

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, 2012

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2012

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MLBCPA, LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of East Bridgewater, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, on our consideration of the Town of East Bridgewater, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and the schedule of funding progress on the accompanying pages be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MLBCPA, LLP

April 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

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, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$53.0 million (net assets). Of this amount, approximately \$8.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2012 was \$48.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$3,591,692 or approximately 8.4% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-Wide Statements

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

Statement of Net Assets: The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

Fund Financial Statements

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

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

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

The Town maintains several governmental funds. Of the funds three (3) are considered major funds (general fund, high school building fund and septic loan repayment fund) and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds.

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

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

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

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

Government Wide Financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of East Bridgewater, assets exceeded liabilities by \$43.3 and \$9.8 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the following tables.

	FY 2012	FY 2011	
	Governmental	Governmental	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Current assets	\$ 44,209,617	\$ 53,981,473	-18.10%
Capital assets	54,431,830	31,645,775	72.00%
Total assets	98,641,447	85,627,248	15.20%
Current liabilities	6,072,221	6,123,842	-0.84%
Long-term liabilities	49,289,003	50,663,288	-2.71%
Total liabilities	55,361,224	56,787,130	-2.51%
Net assets:			
Invested in capital assets, net of related debt	31,317,377	17,881,936	75.13%
Restricted	8,335,702	4,871,292	71.12%
Unrestricted	3,627,144	6,086,890	-40.41%
Total net assets	\$ 43,280,223	\$ 28,840,118	50.07%

Included within the governmental activity current assets, are \$16,843,683 in cash, \$14,653,552 in investments, \$12,695,658 in receivables, net of allowances for uncollectible accounts and \$16,724 due from agency funds. Receivables consist primarily of approximately \$1.4 million of sewer betterment, \$4.4 million of property taxes, excise, charges for services and other, and \$6.9 million of intergovernmental receivables. Intergovernmental receivables include veteran benefit receivable, school building assistance reimbursement and other federal and state town and school grants.

Governmental activity long-term liabilities include \$42.7 million in general obligation bonds, of which approximately \$2.7 million has been classified as current because it is due within fiscal year 2013. Long-term liabilities also include \$1.2 million for compensated absences, \$6.1 million for other post employment benefits, \$0.5 million for landfill closure and monitoring liability, and \$0.1 million for capital leases.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

	FY 2012	FY 2011	
	Business-type	Business-type	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Current assets	\$ 3,895,109	\$ 4,731,531	-17.68%
Capital assets	18,481,140	18,339,655	0.77%
Total assets	<u>22,376,249</u>	<u>23,071,186</u>	-3.01%
Current liabilities	868,792	1,084,881	-19.92%
Long-term liabilities	11,747,539	12,395,937	-5.23%
Total liabilities	<u>12,616,331</u>	<u>13,480,818</u>	-6.41%
Net assets:			
Invested in capital assets, net of related debt	6,147,790	5,162,018	19.10%
Unrestricted	3,612,128	4,428,350	-18.43%
Total net assets	<u>\$ 9,759,918</u>	<u>\$ 9,590,368</u>	1.77%

The largest portion of the Town's total net assets \$37.5 million (70.6%) 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 assets, \$8.3 million (15.7%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance is unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors, is \$7.2 million (13.7%) of total net assets.

The Town's governmental activities' net assets increased by \$14,440,105 and business-type activities' net assets increased by \$169,550 during fiscal 2012. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ◆ Property taxes represent approximately 38% of the Town's governmental activities revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest governmental activities' revenue representing nearly 27% of the Town's total revenue. The largest proportion of this revenue, nearly \$11.5 million represents Chapter 70 school aid and other educational grants received from the Commonwealth and federal government.
- ◆ Capital grants and contributions make up the third largest governmental activities' revenue representing nearly 21% of the Town's total revenue. The largest proportion of this revenue, nearly \$12.8 million represents SBA reimbursement grants received from the Commonwealth of Massachusetts for the construction of the new high school.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

- ◆ Charges for services for the Town's business-type activities of \$2,612,913, represent 4.1% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2,161,931 and \$450,982 respectively. In addition, a capital grant of \$204,453 was received by the water fund.

Expenses:

- ◆ Governmental activities expenses showed a modest increase of 0.37% from the prior year.
- ◆ Business-type activities' operational expenses showed a modest increase of 2.31% from prior year.

Governmental activities:

	Governmental Activities		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,210,817	\$ 2,878,328	11.55%
Operating grants and contributions	16,992,558	16,767,150	1.34%
Capital grants and contributions	<u>12,990,150</u>	<u>1,844,460</u>	604.28%
Total program revenues	33,193,525	21,489,938	54.46%
General Revenues:			
Property taxes levied	23,897,474	20,763,340	15.09%
Excise taxes	1,414,684	1,366,463	3.53%
Penalties and interest on taxes	241,892	209,597	15.41%
Grants and contributions not restricted	1,155,719	1,351,266	-14.47%
Investment income	313,460	146,594	113.83%
Miscellaneous	86,751	189,101	-54.12%
Transfers	<u>-</u>	<u>6,893</u>	-100.00%
Total general revenues	<u>27,109,980</u>	<u>24,033,254</u>	12.80%
Total Revenues	60,303,505	45,523,192	32.47%
Expenses:			
General government	15,194,766	15,282,218	-0.57%
Public safety	4,551,246	4,614,635	-1.37%
Education	21,251,327	21,425,992	-0.82%
Public works	1,931,019	2,329,433	-17.10%
Health and human services	552,856	714,097	-22.58%
Culture and recreation	528,890	505,348	4.66%
Interest on long term debt	1,540,647	517,772	197.55%
State and county charges	<u>312,649</u>	<u>304,836</u>	2.56%
Total Expenses	45,863,400	45,694,331	0.37%
Change in net assets	14,440,105	(171,139)	-8537.65%
Net assets -- beginning of year	<u>28,840,118</u>	<u>29,011,257</u>	-0.59%
Net assets -- end of year	<u>\$ 43,280,223</u>	<u>\$ 28,840,118</u>	50.07%

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2012

Business-type activities:

	Business-Type Activities		% Change
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 2,612,913	\$ 2,705,254	-3.41%
Capital grant	204,455		100.00%
Total operating revenues	2,817,368	2,705,254	4.14%
Expenses:			
Salaries, wages, and employee benefits	529,109	546,035	-3.10%
Expenses	1,444,366	1,380,715	4.61%
Depreciation	464,258	456,035	1.80%
Total expenses	2,437,733	2,382,785	2.31%
Total operating income	379,635	322,469	17.73%
Non operating revenues (expenses)			
Debt service	(211,937)	(262,761)	-19.34%
Investment income	1,852	3,594	-48.47%
Transfers out		(6,893)	-100.00%
Total non operating revenue (expenses), net	(210,085)	(266,060)	-21.04%
Change in net assets	169,550	56,409	200.57%
Net assets – beginning of year	9,590,368	9,533,959	0.59%
Net assets – end of year	<u>\$ 9,759,918</u>	<u>\$ 9,590,368</u>	1.77%

Financial Analysis of the Government's Fund Financial Statements

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$28,645,163, a decrease of approximately \$12,740,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,271, restricted fund balance of \$22,963,125, committed fund balance of \$2,030,285; assigned fund balance of \$48,859 and unassigned fund balance of \$3,506,623.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$6.3 million, an increase of \$0.6 million from the previous year. Of this amount \$1,525,977 or 24.2% represents restricted fund balance. Committed fund balance of \$1,130,344 and assigned fund balance of \$48,859 represent 18.0% and 0.8% of total general fund balance respectively. Unassigned fund balance of \$3.6 million represents 57.0% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 8.4% and 8.4%, respectively, of total general fund expenditures and revenues, while total General fund balance represents 14.7% and 14.7%, respectively, of the same amounts.

General Fund Budgetary Highlights

The difference between the original budget of \$39,501,088 and the final budget of \$39,042,174 is due to approximately \$27,000 of additional appropriations at special Town meetings, less approximately \$479,000 in encumbrances being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$60,500, 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 2013 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, 2012 and 2011 amounts to \$54,431,830 and \$31,645,775 which is net of accumulated depreciation of \$44,646,793 and \$42,918,077. 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>2012</u>	<u>2011</u>
Land	\$ 3.0	\$ 3.0
Construction in progress	29.0	4.9
Works of art and historical treasures	0.1	0.1
Buildings and improvements	8.1	8.5
Equipment, machinery & vehicles	1.7	2.0
Infrastructure	12.5	13.1
	<u>\$ 54.4</u>	<u>\$ 31.6</u>

Capital asset events during 2012 include the following:

- Improvements to town roads
- Purchase of dump trucks
- Sachem rock construction project
- High school construction project

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2012 and 2011 amounts to \$18,481,140 and \$18,339,655 which is net of accumulated depreciation of \$9,061,413 and \$8,624,955. 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>2012</u>	<u>2011</u>
Land	\$ 0.19	\$ 0.19
Construction in progress	2.16	2.16
Buildings and improvements	0.47	0.50
Equipment, machinery & vehicles	0.06	0.01
Infrastructure	15.60	15.48
	<u>\$ 18.48</u>	<u>\$ 18.34</u>

Capital asset events during 2012 include the following:

- Construction of water filtration system

Long Term Debt

Governmental Activities

At June 30, 2012 and 2011, the Town's governmental activities had total bonded debt outstanding of \$42,722,806 and \$45,173,423, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had short-term notes of \$800,000 at June 30, 2012 and \$1,600,000 at June 30, 2011. Current year short-term debt consisted of borrowing \$800,000 for septic loans.

Business-type Activities

At June 30, 2012 and 2011, the Town's business-type activities had total bonded debt outstanding of \$12,333,350 and \$12,985,396, respectively. This debt is supported by water rates.

The Town's business-type activities had short-term notes of \$0 at June 30, 2012 and \$204,455 at June 30, 2011.

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 3.1% which includes new growth.

The operating budget increased 7.7% over the FY 12 budget.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

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 Assets

June 30, 2012

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 16,843,683	\$ 979,763	\$ 17,823,446
Investments	14,653,552	1,696,720	16,350,272
Receivables	12,695,658	1,206,791	13,902,449
Inventories		11,835	11,835
Due from agency funds	16,724		16,724
Capital assets, net of accumulated depreciation	54,431,830	18,481,140	72,912,970
Total assets	<u>\$ 98,641,447</u>	<u>\$ 22,376,249</u>	<u>\$121,017,696</u>
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 2,007,651	\$ 97,708	\$ 2,105,359
Provision for refund of paid taxes	241,091		241,091
Accrued interest	132,534	109,095	241,629
Notes payable	800,000		800,000
Noncurrent liabilities			
Due within one year	2,890,945	661,989	3,552,934
Due in more than one year	49,289,003	11,747,539	61,036,542
Total liabilities	<u>55,361,224</u>	<u>12,616,331</u>	<u>67,977,555</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	31,317,377	6,147,790	37,465,167
Restricted	8,335,702		8,335,702
Unrestricted	3,627,144	3,612,128	7,239,272
Total net assets	<u>43,280,223</u>	<u>9,759,918</u>	<u>53,040,141</u>
Total liabilities and net assets	<u>\$ 98,641,447</u>	<u>\$ 22,376,249</u>	<u>\$121,017,696</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, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>
Primary government						
Governmental activities						
General government	\$ 15,194,766	\$ 389,307	\$ 4,597,906	\$	\$ (10,207,553)	\$ (10,207,553)
Public safety	4,551,246	901,993	136,984		(3,512,269)	(3,512,269)
Education	21,251,327	1,474,763	11,526,735	12,801,141	4,551,312	4,551,312
Public works	1,931,019	1,516		189,009	(1,740,494)	(1,740,494)
Health and human services	552,856	414,851	35,702		(102,303)	(102,303)
Culture and recreation	528,890	28,387	368,405		(132,098)	(132,098)
Interest	1,540,647		326,826		(1,213,821)	(1,213,821)
State and county charges	312,649				(312,649)	(312,649)
Total governmental activities	45,863,400	3,210,817	16,992,558	12,990,150	(12,669,875)	(12,669,875)
Business-type activities						
Water	1,737,153	2,161,931		204,455	204,455	629,233
Solid waste	912,517	450,982			(461,535)	(461,535)
Total business-type	2,649,670	2,612,913		204,455	204,455	167,698
Total primary government	\$ 48,513,070	\$ 5,823,730	\$ 16,992,558	\$ 13,194,605	(12,669,875)	(12,502,177)
General revenues						
Property taxes, net of allowances for uncollectibles					23,897,474	23,897,474
Excise taxes					1,414,684	1,414,684
Penalties and interest on taxes					241,892	241,892
Grants and contributions not restricted to specific programs					1,155,719	1,155,719
Investment income					313,460	315,312
Miscellaneous					86,751	86,751
Total general revenues and special items					27,109,980	27,111,832
Change in net assets					14,440,105	14,609,655
Net assets - beginning of year					28,840,118	38,430,486
Net assets - end of year					\$ 43,280,223	\$ 53,040,141

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>High School Building Project</u>	<u>Septic Loan Repayment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,743,065	\$ 7,950,617	\$ 2,112,385	\$ 2,037,616	\$ 16,843,683
Investments	2,306,626	10,097,083		2,249,843	14,653,552
Receivables	6,442,316	4,376,802	1,583,501	438,281	12,840,900
Due from other funds	16,724				16,724
Total assets	<u>\$ 13,508,731</u>	<u>\$ 22,424,502</u>	<u>\$ 3,695,886</u>	<u>\$ 4,725,740</u>	<u>\$ 44,354,859</u>
<u>LIABILITIES</u>					
Accounts payable, wages, and other current liabilities	\$ 708,397	\$ 983,258	\$	\$ 315,995	\$ 2,007,650
Provision for refund of paid taxes	241,091				241,091
Deferred revenue	6,262,371	4,376,802	1,583,501	438,281	12,660,955
Notes payable			800,000		800,000
Total liabilities	<u>7,211,859</u>	<u>5,360,060</u>	<u>2,383,501</u>	<u>754,276</u>	<u>15,709,696</u>
<u>FUND BALANCES</u>					
Nonspendable				96,271	96,271
Restricted	1,525,977	17,064,442	1,312,385	3,060,321	22,963,125
Committed	1,130,344			899,941	2,030,285
Assigned	48,859				48,859
Unassigned	3,591,692			(85,069)	3,506,623
Total fund balances	<u>6,296,872</u>	<u>17,064,442</u>	<u>1,312,385</u>	<u>3,971,464</u>	<u>28,645,163</u>
Total liabilities and fund balances	<u>\$ 13,508,731</u>	<u>\$ 22,424,502</u>	<u>\$ 3,695,886</u>	<u>\$ 4,725,740</u>	<u>\$ 44,354,859</u>

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

Total fund balances of governmental funds	\$ 28,645,163
Capital assets used in governmental activities are not financial resources and not reported in funds.	
The cost of the assets is \$99,078,623, net accumulated depreciation of \$44,646,793.	54,431,830
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles	12,515,712
Long-term liabilities, net of deferred costs, are not due and payable in the current period and are not included in funds.	(52,179,948)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(132,534)
Net assets of governmental activities	<u>\$ 43,280,223</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u> <u>Fund</u>	<u>High School</u> <u>Building Project</u>	<u>Septic Loan</u> <u>Repayment</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues					
Property taxes	\$ 23,493,073	\$	\$	\$	\$ 23,493,073
Excise taxes	1,414,175				1,414,175
Licenses and permits	203,474				203,474
Penalties and interest	241,892				241,892
Investment income	231,245			82,217	313,462
Charges for services			386,683	1,999,961	2,386,644
Fees and fines	162,354			5,802	168,156
Departmental and other	247,118			483,737	730,855
Intergovernmental	16,971,215	9,868,908		2,000,385	28,840,508
Total revenues	<u>42,964,546</u>	<u>9,868,908</u>	<u>386,683</u>	<u>4,572,102</u>	<u>57,792,239</u>
Expenditures					
Current:					
General government	13,905,733			157,384	14,063,117
Public safety	4,172,268			191,055	4,363,323
Education	17,974,002	21,421,403		2,872,989	42,268,394
Public works	1,130,861			217,115	1,347,976
Human services	385,526		132,883	2,709,790	3,228,199
Culture and recreation	439,943			49,571	489,514
State and county assessments	312,649				312,649
Debt Service:					
Principal	2,718,433		152,045		2,870,478
Interest and other charges	1,787,686				1,787,686
Total Expenditures	<u>42,827,101</u>	<u>21,421,403</u>	<u>284,928</u>	<u>6,197,904</u>	<u>70,731,336</u>
Revenues over (under) expenditures	<u>137,445</u>	<u>(11,552,495)</u>	<u>101,755</u>	<u>(1,625,802)</u>	<u>(12,939,097)</u>
Other financing sources (uses)					
Proceeds from long-term debt			200,000		200,000
Transfers in from other funds	1,082,611			407,050	1,489,661
Transfers out to other funds	(594,550)			(895,111)	(1,489,661)
Total other financing sources and (uses)	<u>488,061</u>		<u>200,000</u>	<u>(488,061)</u>	<u>200,000</u>
Revenues and other financing sources (under) expenditures and other financing uses	625,506	(11,552,495)	301,755	(2,113,863)	(12,739,097)
Fund balances, beginning of year	<u>5,671,366</u>	<u>28,616,937</u>	<u>1,010,630</u>	<u>6,085,327</u>	<u>41,384,260</u>
Fund balances, end of year	<u>\$ 6,296,872</u>	<u>\$ 17,064,442</u>	<u>\$ 1,312,385</u>	<u>\$ 3,971,464</u>	<u>\$ 28,645,163</u>

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, 2012

Revenues and other financing sources expenditures
and other financing uses - governmental funds \$ (12,739,097)

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

Capital outlays during the fiscal year 24,544,415
Depreciation recorded for the fiscal year (1,758,360)

Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.

Net change in deferred revenue 2,736,389
Net change in allowance for uncollectible accounts (25,292)

The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts, and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.

Principal and other payments on long-term debt 2,850,617
Amortization of bond premiums 147,427
Issuance of long-term debt (400,000)

The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.

Accrued interest expense 119,472

Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

Other Post Employment Benefits (1,075,168)
Capital Lease additions (107,319)
Capital Lease principal payments 101,448
Compensated absences 14,823
Landfill closure and monitoring 30,750

Change in net assets of governmental activities \$ 14,440,105

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Net Assets - Proprietary Funds
June 30, 2012

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 928,593	\$ 51,170	\$ 979,763
Investments	1,496,396	200,324	1,696,720
Receivables, net of allowances for uncollectibles	1,116,891	89,900	1,206,791
Inventory		11,835	11,835
Capital assets, net of accumulated depreciation	18,476,040	5,100	18,481,140
Total assets	<u>\$ 22,017,920</u>	<u>\$ 358,329</u>	<u>\$ 22,376,249</u>
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 31,562	\$ 66,146	\$ 97,708
Accrued interest	109,095		109,095
Noncurrent liabilities:			
Due within one year	661,989		661,989
Due in more than one year	11,736,842	10,697	11,747,539
Total liabilities	<u>12,539,488</u>	<u>76,843</u>	<u>12,616,331</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	6,142,690	5,100	6,147,790
Unrestricted	3,335,742	276,386	3,612,128
Total net assets	<u>9,478,432</u>	<u>281,486</u>	<u>9,759,918</u>
Total liabilities and net assets	<u>\$ 22,017,920</u>	<u>\$ 358,329</u>	<u>\$ 22,376,249</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 Assets - Proprietary Funds
June 30, 2012

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues			
Charges for services, departmental and other	\$ 2,161,931	\$ 450,982	\$ 2,612,913
Capital grant	204,455		204,455
Total operating revenues	<u>2,366,386</u>	<u>450,982</u>	<u>2,817,368</u>
Operating expenses			
Salaries and wages	460,047	69,062	529,109
Expenses	602,610	841,756	1,444,366
Depreciation	462,558	1,700	464,258
Total operating expenses	<u>1,525,215</u>	<u>912,518</u>	<u>2,437,733</u>
Operating income (loss)	841,171	(461,536)	379,635
Non operating revenues (expenses)			
Interest income	1,700	152	1,852
Interest expense	(211,937)		(211,937)
Total non-operating revenue (expenses), net	<u>(210,237)</u>	<u>152</u>	<u>(210,085)</u>
Change in net assets	630,934	(461,384)	169,550
Net assets at beginning of year	8,847,498	742,870	9,590,368
Net assets at end of year	<u>\$ 9,478,432</u>	<u>\$ 281,486</u>	<u>\$ 9,759,918</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2012

	<u>Business-Type Activities</u>		
	<u>Water</u>	<u>Solid Waste</u>	<u>Total Enterprise</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 2,184,248	\$ 457,701	\$ 2,641,949
Payments to vendors, including fringe benefits	(614,264)	(829,107)	(1,443,371)
Payments to employees	<u>(446,446)</u>	<u>(62,671)</u>	<u>(509,117)</u>
Net cash provided by (used for) operating activities	1,123,538	(434,077)	689,461
Cash flows from capital and related financing activities			
Principal payments on bonds and notes	(652,046)		(652,046)
Construction of infrastructure, net	(605,743)		(605,743)
Interest expense	<u>(217,587)</u>		<u>(217,587)</u>
Net cash used for capital and related financing activities	(1,475,376)		(1,475,376)
Cash flows from investing activities			
Investing activities, net	<u>786</u>	<u>300,194</u>	<u>300,980</u>
Net cash used for investing activities	<u>786</u>	<u>300,194</u>	<u>300,980</u>
Net change in cash and cash equivalents	(351,052)	(133,883)	(484,935)
Balances at the beginning of year	<u>1,279,645</u>	<u>185,053</u>	<u>1,464,698</u>
Balances at the end of year	<u>\$ 928,593</u>	<u>\$ 51,170</u>	<u>\$ 979,763</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating (loss)	\$ 841,171	\$ (461,536)	\$ 379,635
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	462,558	1,700	464,258
Forgiveness of debt	(204,455)		(204,455)
Changes in assets and liabilities:			
User fees receivables, net of allowance for collectibles	34,531	6,720	41,251
Inventory		11,108	11,108
Accounts payable and other liabilities	<u>(10,267)</u>	<u>7,931</u>	<u>(2,336)</u>
Total adjustments	<u>282,367</u>	<u>27,459</u>	<u>309,826</u>
Net cash provided by (used for) operating activities	<u>\$ 1,123,538</u>	<u>\$ (434,077)</u>	<u>\$ 689,461</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Assets - Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust Fund</u>	<u>Agency Accounts</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	\$ 636,770
Investments	345,287	
Receivables		16,724
Total assets	<u>\$ 345,287</u>	<u>\$ 653,494</u>
<u>LIABILITIES</u>		
Guaranteed deposits	\$	\$ 589,015
Due to General Fund		16,724
Due to student groups		47,755
Total liabilities		653,494
<u>NET ASSETS</u>		
Held in trust	<u>345,287</u>	
Total liabilities and net assets	<u>\$ 345,287</u>	<u>\$ 653,494</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Changes in Net Assets - Fiduciary Funds

For the Year Ended June 30, 2012

	<u>Private Purpose</u> <u>Trust Funds</u>
Additions	
Contributions and donations	\$ 1,859
Interest and dividends	825
Total additions	<u>2,684</u>
Deductions	
Scholarships and awards	<u>7,400</u>
Total deductions	<u>7,400</u>
Change in net assets	(4,716)
Net assets at beginning of year	<u>350,003</u>
Net assets at end of year	<u><u>\$ 345,287</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 1. Organization and Reporting Entity

A. Organization

The Town of East Bridgewater, Massachusetts (the "Town"), was incorporated in 1825. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

B. Reporting Entity

General

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

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment/payments made by the Town in 2012. 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>2012 Assessment</u>
Southeastern Regional School District 250 Foundry Street, Easton, MA 02375	To provide vocational education	\$ 941,859
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation	\$ 87,632

Related Organizations

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

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 Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets (net of related debt); restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function or business-type activity) are normally covered by general revenue.

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

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

Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Funds:

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

Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- High school building project fund is a capital project fund used to account for the financial resources to be used to fund the construction of the Town's new high school. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

- Septic loan repayment fund is a special revenue fund used to account for the repayment of Title V septic loans issued to residents for community septic management.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. Cash and Investments

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

D. Interfund Receivables and Payables

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

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates 30% of current ambulance charges and amounts more than one year outstanding to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable, except for certain parcels, specifically identified, which have been set up as uncollectible. Outstanding water charges are also subject to lien procedures; accordingly, such amounts are considered to be fully collectible.

F. Inventories

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

G. Capital Assets

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

Government-wide Statements

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

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Fund Financial Statements

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

H. Long-term Obligations

The accounting treatment of long-term obligations 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.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, capital leases payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

I. Compensated Absences

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

J. Equity Classifications

Government-wide Statements

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

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

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

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

K. 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.

L. Total columns

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

B. Budgetary basis of accounting

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

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

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

C. Fund equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance.

Pursuant to MGL, the Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund unassigned fund balance. As of June 30, 2012, the Town maintained a balance of \$2,255,519 in its stabilization fund.

In addition, the general fund unassigned fund balance included a \$60,496 snow and ice removal appropriation deficit.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

As of June 30, 2012, the classification of the Town's fund balances can be detailed as follows:

	General Fund	High School Building Project	MWPAT Loan Repay	Other Governmental Funds	Total
Nonspendable:					
Public Works	\$	\$	\$	\$ 14,461	\$ 14,461
Culture & Recreation				81,810	81,810
subtotal				96,271	96,271
Restricted:					
General Government				2,235,978	2,235,978
Public Safety				33,619	33,619
Education		17,064,442		131,363	17,195,805
Public Works				190,712	190,712
Human Services			1,312,385	354,320	1,666,705
Culture & Recreation				114,329	114,329
Debt service	1,525,977				1,525,977
subtotal	1,525,977	17,064,442	1,312,385	3,060,321	22,963,125
Committed:					
General Government	621,943			5,579	627,522
Public Safety	285,569			33,766	1,119,335
Education	36,085				36,085
Public Works	27,923			55,696	83,619
Human Services	11,000				11,000
Culture & Recreation	1,390			4,900	6,290
Debt service	146,434				146,434
subtotal	1,130,344			899,941	2,030,285
Assigned:					
General Government	3,975				3,975
Public Safety	31,494				31,494
Education	11,474				11,474
Human Services	1,916				1,916
subtotal	48,859				48,859
Unassigned	3,591,692			(85,069)	3,506,623
Total	<u>\$ 6,296,872</u>	<u>\$ 17,064,442</u>	<u>\$ 1,312,385</u>	<u>\$ 3,971,464</u>	<u>\$ 28,645,163</u>

D. Restricted Net Assets

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

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

Capital Project Fund balances:	
High school building project	\$ 4,376,802
Other capital project funds	4,360
Special Revenue Fund balances:	
Septic loans	2,895,887
Other special revenue funds	522,743
Permanent Funds:	
Expendable	439,639
Non-expendable	96,271
Total restricted net assets	<u>\$ 8,335,702</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 4. Cash and investments

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

The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2012 deposits totaled \$19,093,694 and had a carrying amount of \$18,460,216. Of the deposit amounts, \$17,542,534 was exposed to custodial credit risk at June 30, 2012 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, 2012, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Average Credit/Quality Rating</u>	<u>Weighted Average Days to Maturity</u>
Primary Government				
MMDT	\$ 51,107	\$ 51,107	N/A	N/A
Treasury/Agency Securities	3,293,590	3,189,860	Aaa	105 - 2,461 days
Money market Funds	1,123,386	1,123,386	N/A	N/A
Mutual Funds	1,021,249	1,013,014	N/A	N/A
Corporate Bonds	331,104	320,723	A1	300 - 2,645 days
Certificates of Deposit	10,529,836	10,432,244	N/A	16 - 1,060 days
Total Primary Government Investments	\$ 16,350,272	\$ 16,130,334		
Fiduciary Funds				
Treasury/Agency Securities	106,004	105,802	Aaa	1,420 - 1,825 days
Money market Funds	105,801	105,801	N/A	N/A
Mutual Funds	13,812	13,124	N/A	N/A
Corporate Bonds	11,657	11,755	A1	1,795 days
Certificates of Deposit	108,013	107,756	N/A	360 - 1,060 days
Total Fiduciary Fund Investments	\$ 345,287	\$ 344,238		

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk. The Town has an investment policy which limits its investment choices.

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

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

Note 5. Receivables

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

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:

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

	Gross	Allowance for	Net	Deferred
<u>Receivable type</u>	<u>Amount</u>	<u>Uncollectible</u>	<u>Amount</u>	<u>Revenue</u>
Real estate and personal property taxes	\$ 502,637	\$ (9,504)	\$ 493,133	\$ 322,692
Tax liens, deferrals and foreclosures	3,252,925		3,252,925	3,252,925
Motor vehicle excise	190,547	(20,241)	170,306	190,547
Charges for service	384,990	(115,497)	269,493	384,990
Departmental and other	225,345		225,345	225,345
Betterments	1,383,501		1,383,501	1,383,501
Intergovernmental:				
School Building Assistance	6,419,954		6,419,954	6,419,954
Other federal and state grants	481,001		481,001	481,001
Total on governmental fund basis	12,840,900			\$ 12,660,955
Totals on entity-wide basis	\$ 12,840,900	\$ (145,242)	\$ 12,695,658	

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 1,116,891	\$	\$ 1,116,891
Solid waste departmental	89,900		89,900
Totals	<u>\$ 1,206,791</u>	<u>\$</u>	<u>\$ 1,206,791</u>

Receivables of the Fiduciary Funds – Agency consisted of \$16,724, due from third parties for police and fire details.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,047,819	\$	\$	\$ 3,047,819
Works of art and historical treasures	93,450			93,450
Construction in progress	4,943,128	24,061,317		29,004,445
Sub-total	<u>8,084,397</u>	<u>24,061,317</u>		<u>32,145,714</u>
Capital assets being depreciated:				
Buildings and related improvements	26,555,109	126,455		26,681,564
Equipment, vehicles and other	11,321,035	150,204	(29,644)	11,441,595
Infrastructure	28,603,311	206,439		28,809,750
Sub-total	<u>66,479,455</u>	<u>483,098</u>	<u>(29,644)</u>	<u>66,932,909</u>
Less accumulated depreciation:				
Land improvements	15,696	3,139		18,835
Buildings and related improvements	18,062,526	545,178		18,607,704
Equipment, vehicles and other	9,331,688	445,566	(29,644)	9,747,610
Infrastructure	15,508,167	764,477		16,272,644
Sub-total	<u>42,918,077</u>	<u>1,758,360</u>	<u>(29,644)</u>	<u>44,646,793</u>
Governmental capital assets, net	<u>\$ 31,645,775</u>	<u>\$ 22,786,055</u>	<u>\$</u>	<u>\$ 54,431,830</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 192,627	\$	\$	\$ 192,627
Construction in progress	2,157,690	5,834		2,163,524
Sub-total	<u>2,350,317</u>	<u>5,834</u>		<u>2,356,151</u>
Capital assets being depreciated:				
Buildings and related improvements	1,637,000			1,637,000
Equipment, machinery & vehicles	575,812	58,555	(27,800)	606,567
Infrastructure	22,401,481	541,354		22,942,835
Sub-total	<u>24,614,293</u>	<u>599,909</u>	<u>(27,800)</u>	<u>25,186,402</u>
Less accumulated depreciation:				
Buildings and related improvements	1,137,701	32,275		1,169,976
Equipment, machinery & vehicles	569,010	6,580	(27,800)	547,790
Infrastructure	6,918,244	425,403		7,343,647
Sub-total	<u>8,624,955</u>	<u>464,258</u>	<u>(27,800)</u>	<u>9,061,413</u>
Business-type capital assets, net	<u>\$ 18,339,655</u>	<u>\$ 141,485</u>	<u>\$</u>	<u>\$ 18,481,140</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 86,525
Public safety	280,997
Education	494,273
Public works	852,510
Health and human services	4,679
Culture and recreation	39,376
Total depreciation expense – governmental activities	<u>\$ 1,758,360</u>
Business-type activities:	
Water	\$ 462,558
Solid Waste	1,700
Total depreciation expense – business-type activities	<u>\$ 464,258</u>

Note 7. Interfund balances and activity

Interfund balances, at June 30, 2012, consisted of \$16,724 of police and fire department details, net, paid by the General Fund. This amount has been reported as amounts due from and due to in the General Fund, and Agency Fund, respectively.

Interfund transfers, for the year ended June 30, 2012, consisted of the following:

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Other Governmental Funds</u>	<u>Business-Type Water Fund</u>
Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY 2012 Operating Budget	\$ 1,081,507	\$ (187,500)	\$ (894,007)	\$
Amounts transferred to Capital Stabilization Fund	(400,000)		400,000	
Unspent balance returned to ambulance fund	(7,050)		7,050	
Close out special revenue funds	1,104		(1,104)	
Amounts transferred from Water Fund to fund indirect costs appropriated in General Fund.	<u>227,413</u>			<u>(227,413)</u>
Totals on budgetary basis	902,974	(187,500)	(488,061)	(227,413)
Stabilization Fund reported with General Fund for modified accrual basis	(187,500)	187,500		
Water Fund overhead reclassified for modified accrual basis	<u>(227,413)</u>			<u>227,413</u>
Totals on governmental fund basis	<u>\$ 488,061</u>	<u>\$</u>	<u>\$ (488,061)</u>	<u>\$</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

<u>Purpose</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Governmental activities:					
MWPAT subsidized septic bond, due 2017-2027	\$ 2,091,349	\$ 400,000.00	\$ (152,045)	\$ 2,339,304	\$ 151,419
MWPAT subsidized landfill bond, due 2020	605,000		(60,000)	545,000	60,000
General obligation bond, 4.05%, dtd 2/6/2007, due 2/1/2017	975,000		(225,000)	750,000	150,000
Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018	955,000		(205,000)	750,000	110,000
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	4,799,900		(908,200)	3,891,700	878,700
MWPAT subsidized storm water management bond, due 2/15/2027	328,174		(16,372)	311,802	16,702
General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022	1,419,000		(139,000)	1,280,000	130,000
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	34,000,000		(1,145,000)	32,855,000	1,155,000
Subtotal long-term bonds	45,173,423	400,000	(2,850,617)	42,722,806	2,651,821
Unamortized bond premiums	1,819,838		(147,427)	1,672,411	146,434
Total long-term bonds	46,993,261	400,000	(2,998,044)	44,395,217	2,798,255
Landfill closure and monitoring liability	493,380		(30,750)	462,630	33,500
Other post employment benefits	5,006,075	2,807,417	(1,732,249)	6,081,243	
Leases payable	84,096	107,318	(101,448)	89,966	59,190
Compensated absences	1,165,713		(14,821)	1,150,892	
Total governmental noncurrent liabilities	<u>\$ 53,742,525</u>	<u>\$ 3,314,735</u>	<u>\$ (4,877,314)</u>	<u>\$ 52,179,949</u>	<u>\$ 2,890,945</u>
Business-type activities:					
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	\$ 285,100	\$	\$ (46,800)	\$ 238,300	\$ 51,300
MWPAT water filtration project bond, 2.0%, dtd. 12/18/2007, due 7/15/2027	8,762,404		(437,121)	8,325,283	445,952
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	3,129,347		(128,686)	3,000,661	131,124
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	808,545		(39,439)	769,106	33,613
Total long-term bonds payable	12,985,396		(652,046)	12,333,350	661,989
Compensated absences	56,206	19,972		76,178	
Total business-type activities noncurrent liabilities	<u>\$ 13,041,602</u>	<u>\$ 19,972</u>	<u>\$ (652,046)</u>	<u>\$ 12,409,528</u>	<u>\$ 661,989</u>

Long-term debt

The Town has also applied and received approval for a grant from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on the above December 15, 1999 multi purpose loan relating to the School project. Initial reimbursement commenced in fiscal 1997 based upon approximately 80% of eligible construction and interest costs of the project to be paid over 20 years. Final eligible costs are subject to final audit by the Massachusetts School Building Association. The final audit of the project was concluded and accepted November, 2007. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 33, (Accounting and financial Reporting for Nonexchange Transactions), these financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$2,043,152 related to the grant award.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

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

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2012, including interest, are as follows:

Year Ending	<u>Governmental Activities</u>			<u>Business-Type Activities</u>								
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>					
2013	\$	2,651,821	\$	1,726,434	\$	4,378,255	\$	661,989	\$	243,287	\$	905,276
2014		2,738,098		1,640,252		4,378,350		673,627		229,117		902,744
2015		2,769,472		1,550,460		4,319,932		685,212		214,777		899,989
2016		2,861,893		1,447,514		4,309,407		692,452		200,298		892,750
2017		2,218,480		1,353,861		3,572,341		704,353		185,679		890,032
2018 – 2022		9,481,263		5,520,097		15,001,360		3,513,709		718,697		4,232,406
2023 – 2027		10,452,970		3,288,414		13,741,384		3,883,248		349,144		4,232,392
2028 – 2032		9,528,522		1,007,288		10,535,810		1,518,760		43,148		1,561,908
2033		20,287										
Totals	\$	42,722,806	\$	17,534,320	\$	60,236,839	\$	12,333,350	\$	2,184,147	\$	14,517,497

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

Unissued debt authorizations consist of the following at June 30, 2012:

<u>Purpose</u>	<u>Year(s)</u> <u>Authorized</u>	<u>Amount</u>
High School Construction	2011	\$46,649,353
Sachem Rock Senior Center	2011	250,000
Security Cameras and Outdoor Lighting	2012	56,000
30 Ton Chiller Unit	2012	90,000
Forge Dam Pond Improvements	2012	130,000
Town Hall Repairs	2012	185,000
Winter Street Improvements	2012	225,000
Bridge Street Improvements	2012	245,000
Spring Street Water Mains	2012	900,000
Total authorized and unissued		<u>\$ 48,730,353</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

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, 2012.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The annual requirement to pay down capital lease obligations outstanding as of June 30, 2012, including interest is as follows:

Year Ending <u>June 30,</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Total Lease Payments</u>
2013	\$ 59,190	\$ 5,530	\$ 64,720
2014	30,776	1,733	32,509
Totals	<u>\$ 89,966</u>	<u>\$ 7,263</u>	<u>\$ 97,229</u>

Note 9. Temporary borrowings

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

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

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings related to MWPAT Septic Loans are recorded in the Town's Special Revenue Funds. Temporary borrowings related to Filtration Project are recorded in the Town's Water Enterprise Fund. See Note 5 relating to the MWPAT Water Filtration Project. Temporary borrowings related to capital projects are recorded in the Town's Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2012 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<u>Governmental Activities</u>						
MWPAT Septic note	0.00%	N/A	\$ 400,000	\$	\$ (400,000)	\$
MWPAT Septic note	0.00%	9/1/2014		400,000		400,000
MWPAT Septic note	0.00%	7/1/2013	400,000			400,000
Feasibility study BAN	1.75%	8/5/2011	800,000		(800,000)	
Total Governmental Activities			<u>\$ 1,600,000</u>	<u>\$ 400,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 800,000</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<u>Business-Type Activities</u>						
ARRA Principal Forgiveness Portion of Interim Note	N/A	N/A	\$ 204,455	\$	\$ (204,455)	\$
Total Business-Type Activities			\$ 204,455	\$	\$ (204,455)	\$

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

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

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

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current year contribution is \$1,579,103, representing approximately 3.37% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the Association for the years ending June 30, 2011 and 2010 were \$1,666,968 and \$1,445,373, respectively, equal to the required contributions for each year.

As previously noted, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$4,596,461 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general government (employee benefits) expenditures.

B. Compensated Absences

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 50% of the health, dental and life insurance premiums for approximately 250 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as expenditures as premiums are paid. For 2012, those costs totaled approximately \$1,653,000. The costs for 2011 and 2010 were \$1,599,000 and \$1,810,000 respectively.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,885,541
Interest on net OPEB obligation	200,243
Adjustment to annual required contribution	<u>(278,367)</u>
Annual OPEB cost (expenses)	2,807,417
Contributions made	<u>(1,732,249)</u>
Increase in net OPEB obligation	1,075,168
Net OPEB obligation, beginning year	<u>5,006,075</u>
Net OPEB obligation, end of year	<u><u>\$ 6,081,243</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 2,807,417	61.70%	\$ 1,075,168
6/30/2011	\$ 2,792,237	38.32%	\$ 1,722,293
6/30/2010	\$ 3,435,453	52.68%	\$ 1,625,679

Funding Status and Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
7/1/2010	\$ -	\$ 33,373,211	\$ 33,373,211	0.00%	\$ 21,359,339	156.2%

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	5.8%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum

Annual Compensation Increases: 4.5% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 28 years at July 1, 2010

Note 11. Landfill Closure and Postclosure Care Costs

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

As of June 30, 2012, \$462,630 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 12. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risks, except for health insurance. During fiscal year 2012, the Town was a member of the Southeastern Massachusetts Health Group, a joint purchasing group established under MGL Chapter 32B, Section 12, for health insurance. Effective for fiscal year 2012, the Group is self-insured; however, financial information for the Group is unavailable.

Note 13. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2012. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

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

Note 14. 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 #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is required to be implemented in fiscal year 2012. The standards in this statement currently do not apply to the Town and therefore did not impact the Town's financial statements.

The GASB issued Statement #64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53., which is required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. The standards in this statement currently do not apply to the Town and therefore did not impact the Town's financial statements.

Future pronouncements

The GASB issued Statement #60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The Town doesn't believe this pronouncement will impact the Town's financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The Town doesn't believe this pronouncement will impact the Town's financial statements.

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

The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. This pronouncement will standardize the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013. This pronouncement will clarify the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Town doesn't believe this pronouncement will impact the Town's financial statements.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

June 30, 2012

Funding Status and Schedule of Funding Progress

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

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

Funding Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
7/1/2010	\$ -	\$ 33,373,211	\$ 33,373,211	0.00%	\$ 21,359,339	156.2%
7/1/2008	\$ -	\$ 35,220,602	\$ 35,220,602	0.00%	\$ 21,918,393	160.7%
7/1/2006	N/A	N/A	N/A	N/A	N/A	N/A

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

Schedule of Employer Contributions

Annual		
Fiscal Year <u>Ended</u>	Required <u>Contribution</u>	Percentage <u>Contributed</u>
6/30/2012	\$ 2,885,541	60.03%
6/30/2011	\$ 2,853,663	60.35%
6/30/2010	\$ 3,303,320	54.79%

Actuarial Methods and Assumptions

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

June 30, 2012

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	5.8%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum

Annual Compensation Increases: 4.5% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 28 years at July 1, 2010

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property Taxes	\$ 23,602,494	\$ 23,602,494	\$ 23,516,387	\$ (86,107)
Excise Taxes	1,228,640	1,228,640	1,414,175	185,535
Licenses and permits	207,600	207,600	203,474	(4,126)
Penalties and interest	209,852	209,852	241,892	32,040
Investment interest	53,246	53,246	199,739	146,493
Fees and fines	167,163	167,163	162,354	(4,809)
Departmental and other	196,455	196,455	247,118	50,663
Intergovernmental	12,219,618	12,219,618	12,335,247	115,629
Total revenues	<u>37,885,068</u>	<u>37,885,068</u>	<u>38,320,386</u>	<u>435,318</u>
Expenditures				
General government	10,276,286	10,111,926	9,536,684	575,242
Public safety	4,469,889	4,185,185	4,172,268	12,917
Education	17,982,311	17,977,047	17,974,002	3,045
Public works	1,111,337	1,089,716	1,130,861	(41,145)
Human services	391,220	402,304	385,526	16,778
Culture and recreation	426,480	443,431	439,943	3,488
State and county assessments	315,953	315,953	312,649	3,304
Debt Service	4,527,612	4,516,612	4,466,613	49,999
Total Expenditures	<u>39,501,088</u>	<u>39,042,174</u>	<u>38,418,546</u>	<u>623,628</u>
Revenues over (under) expenditures	(1,616,020)	(1,157,106)	(98,160)	1,058,946
Other financing sources (uses)				
Transfers in from other funds	1,282,919	1,310,024	1,310,024	
Transfers out to other funds	(400,000)	(407,050)	(407,050)	
Total other financing sources	<u>882,919</u>	<u>902,974</u>	<u>902,974</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	(733,101)	(254,132)	804,814	<u>\$ 1,058,946</u>
Fund balance, beginning of year			3,559,230	
Fund balances, end of year			<u>\$ 4,364,044</u>	
Other budget items				
Free cash appropriations	\$ 775,188	\$ 775,188		
Funding from overlay	297,000	297,000		
Carryover encumbrances	171,803	(307,166)		
Premiums reserved for excluded debt	147,427	147,427		
Funding of prior year unprovided abatements	(212,133)	(212,133)		
Funding of prior year deficits	(446,184)	(446,184)		
Total other budget items	<u>733,101</u>	<u>254,132</u>		
Net budget	<u>\$</u>	<u>\$</u>		

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

June 30, 2012

Note 1. Budgetary basis of accounting

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

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

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2012, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 38,320,386	\$ 38,418,546	\$ 902,974
Adjustment for property tax revenues	58,400		
State funded teacher's pension	4,596,461	4,596,461	
MWPAT subsidy accrual	39,507	39,507	
Correct duplication in a prior year	(81,714)		
Stabilization fund activity	31,506		(187,500)
Indirect costs of other funds recorded as operating transfers on budgetary basis		(227,413)	(227,413)
As reported on a GAAP basis	<u>\$ 42,964,546</u>	<u>\$ 42,827,101</u>	<u>\$ 488,061</u>

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