,404</u>

Agency funds report amounts, due from third parties for police and fire details, of \$14,315.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<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	<u>4,942,400</u>			<u>4,942,400</u>
Capital assets being depreciated:				
Buildings and related improvements	99,448,741	276,994		99,725,735
Equipment, vehicles and other	16,602,584	1,119,478	(121,937)	17,600,125
Infrastructure	33,216,594	1,410,868		34,627,462
Sub-total	<u>149,267,919</u>	<u>2,807,340</u>	<u>(121,937)</u>	<u>151,953,322</u>
Less accumulated depreciation:				
Buildings and related improvements	22,481,425	2,448,187		24,929,612
Equipment, vehicles and other	12,643,439	1,039,730	(121,937)	13,561,232
Infrastructure	20,376,588	795,840		21,172,428
Sub-total	<u>55,501,452</u>	<u>4,283,757</u>	<u>(121,937)</u>	<u>59,663,272</u>
Governmental capital assets, net	<u>\$ 98,708,867</u>	<u>\$ (1,476,417)</u>	<u>\$</u>	<u>\$ 97,232,450</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

	Balance <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 192,627	\$	\$	\$ 192,627
Sub-total	192,627			192,627
Capital assets being depreciated:				
Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	1,037,043	222,566		1,259,609
Infrastructure	25,189,696	208,002		25,397,698
Sub-total	30,027,262	430,568		30,457,830
Less accumulated depreciation:				
Buildings and related improvements	1,497,883	66,795		1,564,678
Equipment, machinery & vehicles	690,195	73,907		764,102
Infrastructure	9,654,149	476,039		10,130,188
Sub-total	11,842,227	616,741		12,458,968
Business-type capital assets, net	<u>\$ 18,377,662</u>	<u>\$ (186,173)</u>	<u>\$</u>	<u>\$ 18,191,489</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 167,571
Public safety	558,538
Education	2,585,256
Public works	850,393
Health and human services	104,916
Culture and recreation	17,083
Total depreciation expense – governmental activities	<u>\$ 4,283,757</u>

Business-type activities:

Water	<u>\$ 616,741</u>
Total depreciation expense – business-type activities	<u>\$ 616,741</u>

Note 7. Interfund balances and activity

Interfund transfers, for the year ended June 30, 2018, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Solid Waste Fund</u>
Amounts transferred from Receipts Reserved for Appropriation (Ambulance Fund) to fund the FY2018 Operating Budget	\$ 550,000	\$ (550,000)	\$
Amount transferred from General Fund to paydown BAN for Sewer Extension	(100,000)	100,000	
Amounts transferred from Receipts Reserved for Appropriation (Ambulance Fund) to fund the purchase of public safety equipment	145,935	(145,935)	
Amounts transferred from other special revenue funds (library fines) to purchase supplies	7,000	(7,000)	
Amounts transferred from Receipts Reserved for Appropriation (Ambulance Fund) for the purchase of an ambulance	265,000	(265,000)	
Amounts unused from transfers from Receipts Reserved for Appropriation (Ambulance Fund)	(3,293)	3,293	
To close unexpended Circuit Breaker funds from the prior fiscal year	15,080	(15,080)	
Amount transferred from General Fund to Solid Waste Fund to supplement the FY18 Solid Waste budget	(200,000)		200,000
Totals	<u>\$ 679,722</u>	<u>\$ (879,722)</u>	<u>\$ 200,000</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

During fiscal year 2018, the General Fund transferred \$10,000 to the OPEB Trust Fund. This has been reported as a contribution in the Statement of Changes in Fiduciary Net Position and a general government expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance.

During fiscal year 2018, the Town utilized \$916,841 from the capital stabilization fund, for purposes of paying debt service costs. Additionally, the Town transferred \$725,000 to the capital stabilization fund from the General Fund.

Note 8. Deferred Outflows and Inflows of Resources

As of June 30, 2018, the Town reported the following deferred outflows and deferred inflows of resources associated with the Town's activities.

Governmental Activities:

Deferred outflows of resources:

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>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred outflows of resources:			
<i>Associated with pension:</i>			
Differences between expected and actual experience	\$ 415,826	\$ -	\$ 415,826
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>220,015</u>	<u>-</u>	<u>220,015</u>
Total deferred outflows associated with pension	<u>\$ 635,841</u>	<u>\$ -</u>	<u>\$ 635,841</u>
<i>Associated with OPEB</i>			
Differences between expected and actual experience	<u>\$ 4,666,880</u>	<u>\$ 110,522</u>	<u>\$ 4,777,402</u>
Total deferred outflows associated with OPEB	<u>\$ 4,666,880</u>	<u>\$ 110,522</u>	<u>\$ 4,777,402</u>

Deferred inflows of resources:

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred inflows of resources:			
<i>Associated with pension:</i>			
Changes in actuarial assumptions	\$ 454,294	\$ -	\$ 454,294
Net differences between expected and actual investment earnings	733,629	-	733,629
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>106,539</u>	<u>-</u>	<u>106,539</u>
Total deferred outflows associated with pension	<u>\$ 1,294,462</u>	<u>\$ -</u>	<u>\$ 1,294,462</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

Governmental Funds:

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

<u>Type</u>	<u>General Fund</u>	<u>Septic Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes and surcharge	\$ 370,061	\$	\$	\$ 370,061
Liens, deferred and possessions	4,046,901			4,046,901
Excise taxes	226,946			226,946
Special assessments		737,302		737,302
Ambulance fees			396,594	396,594
Intergovernmental	184,218		255,806	440,024
Total	<u>\$ 4,828,126</u>	<u>\$ 737,302</u>	<u>\$ 652,400</u>	<u>\$ 6,217,828</u>

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
MCWT subsidized septic bond, 4%, dtd Various, due 2017-2027	\$ 2,138,191	\$	\$ (202,117)	\$ 1,936,074	\$ 202,147
Multi-purpose bonds, 3.75-5.00%, dtd 8/15/2001, due 8/15/2018	205,000		(105,000)	100,000	100,000
MCWT subsidized landfill bond, N/A, dtd Various, due 2020	220,000		(70,000)	150,000	75,000
General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022	650,000		(125,000)	525,000	125,000
MCWT subsidized storm water mgt bond, N/A, dtd N/A, due 2/15/2027	224,850		(18,459)	206,391	18,832
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	26,685,000		(1,375,000)	25,310,000	1,450,000
General obligation bond, 2.00-3.00%, dtd 8/23/2012, due 8/15/2032	944,000		(65,000)	879,000	65,000
General obligation bond, 2.00-4.00%, dtd 9/27/2013, due 9/15/2033	4,320,000		(195,000)	4,125,000	200,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	2,800,000		(255,000)	2,545,000	225,000
General obligation bond, 2.25-4.00%, dtd 12/27/2015, due 12/15/2035	1,325,000		(115,000)	1,210,000	115,000
Multi-purpose bonds, 2.00-2.75%, dtd 9/26/2017, due 9/15/2036	<u>1,398,000</u>	<u>-</u>	<u>(63,000)</u>	<u>1,335,000</u>	<u>65,000</u>
Total long-term bonds	40,910,041		(2,588,576)	38,321,465	2,670,979
Landfill closure and monitoring liability	313,951		(29,400)	284,551	
Net OPEB liability	60,868,379	3,061,565		63,929,944	
Net pension liability	22,324,421		(3,222,224)	19,102,197	
Compensated absences	<u>1,386,635</u>	<u>82,410</u>	<u>-</u>	<u>1,469,045</u>	
Total governmental activities	<u>\$ 125,803,427</u>	<u>\$ 3,143,975</u>	<u>\$ (5,840,200)</u>	<u>\$ 123,107,202</u>	<u>\$ 2,670,979</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

<u>Purpose</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Current Position</u>
Business-type activities:					
MCWT water filtration project bond, 2.00%, dtd 12/18/2007, due 7/15/2027	\$ 6,003,593	\$	\$ (492,855)	\$ 5,510,738	\$ 502,812
MCWT drinking water bond, 2.00%, dtd 7/8/2010, due 7/15/2030	2,318,007		(144,916)	2,173,091	147,844
MCWT drinking water bond, 2.00%, dtd 7/8/2010, due 7/15/2030	594,117		(37,145)	556,972	37,896
General obligation bond, 2.00-3.00%, dtd 8/23/2012, due 8/15/2032	756,000		(40,000)	716,000	40,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	840,000		(40,000)	800,000	40,000
General obligation bond, 2.00-4.00%, dtd 8/27/2015, due 8/15/2035	<u>885,000</u>		<u>(35,000)</u>	<u>850,000</u>	<u>35,000</u>
Total long-term bonds payable	11,396,717		(789,916)	10,606,801	803,552
Net OPEB liability	1,447,972	75,789		1,523,761	
Compensated absences	<u>103,808</u>	<u>6,305</u>		<u>110,113</u>	
Total business-type activities noncurrent liabilities	<u>\$ 12,948,497</u>	<u>\$ 82,094</u>	<u>\$ (789,916)</u>	<u>\$ 12,240,675</u>	<u>\$ 803,552</u>

Long-term debt

The outstanding Massachusetts Clean Water Trust (MCWT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. However, it is anticipated that approximately 33% to 44% of the debt service payments relating to septic and landfill bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide and governmental financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The septic and landfill bonds have been combined according to type for presentation purposes. These obligations have varying maturity dates as indicated. The Town received principal and interest subsidies of \$44,849 during the current year.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2018, including interest, are as follows:

<u>Year Ending 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>
2019	\$ 2,670,979	\$ 1,528,218	\$ 4,199,197	\$ 803,552	\$ 233,171	\$ 1,036,723
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	2,717,927	1,085,280	3,803,207	874,898	158,841	1,033,739
2024- 2028	14,223,722	3,696,635	17,920,357	4,646,693	494,801	5,141,494
2029 – 2033	10,073,128	973,736	11,046,864	1,442,415	139,436	1,581,851
2034 – 2037	<u>780,000</u>	<u>32,982</u>	<u>812,982</u>	<u>330,000</u>	<u>17,825</u>	<u>347,825</u>
Totals	<u>\$ 38,321,465</u>	<u>\$ 11,246,183</u>	<u>\$ 49,567,648</u>	<u>\$ 10,606,801</u>	<u>\$ 1,634,874</u>	<u>\$ 12,241,675</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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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, 2018, the Town reported no unissued debt authorizations. The Town includes bond anticipated note issuance as a reduction of authorized and unissued debt. Bond Anticipated Notes are either permanently paid down or paid through permanent financing through the issuance of bonds.

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, 2018.

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, 2018, 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, 2018 are as follows:

BAN	Interest	Maturity	Beginning			Ending
<u>Purpose & Issue Date</u>	<u>Rate</u>	<u>Date</u>	<u>Balance</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance</u>
Sewer Ext., 3/7/2017	1.20%	3/9/2018	\$ 520,000	\$	\$ (520,000)	\$
Sewer Ext., 3/9/2018	1.65%	3/9/2019		420,000		420,000
Multipurpose, 6/29/2018	2.15%	3/9/2019		707,000		707,000
			<u>\$ 520,000</u>	<u>\$1,127,000</u>	<u>\$ (520,000)</u>	<u>\$ 1,127,000</u>

New BAN issuances of \$707,000 in fiscal year 2018 related to public safety garage addition and road repairs. All BAN's are expected to be permanently financed through the issuance of long term debt.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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 working more than 20 hours a week. As of December 31, 2017, the Association had 54 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2017, 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 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service.

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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 \$2,427,677, which was net of the discount of approximately \$47,000.

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, 2017 and measured as of December 31, 2017.

At December 31, 2017, based upon the valuation date of January 1, 2017:

	<u>2017</u>
Total pension liability	\$ 1,555,495,352
Less: plan fiduciary net position	<u>(1,019,707,446)</u>
Net pension liability	<u>\$ 535,787,906</u>
Plan's fiduciary net position as a percentage of total pension liability	65.56%
Total employer pension expense	\$ 52,212,734
The Town's proportionate share of the collective net pension liability	\$ 19,102,197
The Town's percentage share of the collective net pension liability	3.565%
Town covered payroll	\$ 10,940,724
The Town's proportionate share of pension expense recognized	\$ 1,929,109

The Town's proportionate share of collective deferred outflows of resources of \$23,783,820 was \$635,841. This was due to the result of the differences between expected and actual experience of \$415,826 and changes in proportion and differences between employer contributions and proportionate share of contributions of \$220,015. The Town's proportionate share of collective deferred inflows of resources of \$44,334,916 was \$1,294,462. This amount related to changes in proportion of \$106,539, difference between projected and actual investment earnings on pension plan investments of \$733,629, and changes in assumptions of 454,294. The Town's net deferred outflows and deferred inflows of resources is to be recognized in future pension expense in the amount of \$259,175 for the year ending June 30, 2019, \$18,677 for June 30, 2020, (\$421,700) for June 30, 2021, and (\$514,773) for June 30, 2022.

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, 2018

Remaining amortization period:	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years, all 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% (discount rate).
Projected salary increases:	3.75% per year.
Cost-of-living adjustments:	3.0% of the first \$14,000 of retirement income.
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.
Rates of disability:	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected).
Mortality rates:	
Pre-retirement:	RP-2014 Blue Collar Mortality Table, Scale MP-2016, fully generational.
Post-retirement:	Group 1 & Group 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 for Group 1, 2 years for Group 4.
Family composition:	Assumption that 80% of male members, and 60% of all female members, will be survived by a spouse.

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected nominal rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2017 are summarized in the following table:

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

<u>Asset Class</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
US equity	7.50%	26.50%
Developed markets equity	7.30%	16.00%
Emerging markets equity	9.80%	4.00%
Core bonds	4.20%	11.50%
Foreign bonds	2.40%	3.00%
Emerging market bonds	5.50%	4.00%
High yield bonds	6.00%	4.00%
Bank loans	5.50%	3.00%
Private equity	9.60%	10.00%
Real estate	6.90%	10.00%
Natural resources	7.00%	1.00%
Infrastructure	7.80%	2.00%
Hedge fund of funds	5.30%	4.00%
Cash	2.80%	1.00%
		<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net 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%):

	<u>1% decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
Plymouth County Retirement Association - Total	\$695,089,721	\$535,787,906	\$397,853,354
Proportionate share associated with the Town	\$ 24,781,925	\$ 19,102,197	\$ 14,184,603

For fiscal year 2018, the total pension liability is presented as a liability of the governmental activities, and is not allocated across the separately stated major funds.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

2. Special Funding Situation - MTRS

Plan Description

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

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

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

Benefits Provided

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$2,107,412. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2017, rolled forward to June 30, 2017 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2017</u>
Total pension liability	\$ 50,024,000,000
Less: plan fiduciary net position	<u>(27,138,609,000)</u>
Net pension liability	<u>\$ 22,885,391,000</u>
Plan's fiduciary net position as a percentage of total pension liability	54.25%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 39,035,506
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	0.170570%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 4,074,249

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale MP-2016 (gender distinct)
 - b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with MP-2016 (gender distinct)
 - c. Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale 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 of January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.6%
Core Fixed Income	12.0%	1.1%
Private Equity	11.0%	6.6%
Value Added Fixed Income	10.0%	3.8%
Real Estate	10.0%	3.6%
Timber/Natural Resources	4.0%	3.2%
Hedge Funds	0.0%	3.6%
Total	<u>100.0%</u>	

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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, 2017 (in thousands).

	<u>June 30, 2017</u>	<u>1% Decrease</u> <u>to 6.5%</u>	<u>Current Discount</u> <u>Rate 7.5%</u>	<u>1% Increase</u> <u>to 8.5%</u>
	MTRS- Total	\$28,424,300	\$22,885,391	\$18,193,400
Proportionate share associated with Town		\$48,483	\$39,036	\$31,032

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities of approximately \$1.5 million and \$110,000, respectively.

C. Other Postemployment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and prescription drug benefits to substantially all retired employees and their spouses (plan members). Eligibility to 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, or;
- (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 2018, 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.

Benefits Provided and Employees Covered

Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2018 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

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, 2017) for the financial reporting date of June 30, 2018 has not taken into account the prefunded monies of \$57,370 accumulated at June 30, 2018. This balance has been determined to be immaterial for 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, 2018, the Town's average contribution rate was 5.90% 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, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2016.

Actuarial Methods and Assumptions

The total OPEB liability measured at June 30, 2017 was determined using the following actuarial assumptions:

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 6.08 years.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

The long-term expected rate of return on Plan assets was not applicable in measuring the net OPEB liability. The Plan has yet to establish target allocations and long term expected rates of return on plan investments. Accordingly, the prefunded monies of \$57,370, accumulated at June 30, 2018, were not included in the actuarial valuation and are considered to be immaterial.

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 not 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.

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, 2016	\$62,316,351	\$	\$ 62,316,351
<i>Changes for the year:</i>			
Service cost	2,554,321		2,554,321
Interest	1,926,124		1,926,124
Contributions – employer		1,343,091	(1,343,091)
Benefit payments	(1,343,091)	1,343,091	-
Net Changes	3,137,354	-	3,137,354
Balances at June 30, 2017 (measurement date)	<u>\$65,453,705</u>	<u>\$</u>	<u>\$ 65,453,705</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 <u>(2.00%)</u>	Current Discount Rate <u>(3.00%)</u>	1% Increase <u>(4.00%)</u>
Net OPEB Liability	\$81,644,447	\$65,453,705	\$54,214,691

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 <u>(4.00%)</u>	Current Trend Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Net OPEB Liability	\$49,340,912	\$65,453,705	\$86,964,503

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

The OPEB expense for governmental activities and business-type activities was \$5,155,686 and \$110,516, respectively, for the year ended June 30, 2018. The total deferred outflows of resources related to other postemployment benefits was \$4,777,402 at June 30, 2018, which was the result of the difference between expected and actual plan experience. This is to be recognized in future pension expense in the amount of \$785,757 for each of the years ending June 30, 2019 to 2023, and \$848,617 for the years thereafter.

GASB Statement #74

GASB Statement #74 is associated with reporting of the OPEB Plan as of the reporting date, June 30, 2018. As previously indicated, the Plan is reported as a fiduciary fund in the Town's financial statements. At June 30, 2018, the Town maintained \$57,370 in the OPEB Trust Fund. Amounts reported in the fund were omitted from the actuarial valuation date June 30, 2016. Additionally, certain disclosures required under GASB Statement #74 were omitted from this report.

Note 12. Landfill Closure and Post-closure Care Costs

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

As of June 30, 2018, \$285,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2018, the Town anticipates 9 years of post-closure monitoring remaining. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

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

The Town belongs to the Group Insurance Commission. The Group Insurance Commission (GIC) was established by the Massachusetts Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth of Massachusetts' employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities, and retired municipal employees and teachers in certain governmental units. The Town's share of health and dental premiums paid to the GIC for the year ended June 30, 2018 was approximately \$3.5 million.

Note 14. Commitments and Contingencies

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

Note 15 Implementation of New GASB Pronouncements

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

Current pronouncements

The GASB issued Statement #75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, which was 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 postemployment benefits. The Town early implemented this pronouncement in fiscal year 2017.

The GASB issued Statement #82, Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73 which was 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 implemented this pronouncement in 2018, and had no material effect on the financial statements.

The GASB issued Statement #85, Omnibus 2017 was required to be implemented in fiscal year 2018. The pronouncement addresses a variety of issues in the implementation of various statements. The Town implemented this pronouncement in 2018, and had no material effect on the financial statements.

The GASB issued Statement #86, Certain Debt Extinguishment Issues was required to be implemented in fiscal year 2018. The pronouncement addresses consistency in accounting and financial reporting for in-substance defeasance of debt with only existing resources. The Town implemented this pronouncement in 2018, and had no material effect on the financial statements.

Future pronouncements

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.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2018

The GASB issued Statement #88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in fiscal year 2021. This pronouncement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide additional essential information about debt. The Town expects to implement the pronouncement as applicable.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	(measurement date)	
	2017	2016
Total OPEB liability		
Service cost	\$ 2,554,321	\$ 2,617,379
Interest	1,926,124	1,669,937
Differences between expected and actual experience		5,563,159
Benefits payments	(1,343,091)	(1,154,083)
Net change in total OPEB liability	3,137,354	8,696,392
Total OPEB liability - beginning	62,316,351	53,619,959
Total OPEB liability - ending (a)	<u>\$ 65,453,705</u>	<u>\$ 62,316,351</u>
 Plan fiduciary net position**		
Contributions - employer	\$ 1,343,091	\$ 1,154,083
Benefit payments	(1,343,091)	(1,154,083)
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>\$ 65,453,705</u>	<u>\$ 62,316,351</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered - employee payroll	\$ 22,748,755	\$ 22,748,755
Town's net OPEB liability as a percentage of covered-employee payroll	287.72%	273.93%

Notes to Schedule

Changes in assumptions from previous measurement date: None.

*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.

** Amounts included in the OPEB Trust Fund presented on the Statement of Fiduciary Net Position have been omitted from the actuarial valuation and are considered to be immaterial with respect to the total OPEB liability. Additionally, disclosures required under GASB Statement #74 for the Plan reporting date have been omitted.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of Contributions - Other Postemployment Benefits
Last 10 Fiscal Years*

	(measurement date)	
	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 5,796,457	\$ 5,641,053
Contributions in relation to the actuarially determined contribution	<u>\$ (1,343,091)</u>	<u>\$ (1,154,083)</u>
Contribution deficiency (excess)	<u>\$ 7,139,548</u>	<u>\$ 6,795,136</u>
Covered-employee payroll	\$ 22,748,755	\$ 22,748,755
Contributions as a percentage of covered-employee payroll	5.90%	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 rate	5.00% 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:	Varies based on age and years of service
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 - 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.

**Additionally, disclosures required under GASB Statement #74 for the Plan reporting date have been omitted.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Investment Returns - Other Postemployment Benefits
 Last 10 Fiscal Years*

	(measurement date)	
	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense**	0%	0%

*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.

** Amounts included in the OPEB Trust Fund presented on the Statement of Fiduciary Net Position have been omitted from the actuarial valuation and are considered to be immaterial with respect to the total OPEB liability. Additionally, disclosures required under GASB Statement #74 for the Plan reporting date have been omitted.

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
Last 10 Fiscal Years*

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, 2017, the following is presented:

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Town's proportionate/allocated share of collective net pension liability	\$ 19,102,197	\$	22,324,421	\$	22,109,349	\$	20,320,378
Town's proportionate share of pension expense	\$ 1,929,109	\$	2,885,854	\$	2,509,357	\$	2,101,461
Town's share of collective net pension liability as a percentage of the total	3.57%		3.52%		3.49%		3.49%
Actuarially determined contribution	\$ 2,427,677	\$	2,343,657	\$	2,220,461	\$	2,052,200
Contributions in relation to actuarial determined contribution	\$ (2,427,677)	\$	(2,343,657)	\$	(2,220,461)	\$	(2,052,200)
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
 Town's covered payroll	 \$ 10,940,724	 \$	 10,519,927	 \$	 9,925,244	 \$	 9,566,500
Town's contributions as a percentage of covered payroll	22.19%		22.28%		23.21%		21.45%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	174.6%		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
Last 10 Fiscal Years*

B. Special Funding Situation - Massachusetts Teacher's Retirement System

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf 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, 2017, the following is presented

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 39,035,506	\$ 41,369,545	\$ 39,327,856	\$ 29,475,401
Commonwealth's proportionate share of collective pension expense associated with the Town	\$ 4,074,249	\$ 4,219,965	\$ 3,189,839	\$ 2,047,798
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.170570%	0.185033%	0.191940%	0.185422%
Actuarially determined contribution	\$ 2,107,412	\$ 2,080,845	\$ 1,961,494	\$ 1,738,111
Contributions in relation to actuarial determined contribution	\$ (2,107,412)	\$ (2,080,845)	\$ (1,961,494)	\$ (1,738,111)
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 11,582,470	\$ 10,044,825	\$ 9,566,500	\$ 9,117,000
Commonwealth's contributions on behalf of the Town as a percentage of covered payroll	18.19%	20.72%	16.12%	15.29%
Commonwealth's proportionate share of the collective net pension liability as a percentage of covered payroll	337.02%	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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 28,828,196	\$ 28,828,196	\$ 29,228,543	\$ 400,347
Excise taxes	1,716,159	1,716,159	2,030,935	314,776
Licenses and permits	190,000	190,000	270,569	80,569
Penalties and interest	225,000	225,000	336,609	111,609
Investment income	30,000	30,000	129,355	99,355
Fees and fines	150,000	150,000	211,454	61,454
Departmental and other	96,500	96,500	110,771	14,271
Intergovernmental	12,366,448	12,366,448	12,404,273	37,825
Total revenues	<u>43,602,303</u>	<u>43,602,303</u>	<u>44,722,509</u>	<u>1,120,206</u>
Expenditures				
General government	11,883,092	11,726,033	11,215,135	510,898
Public safety	5,477,712	5,455,620	5,393,037	62,583
Education	21,898,635	21,659,758	21,645,292	14,466
Public works	1,121,633	1,206,037	1,483,274	(277,237)
Human services	795,262	795,312	750,240	45,072
Culture and recreation	520,570	522,649	494,959	27,690
State and county assessments	442,245	442,245	593,172	(150,927)
Debt service	4,134,252	4,134,252	4,110,493	23,759
Total expenditures	<u>46,273,401</u>	<u>45,941,906</u>	<u>45,685,602</u>	<u>256,304</u>
Revenues over (under) expenditures	(2,671,098)	(2,339,603)	(963,093)	1,376,510
Other financing sources (uses)				
Transfers in from other funds	2,007,443	2,370,225	2,385,306	15,081
Transfers out to other funds	(935,000)	(935,000)	(938,293)	(3,293)
Total other financing sources (uses)	<u>1,072,443</u>	<u>1,435,225</u>	<u>1,447,013</u>	<u>11,788</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,598,655)	(904,378)	<u>\$ 483,920</u>	<u>\$ 1,388,298</u>
Other budget items				
Use of available fund balance	1,117,592	1,484,831		
Overlay appropriations	100,000	100,000		
Carryover articles and encumbrances	772,559	(288,957)		
Funding of prior year deficits	(391,496)	(391,496)		
Total other budget items	<u>1,598,655</u>	<u>904,378</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information Notes to Budgetary Comparison Schedule For the Year Ended June 30, 2018

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, 2018, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 44,722,509	\$ 45,685,602	\$ 1,447,013
Adjustment for property tax revenues	16,754		
State funded teacher's pension	2,107,413	2,107,413	
BAN permanent paydown		(100,000)	(100,000)
Stabilization funds activity, net	(73,164)		(191,842)
Transfer to OPEB Trust Fund			
Indirect costs of other funds recorded as operating transfers on budgetary basis	-	(228,695)	(228,695)
As reported on a GAAP basis	<u>\$ 46,773,512</u>	<u>\$ 47,217,564</u>	<u>\$ 679,722</u>

During the year, the Town incurred a snow and ice appropriation deficit which is allowed by law of approximately \$282,000. The Town also incurred a state and county assessment appropriation deficit of approximately \$151,000, which is also allowable by law. Amounts for snow and ice deficit will be raised in the fiscal year 2019 budget related thereto.