

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDING JUNE 30, 2015

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts (the Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – xii, Schedule of Funding Progress – Other Post-Employment Benefits (OPEB) Plan, the Schedule of Pension Contributions, and the budgetary comparison schedule and notes on pages 39 – 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, on our consideration of the Town of East Bridgewater, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts's internal control over financial reporting and compliance.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
February 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements, with notes, to enhance their understanding of the Town's financial performance.

Financial Highlights

- The assets of the Town (Primary Government) exceeded its liabilities at the close of the most recent fiscal year by \$56.4 million (net position). The Town's net investment in capital assets and restricted net position consisted of approximately \$64.4 and \$7.1 million, respectively. The \$15.1 million deficit balance reported in the unrestricted net position classification is due in large part to the reporting of approximately \$12.1 million of net "Other Post-Employment Benefits" (OPEB) and \$20.3 million of Net Pension Liability obligations as of June 30, 2015.
- The total cost of all Town services for fiscal year 2015 was \$53.6 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$6.9 million, or approximately 15.7% 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. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with prior years. Required supplementary information as required by the Government Accounting Standards Board (GASB), are presented following the financial statements and related notes to provide additional analysis. GASB required implementation of Statement #68, Accounting and Financial Reporting for Pensions, which had a significant impact upon the Town's net position.

Government-Wide Statements

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

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

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

See Independent Auditors' Report

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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.

Fund Financial Statements

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

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

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

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

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

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

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

See Independent Auditors' Report

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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.

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.

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

Government Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of East Bridgewater, assets exceeded liabilities by \$45.6 and \$10.8 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the accompanying tables.

Included within the governmental activity current assets, are \$11,797,994 in cash, \$5,570,673 in investments, and \$7,839,280 in receivables, net of allowances for uncollectible accounts. Receivables consist primarily of approximately \$1.1 million of sewer betterment, \$5.7 million of property taxes, excise, charges for services and other, and \$1.0 million of intergovernmental receivables. Intergovernmental receivables include veteran benefit receivable, school building assistance reimbursement and other federal and state town and school grants.

Current year additions to capital assets totaled approximately \$3.3 million. Capital asset additions included high school building additions, road related construction and improvement projects, equipment, and vehicle acquisitions.

Governmental activity long-term liabilities include \$41.0 million in general obligation bonds, of which approximately \$3.1 million has been classified as current because it is due within fiscal year 2016. Long-term liabilities also include \$1.4 million for compensated absences, \$12.1 million for other post-employment benefits, \$0.4 million for landfill closure and monitoring liability, \$0.15 million for capital leases, and \$20.3 million in Net Pension Liability obligations.

Deferred inflows of resources of \$1.25 million is comprised of \$1.2 of unamortized bond premiums and \$8,841 of deferred revenue associated with amounts due from parking tickets issued but not yet collected.

With the implementation of GASB #68, beginning net position has been restated. In addition, the SBA receivable relating to the high school construction has been restated to reflect amounts actually due pending completion of the audit by the Commonwealth. Prior year amounts have not been restated for the purpose of the following schedules.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

	FY 2015	FY 2014
	Governmental	Governmental
	Activities	Activities
Current assets	\$ 25,207,947	\$ 28,532,327
Capital assets	<u>103,054,662</u>	<u>103,728,783</u>
Total assets	128,262,609	132,261,110
Deferred outflows of resources	939,661	
Current liabilities	10,221,491	8,888,347
Long-term liabilities	<u>72,092,405</u>	<u>52,624,089</u>
Total liabilities	82,313,896	61,512,436
Unamortized bond premiums	1,243,786	1,383,067
Deferred revenue	<u>8,841</u>	<u>247,245</u>
Total deferred inflows of resources	1,252,627	1,630,312
Net position:		
Invested in capital assets, net of related debt	56,793,892	62,311,504
Restricted	7,085,769	4,457,936
Unrestricted	<u>(18,243,914)</u>	<u>2,348,922</u>
Total net position	<u>\$45,635,747</u>	<u>\$ 69,118,362</u>

	FY 2015	FY 2014
	Business-type	Business-type
	Activities	Activities
Current assets	\$ 4,374,442	\$ 4,225,730
Capital assets	<u>18,734,491</u>	<u>18,292,338</u>
Total assets	23,108,933	22,518,068
Current liabilities	1,836,361	1,012,077
Long-term liabilities	<u>10,502,983</u>	<u>11,213,953</u>
Total liabilities	12,339,344	12,226,030
Net position:		
Invested in capital assets, net of related debt	7,591,969	6,524,786
Unrestricted	<u>3,177,620</u>	<u>3,797,252</u>
Total net position	<u>\$ 10,769,589</u>	<u>\$ 10,322,038</u>

See Independent Auditors' Report

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

The largest portion of the Town's (Primary Government) total net position \$64.4 million reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$7.1 million represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the Town's net position, which may be used to meet the Town's ongoing obligations to its citizens and creditors, was in a deficit of approximately \$15 million at the end of fiscal year 2015. This relates primarily to the Town's net OPEB obligation and the net pension liability reported at year end.

The Town's governmental activities' net position decreased by \$321,799 and business-type activities' net position increased by \$447,551 during fiscal 2015. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ◆ Property taxes represent approximately 52% of the Town's governmental activities revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest governmental activities' revenue representing nearly 28% of the Town's total revenue. The largest proportion of this revenue, nearly \$11.6 million, represents Chapter 70 school aid and other educational grants received from the Commonwealth and federal government.
- ◆ Grants and contributions not restricted make up the third largest governmental activities' revenue, representing 4% of the Town's total revenue. The largest portion of this revenue relates to state aid received from the Commonwealth, totaling just over \$1.3 million.
- ◆ Capital Grants and contributions decreased from fiscal year 2014 by approximately \$6 million due to less reimbursements from the School Building Authority (SBA) related to the Town's high school building.
- ◆ Charges for services for the Town's business-type activities of \$3,151,297, represent 6.0% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2,368,479 and \$782,819 respectively.
- ◆ A special item of \$956,954 relates to the proceeds received from the Southeastern MA Health Group as a result of the Town's withdrawal from the Group.

Expenses:

- ◆ Governmental activities expenses showed a decrease of 1.7% from the prior year, due to decreases in general government expenses.
- ◆ Business-type activities' operational expenses showed a decrease of 2.5% from prior year due primarily to lower expenses in the water fund.

See Independent Auditors' Report

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

Governmental activities:

	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2015</u>
Revenues, transfers and special items:		
Program Revenues:		
Charges for services	\$ 4,009,972	\$ 3,415,506
Operating grants and contributions	14,051,011	17,108,312
Capital grants and contributions	<u>1,039,532</u>	<u>6,562,818</u>
Total program revenues	19,100,515	27,086,636
General Revenues:		
Property taxes levied	26,043,476	25,453,958
Excise taxes	1,794,111	1,622,394
Penalties and interest on taxes	352,736	267,046
Grants and contributions not restricted	2,080,798	3,958,903
Investment income	125,220	152,080
Miscellaneous and bond premiums	128,566	461,903
Special Item	956,954	-
Transfers	<u>(110,000)</u>	<u>(105,000)</u>
Total general revenues, transfers, and special items	<u>31,371,861</u>	<u>31,811,284</u>
Total Revenues	50,472,376	58,897,920
Expenses:		
General government	14,335,278	17,199,841
Public safety	5,295,094	5,188,950
Education	24,977,389	23,720,193
Public works	2,594,185	2,193,358
Health and human services	978,002	828,295
Culture and recreation	488,343	524,005
Interest on long term debt	1,715,832	1,671,618
State and county charges	<u>410,052</u>	<u>349,495</u>
Total Expenses	<u>50,794,175</u>	<u>51,675,755</u>
Change in net position	<u>\$ (321,799)</u>	<u>\$ 7,222,165</u>

See Independent Auditors' Report

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

Business-type activities:

	Business-Type Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 3,151,297	\$ 2,994,377
Total operating revenues	3,151,297	2,994,377
Expenses:		
Salaries, wages, and employee benefits	632,957	568,450
Expenses	1,510,790	1,647,348
Depreciation	530,399	528,059
Total expenses	2,674,146	2,743,857
Total operating income	477,151	250,250
Non operating revenues (expenses)		
Debt service	(138,435)	(154,686)
Investment income	8,835	5,192
Total non operating revenue (expenses), net	(129,600)	(149,494)
Transfers		
Transfers in from other funds	100,000	95,000
Total transfers	100,000	95,000
Change in net position	\$ 447,551	\$ 196,026

Financial Analysis of the Government's Fund Financial Statements

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,844,174, a decrease of approximately \$510,000 from the prior year. This decrease was due primarily to lower state reimbursements from the SBA for the High School Building project. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,271, restricted fund balance of \$4,970,702, committed fund balance of \$2,893,219; assigned fund balance of \$237,290 and unassigned fund balance of \$2,646,693.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$10.1 million, an increase of \$1.3 million from the previous year, primarily due to the receipts of the Special Item from the Southeastern Medical Health Group. Of this amount \$1,206,224 or 12.0% represents restricted fund balance. Committed fund balance of \$1,734,725 and assigned fund balance of \$237,290 represent 17.1% and 2.3% of total general fund balance respectively. Unassigned fund balance of \$6.9 million represents 68.6% 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 15.9% and 15.8%, respectively, of total general fund expenditures and revenues, while total General fund balance represents 23.12% and 23%, respectively, of the same amounts.

General Fund Budgetary Highlights

The difference between the original budget of \$42,158,486 and the final budget of \$43,052,903 is due to approximately \$1.35 million of additional education appropriations at special Town meetings, less approximately \$467,000 in encumbrances being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$693,000 contributing to the over expenditure in public works appropriations. This amount is included as a general fund unreserved fund balance to be raised on the fiscal 2016 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, 2015 and 2014 amounts to \$103,054,662 and \$103,728,783 which is net of accumulated depreciation of \$47,311,397 and \$43,456,900. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 4.9	\$ 4.9
Works of art and historical treasures	0.1	0.1
Buildings and improvements	80.9	81.7
Equipment, machinery & vehicles	4.3	4.3
Infrastructure	12.8	12.7
	<u>\$ 103.0</u>	<u>\$ 103.7</u>

Capital asset events during 2015 include the following:

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

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2015 and 2014 amounts to \$18,734,491 and \$18,292,388, respectively, which is net of accumulated depreciation of \$10,615,510 and \$10,085,111, respectively. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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

	<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 0.19	\$ 0.19
Buildings and improvements	2.44	2.50
Equipment, machinery & vehicles	0.30	0.03
Infrastructure	15.80	15.57
	<u>\$ 18.73</u>	<u>\$ 18.29</u>

Capital asset events during 2015 include the following:

- Walnut Street Water Main Project
- Purchase of vehicles

Long Term Debt

Governmental Activities

At June 30, 2015 and 2014, the Town's governmental activities had total bonded debt outstanding of \$41,043,415 and \$44,086,887, respectively. This debt is a general obligation of the Town's governmental activities.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

The Town's governmental activities had short-term notes of \$5,061,100 at June 30, 2015 and \$3,551,000 at June 30, 2014.

Business-type Activities

At June 30, 2015 and 2014, the Town's business-type activities had total bonded debt outstanding of \$11,142,522 and \$11,863,734, respectively. This debt is supported by water rates.

The Town's business-type activities had short-term notes of \$875,000 at June 30, 2015.

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 3.8% over the FY 15 budget.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position

June 30, 2015

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	\$ 11,797,994	\$ 1,550,137	\$ 13,348,131
Investments	5,570,673	1,505,902	7,076,575
Receivables, net of allowance for uncollectible	7,839,280	1,313,620	9,152,900
Inventories		4,783	4,783
Capital assets, net of accumulated depreciation	103,054,662	18,734,491	121,789,153
Total assets	<u>\$ 128,262,609</u>	<u>\$ 23,108,933</u>	<u>\$ 151,371,542</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources	939,661		939,661
Total assets and deferred outflows	<u>\$ 129,202,270</u>		<u>\$ 152,311,203</u>
<u>LIABILITIES</u>			
Accounts payable and wages	\$ 1,153,592	\$ 121,936	\$ 1,275,528
Provision for refund of paid taxes	420,845		420,845
Accrued interest	261,327	100,357	361,684
Note payable	5,061,100	875,000	5,936,100
Noncurrent liabilities			
Due within one year	3,324,627	739,068	4,063,695
Due in more than one year	72,092,405	10,502,983	82,595,388
Total liabilities	<u>82,313,896</u>	<u>12,339,344</u>	<u>94,653,240</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	1,243,786		1,243,786
Deferred revenue	8,841		8,841
Total deferred inflows of resources	<u>1,252,627</u>		<u>1,252,627</u>
<u>NET POSITION</u>			
Net investment in capital assets	56,793,892	7,591,969	64,385,861
Restricted	7,085,769		7,085,769
Unrestricted	(18,243,914)	3,177,620	(15,066,294)
Total net position	<u>45,635,747</u>	<u>10,769,589</u>	<u>56,405,336</u>
Total liabilities, deferred inflows, and net position	<u>\$ 129,202,270</u>	<u>\$ 23,108,933</u>	<u>\$ 152,311,203</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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government							
Governmental activities							
General government	\$ 14,335,278	\$ 465,826	\$ 2,049,573	\$	\$ (11,819,879)	\$	\$ (11,819,879)
Public safety	5,295,094	1,139,098	260,119		(3,895,877)		(3,895,877)
Education	24,977,389	2,113,610	11,603,617	287,318	(10,972,844)		(10,972,844)
Public works	2,594,185	-		752,214	(1,841,971)		(1,841,971)
Health and human services	978,002	188,210	34,475		(755,317)		(755,317)
Culture and recreation	488,343	73,692	84,267		(330,384)		(330,384)
Interest	1,715,832	29,536	18,960		(1,667,336)		(1,667,336)
State and county charges	410,052				(410,052)		(410,052)
Total governmental activities	50,794,175	4,009,972	14,051,011	1,039,532	(31,693,660)		(31,693,660)
Business-type activities							
Water	1,990,497	2,368,478				377,981	377,981
Solid waste	822,084	782,819				(39,265)	(39,265)
Total business-type	2,812,581	3,151,297				338,716	338,716
Total primary government	\$ 53,606,756	\$ 7,161,269	\$ 14,051,011	\$ 1,039,532	(31,693,660)	338,716	(31,354,944)
General revenues, transfers and special items							
Property taxes, net of allowances for uncollectibles					26,043,476		26,043,476
Excise taxes					1,794,111		1,794,111
Penalties and interest on taxes					352,736		352,736
Grants and contributions not restricted to specific programs					2,080,798		2,080,798
Investment income					125,220	8,835	134,055
Miscellaneous					97,286		97,286
Proceeds from debt & premiums					31,280		31,280
Transfers					(110,000)	100,000	(10,000)
Special item					956,954		956,954
Total general revenues, transfers and special items					31,371,861	108,835	31,480,696
Change in net position					(321,799)	447,551	125,752
Net position - beginning of year (restated)					45,957,546	10,322,038	56,279,584
Net position - end of year					\$ 45,635,747	\$ 10,769,589	\$ 56,405,336

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2015

	<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	\$ 6,180,901	\$ 524,742	\$ 2,229,286	\$ 2,863,065	\$ 11,797,994
Investments	5,035,711			534,962	5,570,673
Receivables	6,170,566	-	1,089,249	811,044	8,070,859
Total assets	<u>\$ 17,387,178</u>	<u>\$ 524,742</u>	<u>\$ 3,318,535</u>	<u>\$ 4,209,071</u>	<u>\$ 25,439,526</u>
<u>LIABILITIES</u>					
Accounts payable and wages	\$ 783,836	\$ 283,379	\$	\$ 86,377	\$ 1,153,592
Notes payable		3,551,000		1,510,100	5,061,100
Provision for refund of paid taxes	420,845				420,845
Total liabilities	<u>1,204,681</u>	<u>3,834,379</u>		<u>1,596,477</u>	<u>6,635,537</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	6,059,522	-	1,089,249	811,044	7,959,815
Total deferred inflows of resources	<u>6,059,522</u>	<u>-</u>	<u>1,089,249</u>	<u>811,044</u>	<u>7,959,815</u>
<u>FUND BALANCES</u>					
Nonspendable				96,271	96,271
Restricted	1,206,224		2,229,286	1,535,192	4,970,702
Committed	1,734,725			1,158,494	2,893,219
Assigned	237,290				237,290
Unassigned	6,944,736	(3,309,637)		(988,406)	2,646,693
Total fund balances	<u>10,122,975</u>	<u>(3,309,637)</u>	<u>2,229,286</u>	<u>1,801,550</u>	<u>10,844,174</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 17,387,178</u>	<u>\$ 524,742</u>	<u>\$ 3,318,535</u>	<u>\$ 4,209,071</u>	<u>\$ 25,439,526</u>

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

Total fund balances of governmental funds	\$ 10,844,174
Capital assets used in governmental activities are not financial resources and not reported in funds.	103,054,662
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles	7,719,395
Long-term liabilities, net of deferred costs, are not due and payable in the current period and are not included in funds.	(76,660,818)
Deferred outflows of resources	939,661
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(261,327)
Net position of governmental activities	<u>\$ 45,635,747</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, 2015

	<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	\$ 26,048,485	\$	\$	\$	\$ 26,048,485
Excise taxes	1,782,528				1,782,528
Licenses and permits	235,231				235,231
Penalties and interest	414,414				414,414
Investment income	113,912			11,311	125,223
Charges for services	-		278,347	2,667,336	2,945,683
Fees and fines	224,077			6,953	231,030
Departmental and other	225,670			177,740	403,410
Intergovernmental	14,748,789			2,550,118	17,298,907
Total revenues	<u>43,793,106</u>	<u>-</u>	<u>278,347</u>	<u>5,413,458</u>	<u>49,484,911</u>
Expenditures					
Current:					
General government	11,269,562			658,098	11,927,660
Public safety	5,025,323			186,068	5,211,391
Education	19,991,733	1,487,461		2,797,106	24,276,300
Public works	1,670,714			1,069,038	2,739,752
Human services	684,374		154,563	152,391	991,328
Culture and recreation	429,272			52,501	481,773
State and county assessments	410,052				410,052
Debt Service:					
Principal	2,850,743		211,689		3,062,432
Interest and other charges	1,772,704				1,772,704
Total Expenditures	<u>44,104,477</u>	<u>1,487,461</u>	<u>366,252</u>	<u>4,915,202</u>	<u>50,873,392</u>
Revenues over (under) expenditures	<u>(311,371)</u>	<u>(1,487,461)</u>	<u>(87,905)</u>	<u>498,256</u>	<u>(1,388,481)</u>
Other financing sources (uses)					
Proceeds from BAN premiums				31,280	31,280
Transfers in from other funds	1,665,799			65,340	1,731,139
Transfers out to other funds	(1,007,683)			(833,456)	(1,841,139)
Total other financing sources and (uses)	<u>658,116</u>			<u>(736,836)</u>	<u>(78,720)</u>
SPECIAL ITEM					
Refund from Southeastern MA Health Group	956,954	-	-	-	956,954
Revenues and other financing sources (under) expenditures and other financing uses	1,303,700	(1,487,461)	(87,905)	(238,580)	(510,246)
Fund balances, beginning of year	<u>8,819,275</u>	<u>(1,822,176)</u>	<u>2,317,192</u>	<u>2,040,130</u>	<u>11,354,421</u>
Fund balances, end of year	<u>\$ 10,122,975</u>	<u>\$ (3,309,637)</u>	<u>\$ 2,229,286</u>	<u>\$ 1,801,550</u>	<u>\$ 10,844,174</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, 2015

Revenues and other financing sources expenditures and other financing uses - governmental funds	\$ (510,246)
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	3,328,472
Depreciation recorded for the fiscal year	(4,002,593)
Certain deferred outflows of resources are reported on the government-wide financial statements to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements	
Net difference between projected and actual pension earnings	939,661
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	148,169
Net change in allowance for uncollectible accounts	(40,865)
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	3,043,472
Amortization of bond premiums	139,281
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.	
Accrued interest expense	(63,448)
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	(2,552,033)
Net pension liability	(981,613)
Capital Lease principal payments	88,039
Compensated absences	114,405
Landfill closure and monitoring	27,500
Change in net position of governmental activities	<u><u>\$ (321,799)</u></u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2015

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,270,776	\$ 279,361	\$ 1,550,137
Investments	1,505,902		1,505,902
Receivables, net of allowances for uncollectibles	1,169,107	144,513	1,313,620
Inventory		4,783	4,783
Capital assets, net of accumulated depreciation	18,734,491	-	18,734,491
Total assets	<u>\$ 22,680,276</u>	<u>\$ 428,657</u>	<u>\$ 23,108,933</u>
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 62,549	\$ 59,387	\$ 121,936
Accrued interest	100,357		100,357
Notes payable	875,000		875,000
Noncurrent liabilities:			
Due within one year	739,068		739,068
Due in more than one year	10,497,371	5,612	10,502,983
Total liabilities	<u>12,274,345</u>	<u>64,999</u>	<u>12,339,344</u>
<u>NET POSITION</u>			
Unrestricted	<u>2,813,962</u>	<u>363,658</u>	<u>3,177,620</u>
Total net position	<u>10,405,931</u>	<u>363,658</u>	<u>10,769,589</u>
Total liabilities and net position	<u>\$ 22,680,276</u>	<u>\$ 428,657</u>	<u>\$ 23,108,933</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
June 30, 2015

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues			
Charges for services, departmental and other	\$ 2,368,478	\$ 782,819	\$ 3,151,297
Total operating revenues	2,368,478	782,819	3,151,297
Operating expenses			
Salaries and wages	577,011	55,946	632,957
Expenses	746,352	764,438	1,510,790
Depreciation	528,699	1,700	530,399
Total operating expenses	1,852,062	822,084	2,674,146
Operating income (loss)	516,416	(39,265)	477,151
Non operating revenues (expenses)			
Interest income	7,821	1,014	8,835
Interest expense	(138,435)		(138,435)
Total non-operating revenue (expenses), net	(130,614)	1,014	(129,600)
Transfers			
Transfers in from other funds	-	100,000	100,000
Total transfers	-	100,000	100,000
Change in net position	385,802	61,749	447,551
Net position at beginning of year	10,020,129	301,909	10,322,038
Net position at end of year	\$ 10,405,931	\$ 363,658	\$ 10,769,589

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, 2015

	<u>Business-Type Activities</u>		Total
	<u>Water</u>	<u>Solid Waste</u>	<u>Enterprise</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 2,361,501	\$ 775,788	\$ 3,137,289
Payments to vendors, including fringe benefits	(783,902)	(766,069)	(1,549,971)
Payments to employees	(577,011)	(55,946)	(632,957)
Transfer from general fund to fund operations		100,000	100,000
Transfer to general fund from operations	-	-	-
Net cash provided by (used for) operating activities	<u>1,000,588</u>	<u>53,773</u>	<u>1,054,361</u>
Cash flows from capital and related financing activities			
Principal payments on bonds and notes	(721,212)		(721,212)
Construction of infrastructure, net	(972,552)		(972,552)
Paydown of lease	(12,041)		(12,041)
Interest expense	(138,435)		(138,435)
BAN Proceeds	<u>875,000</u>		<u>875,000</u>
Net cash used for capital and related financing activities	<u>(969,240)</u>		<u>(969,240)</u>
Cash flows from investing activities			
Investing activities, net	<u>7,821</u>	<u>1,014</u>	<u>8,835</u>
Net cash provided by for investing activities	<u>7,821</u>	<u>1,014</u>	<u>8,835</u>
Net change in cash and cash equivalents	39,169	54,787	93,956
Balances at the beginning of year	<u>1,231,607</u>	<u>224,574</u>	<u>1,456,181</u>
Balances at the end of year	<u>\$ 1,270,776</u>	<u>\$ 279,361</u>	<u>\$ 1,550,137</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating (loss)	\$ 516,416	\$ (39,265)	\$ 477,151
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	528,699	1,700	530,399
Changes in assets and liabilities:			
User fees receivables, net of allowance for collectibles	(6,977)	(10,449)	(17,426)
Inventory		3,418	3,418
Transfer to fund operations	-	100,000	100,000
Accounts payable and other liabilities	<u>(37,550)</u>	<u>(1,631)</u>	<u>(39,181)</u>
Total adjustments	<u>484,172</u>	<u>93,038</u>	<u>577,210</u>
Net cash provided by operating activities	<u>\$ 1,000,588</u>	<u>\$ 53,773</u>	<u>\$ 1,054,361</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Net Position - Fiduciary Funds

June 30, 2015

	Private Purpose Trust Fund	Other Post-Employment Benefits Trust Fund	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$ 756,908
Investments	340,660	25,459	
Receivables			35,904
Total assets	<u>\$ 340,660</u>	<u>\$ 25,459</u>	<u>\$ 792,812</u>
<u>LIABILITIES</u>			
Guaranteed deposits	\$	\$	\$ 637,973
Due to student groups			154,839
Total liabilities			792,812
<u>NET POSITION</u>			
Held in trust	<u>340,660</u>	<u>25,459</u>	
Total liabilities and net position	<u>\$ 340,660</u>	<u>\$ 25,459</u>	<u>\$ 792,812</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2015

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund
Additions		
Contributions and donations	\$	\$ 259
Interest and dividends	3,939	
Total additions	3,939	259
Deductions		
Scholarships and awards	7,950	
Total deductions	7,950	
Transfers in		10,000
Change in net position	(4,011)	10,259
Net position at beginning of year	344,671	15,200
Net position at end of year	<u>\$ 340,660</u>	<u>\$ 25,459</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, 2015

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 2015. 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>2015 Assessment</u>
Southeastern Regional School Town 250 Foundry Street, Easton, MA 02375	To provide vocational education	\$ 913,879
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation	\$ 91,007

Related Organization

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Funds:

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

Major Funds

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

- Other post employment trust fund account for resources legally held in trust for the benefit of retirees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

D. Interfund Receivables and Payables

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

E. Receivables

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

F. Inventories

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

G. Capital Assets

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

Government-wide Statements

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

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Fund Financial Statements

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

H. Deferred Outflows and Deferred Inflows

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

I. Liabilities

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

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

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

J. Compensated Absences

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

K. Equity Classifications

Government-wide Statements

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Fund Financial Statements

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

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

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

L. Use of estimates

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

M. Total columns

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

B. Budgetary basis of accounting

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

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

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

C. Fund equities

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

Pursuant to MGL, the Town maintains stabilization funds, which maintain funds set aside by Town Meeting votes for further appropriations, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since these funds are not supported by specific revenue sources, they are included with the general fund unassigned fund balance. As of June 30, 2015, the Town maintained balances of \$2,221,857 in its stabilization fund, \$261,497 in its building maintenance stabilization fund, and \$2,335,129 in its capital stabilization fund.

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

As of June 30, 2015, 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				608,662	608,662
Public Safety				78,697	78,697
Education				359,223	359,223
Public Works				271,073	271,073
Human Services			2,229,286	62,464	2,291,750
Culture & Recreation				155,072	155,072
Debt service	1,206,224				1,206,224
subtotal	1,206,224		2,229,286	1,535,192	4,970,702
Committed:					
General Government	1,586,514			5,958	1,592,472
Public Safety	15,325			1,090,805	1,106,130
Education	57,425				57,425
Public Works	27,646			60,558	88,204
Human Services	4,460				4,460
Culture & Recreation	43,355			1,173	44,458
Debt service					
subtotal	1,734,725			1,158,494	2,893,219
Assigned:					
General Government	73,473				73,473
Public Safety	8,899				8,899
Education	149,911				149,911
Public Works	5,000				5,000
Culture & Recreation	7				7
subtotal	237,290				237,290
Unassigned	6,944,736	(3,309,637)		(988,406)	2,646,693
Total	<u>\$ 10,122,975</u>	<u>\$ (3,309,637)</u>	<u>\$ 2,229,286</u>	<u>\$ 1,801,550</u>	<u>\$ 10,844,174</u>

The Town reported deficit unassigned fund balances of \$988,406 related to other governmental funds and \$3,309,637 related to the high school building project. The balance within other governmental funds was related to several education grants and programs.

D. Restricted Net Position

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Capital Project Fund balances:	
Other capital project funds	\$ 1,199,063
Special Revenue Fund balances:	
Septic loans	3,318,535
Other special revenue funds	2,033,479
Permanent Funds:	
Expendable	438,421
Non-expendable	96,271
Total restricted net position	<u>\$ 7,085,769</u>

Note 4. Cash, Cash Equivalents, and Investments

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

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2015 deposits totaled \$14,897,168 and had a carrying amount of \$14,105,039. Of the deposit amounts, \$6,777,572 was exposed to custodial credit risk at June 30, 2015 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, 2015, the Town had the following investments:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Cost</u>	<u>Average Credit/Quality Rating</u>	<u>Weighted Average to Maturity</u>
Primary Government				
MMDT	\$	\$	N/A	N/A
Treasury/Agency Securities	3,111,115	3,150,922	Aaa	4 – 58 months
Money market Funds	410,636	410,336	N/A	N/A
Equities	348,761	320,722	N/A	N/A
Mutual Funds	303,360	313,743	N/A	N/A
Corporate Bonds	554,640	542,081	A1 - Baa2	3 – 63 months
Certificates of Deposit	<u>2,348,063</u>	<u>2,346,330</u>	N/A	1 – 28 months
Total Primary Government Investments	<u>\$ 7,076,575</u>	<u>\$ 7,084,134</u>		

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Cost</u>	<u>Average Credit/Quality Rating</u>	<u>Weighted Average to Maturity</u>
Fiduciary Funds				
Treasury/Agency Securities	\$ 110,594	\$ 110,041	Aaa	46 – 55 months
Money market Funds	23,019	23,019	N/A	N/A
Equities	43,621	39,825	N/A	N/A
Mutual Funds	37,919	39,436	N/A	N/A
Corporate Bonds	61,182	60,852	A1 – BBB+	3 – 42 months
Certificates of Deposit	<u>89,784</u>	<u>89,332</u>	N/A	1 – 28 months
Total Fiduciary Fund Investments	<u>\$ 366,119</u>	<u>\$ 362,505</u>		

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

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

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

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

Note 5. Receivables

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 475,810	\$ (15,497)	\$ 460,313	\$ 382,763
Tax liens, deferrals and foreclosures	4,655,234		4,655,234	4,637,237
Motor vehicle excise	228,978	(37,035)	191,943	228,979
Charges for service	596,823	(179,047)	417,776	596,823
Departmental and other	8,842		8,842	8,842
Betterments	1,089,249		1,089,249	1,089,249
Intergovernmental:				
School Building Assistance	510,788		510,788	510,788
Chapter 90 awards not yet requested	214,221		214,221	214,221
Other federal and state grants	290,914		290,914	290,914
Total on governmental fund basis	<u>8,070,859</u>			<u>\$ 7,959,815</u>
Totals on entity-wide basis	<u>\$ 8,070,859</u>	<u>\$ (231,579)</u>	<u>\$ 7,839,280</u>	

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

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 1,169,107	\$	\$ 1,169,107
Solid waste departmental	<u>144,513</u>		<u>144,513</u>
Totals	<u>\$ 1,313,620</u>	<u>\$</u>	<u>\$ 1,313,620</u>

Receivables of the Fiduciary Funds – Agency consisted of \$35,904, due from third parties for police and fire details.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,943,128	\$	\$	\$ 4,943,128
Works of art and historical treasures	93,450			93,450
Construction in progress	<u>11,250</u>			<u>11,250</u>
Sub-total	<u>5,047,828</u>			<u>5,047,828</u>
Capital assets being depreciated:				
Buildings and related improvements	96,770,202	1,641,052		98,411,254
Equipment, vehicles and other	14,814,561	799,716	(148,106)	15,466,171
Infrastructure	<u>30,553,092</u>	<u>887,703</u>		<u>31,440,795</u>
Sub-total	<u>142,137,855</u>	<u>3,328,472</u>	<u>(148,106)</u>	<u>145,318,220</u>
Less accumulated depreciation:				
Land improvements	25,113	3,140		28,253
Buildings and related improvements	15,088,738	2,344,429		17,433,167
Equipment, vehicles and other	10,496,893	823,453	(148,106)	11,172,240
Infrastructure	<u>17,846,166</u>	<u>831,571</u>		<u>18,677,738</u>
Sub-total	<u>43,456,900</u>	<u>4,002,593</u>	<u>(148,106)</u>	<u>47,311,398</u>
Governmental capital assets, net	<u>\$ 103,728,783</u>	<u>\$ (674,121)</u>	<u>\$ -</u>	<u>\$ 103,054,662</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 192,627	\$ -	\$ -	\$ 192,627
Sub-total	192,627			192,627
Capital assets being depreciated:				
Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	614,258	289,726		903,984
Infrastructure	23,770,041	682,826		24,452,867
Sub-total	28,184,822	972,552		29,157,374
Less accumulated depreciation:				
Buildings and related improvements	1,291,930	66,795		1,358,725
Equipment, machinery & vehicles	568,234	19,659		587,893
Infrastructure	8,224,947	443,945		8,668,892
Sub-total	10,085,111	530,399		10,615,510
Business-type capital assets, net	<u>\$ 18,292,338</u>	<u>\$ 442,153</u>	<u>\$ -</u>	<u>\$ 18,734,491</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 114,647
Public safety	323,591
Education	2,524,536
Public works	905,191
Health and human services	116,796
Culture and recreation	17,832
Total depreciation expense – governmental activities	<u>\$ 4,002,593</u>
Business-type activities:	
Water	\$ 528,699
Solid Waste	1,700
Total depreciation expense – business-type activities	<u>\$ 530,399</u>

Note 7. Interfund balances and activity

Interfund transfers, for the year ended June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Stabilization Funds</u>	<u>Other Governmental Funds</u>	<u>OPEB Trust Fund</u>	<u>Business- Type Funds</u>
Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY 2015 Operating Budget	\$ 608,844	\$ 167,656	\$ (776,500)	\$ -	\$ -
Amounts transferred to OPEB trust fund	(10,000)			10,000	
Bond premiums received transferred to General Fund	56,956		(56,956)		
Amounts transferred to Athletic revolving fund	(65,340)		65,340		
Amounts transferred to Solid Waste	(100,000)				100,000
Amounts transferred from Water Fund to fund indirect costs appropriated in General Fund.	241,705	-	-	-	(241,705)
Totals on budgetary basis	732,615	167,656	(768,116)	10,000	(141,705)
Stabilization Funds reported with General Fund for modified accrual basis	167,656	(167,656)			
Water Fund overhead reclassified for modified accrual basis	(241,705)	-	-	-	241,705
Totals on governmental fund basis	<u>\$ 658,116</u>	<u>\$ -</u>	<u>\$ (768,116)</u>	<u>\$ 10,000</u>	<u>\$ 100,000</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 8. Deferred inflows of resources

As of June 30, 2015, the Town reported aggregate deferred inflows of resources of \$7,959,815 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5 above.

As of June 30, 2015, the governmental activities reported deferred inflows of resources in the amount of \$1,252,627. This is comprised of unamortized bond premiums of \$1,243,786 and deferred revenues of \$8,841 comprised of parking ticket revenue not yet awarded.

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

<u>Purpose</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
MWPAT subsidized septic bond, due 2017-2027	\$ 2,776,226	\$ -	\$ (211,689)	\$ 2,564,537	\$ 213,158
MWPAT subsidized landfill bond, due 2020	425,000		(65,000)	360,000	\$70,000
General obligation bond, 4.05%, dtd 2/6/2007, due 2/1/2017	450,000		(150,000)	300,000	150,000
Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018	530,000		(110,000)	420,000	110,000
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	2,098,600		(905,400)	1,193,200	941,000
MWPAT subsidized storm water management bond, due 2/15/2027	278,061		(17,383)	260,678	17,735
General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022	1,025,000		(125,000)	900,000	125,000
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	30,510,000		(1,225,000)	29,285,000	1,275,000
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	1,124,000		(59,000)	1,065,000	59,000
General obligation bond, 2.00-4.00%, dtd 9/27/13, due 9/15/2033	4,870,000		(175,000)	4,695,000	185,000
Total long-term bonds	44,086,887		(3,043,472)	41,043,415	3,145,893
Landfill closure and monitoring liability	398,751		(27,500)	371,251	31,523
Other post employment benefits	9,569,887	3,666,902	(1,114,869)	12,121,920	
Leases payable	244,294	54,989	(143,028)	156,255	147,211
GASB 68 Net Pension Liability	19,338,765	981,613		20,320,378	
Compensated absences	1,518,218		(114,405)	1,403,813	
Total governmental noncurrent liabilities	<u>\$ 75,156,802</u>	<u>\$ 4,703,504</u>	<u>\$(4,443,273)</u>	<u>\$ 75,417,032</u>	<u>\$ 3,324,627</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Business-type activities:

General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	\$ 136,400	\$	\$ (49,600)	\$ 86,800	\$ 44,000
MWPAT water filtration project bond, 2.0%, dtd. 12/18/2007, due 7/15/2027	7,424,370		(464,152)	6,960,218	473,529
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	2,735,763		(136,476)	2,599,286	139,233
MWPAT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	701,201		(34,984)	666,218	35,690
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	866,000		(36,000)	830,000	36,000
	<hr/>		<hr/>	<hr/>	<hr/>
Total long-term bonds payable	11,863,734	-	(721,212)	11,142,522	728,452
Leases payable		33,964	(12,041)	21,922	10,616
Compensated absences	71,431	6,176		77,607	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities noncurrent liabilities	<u>\$ 11,935,165</u>	<u>\$ 3,630</u>	<u>\$ (707,627)</u>	<u>\$ 11,242,051</u>	<u>\$ 739,068</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 \$510,788 related to the grant award.

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2015, including interest, are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,145,893	\$ 1,684,634	\$ 4,794,524	\$ 728,452	\$ 221,758	\$ 950,210
2017	2,510,480	1,548,146	4,058,626	742,353	206,399	948,751
2018	2,155,576	1,460,340	3,615,916	714,916	191,505	906,421
2019	2,235,979	1,367,518	3,603,497	728,551	176,871	905,422
2020	2,191,389	1,272,947	3,464,336	742,462	161,760	904,222
2021 – 2025	11,639,350	4,879,712	16,519,062	3,948,985	571,911	4,520,896
2026 – 2030	13,235,980	2,333,877	15,569,857	3,143,688	175,409	3,319,097
2031 - 2033	3,928,768	205,100	4,133,868	393,115	9,336	402,452
Totals	<u>\$ 41,043,414</u>	<u>\$ 14,716,275</u>	<u>\$ 55,759,689</u>	<u>\$ 11,142,522</u>	<u>\$ 1,714,949</u>	<u>\$ 12,857,471</u>

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

Unissued debt authorizations consist of the following at June 30, 2015:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
High School Construction	2011	\$ 42,299,353
Network System Upgrades at Middle School	2015	72,265
Common Core Reading Program	2015	88,674
Town Hall Renovation Phase 3	2015	375,000
Police/Fire Security/Communications Upgrade	2015	450,000
Roadway Repaving	2015	555,000
Total authorized and unissued		<u>\$ 43,840,292</u>

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases is immaterial as of June 30, 2015.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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, 2015, including interest is as follows:

Year Ending	Lease	Lease	Total Lease
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2016	\$ 157,828	\$ 10,630	\$ 168,458
2017	<u>20,348</u>	<u>1,323</u>	<u>21,671</u>
Totals	<u>\$ 178,177</u>	<u>\$ 11,953</u>	<u>\$ 190,129</u>

Note 10. Temporary borrowings

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

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

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings related to MWPAT Septic Loans are recorded in the Town's Special Revenue Funds. Temporary borrowings related to Filtration Project are recorded in the Town's Water Enterprise Fund. See Note 9 relating to the MWPAT Water Filtration Project. Temporary borrowings related to capital projects are recorded in the Town's Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2015 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
<u>Governmental Activities</u>						
School Building Project BAN	1.00%	3/13/2015	\$ 3,551,000	\$	\$ (3,551,000)	\$
Capital Projects BAN	0.50%	3/13/2015		1,510,100	(1,510,100)	
Water Projects BAN	0.50%	3/13/2015		875,000	(875,000)	
School Building Project BAN	1.00%	9/18/2015		3,551,000		3,551,000
Capital Projects BAN	1.00%	9/18/2015		1,510,100		1,510,100
Water Projects BAN	1.00%	9/18/2015	<u>-</u>	<u>875,000</u>	<u>-</u>	<u>875,000</u>
Total Governmental Activities			<u>\$ 3,551,000</u>	<u>\$ 8,321,200</u>	<u>\$ 5,936,100</u>	<u>\$ 5,936,100</u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 11. Employee Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2014, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2014, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Benefits Provided

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

Contributions

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

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$1,167,985, which was net of the discount of approximately \$23,000.

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

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2015 (measurement date).

At December 31, 2014, based upon the valuation date of January 1, 2015:

	<u>2014</u>
Total pension liability	\$ 1,417,490,110
Less: plan fiduciary net position	(834,581,969)
Net pension liability	<u>\$ 582,908,142</u>

Plan's fiduciary net position as a percentage of total pension liability	58.88%
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Total employer pension expense	\$ 60,282,277
The Town's proportionate share of the collective net pension liability	\$ 20,320,378
The Town's percentage share of the collective net pension liability	3.49%
Town covered payroll	\$ 9,566,500
The Town's proportionate share of pension expense recognized	\$ 2,101,461

The Town's proportionate share of collective deferred outflows of resources of \$26,955,005 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$939,661. This is to be recognized in future pension expense in the amount of \$234,915 for each of the years ending June 30, 2016, June 30, 2017 and June 30, 2018.

Actuarial Assumptions

Valuation date	January 1, 2015
Actuarial cost method	Entry age
Amortization method	Level percent, open group
Remaining amortization period	22 years
Asset valuation method	Actuarially valued using a five-year smoothing method of gains and losses
Investment rate of return	8.00%
Projected salary increases	3.75%
Cost-of-living adjustments	Cost-of-living adjustments 3.00% of the less of the pension amount and \$13,000 per year
Rates of retirement	Varies based upon age for general employees, police, and fire employees
Rates of disability	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Mortality rates	Pre-Retirement and Post-Retirement– RP-2000 Mortality Table, adjusted to 2015 with Scale AA Disabled Retiree – RP-2000 Mortality Tables, set forward two years
Family Composition	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females

Investment Policy

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

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension plan's target asset allocation as of January 1, 2010 are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Weight</u>	<u>Long term Expected Rate of Return</u>
Domestic equity	33.0%	10.2%
Foreign equity	16.0%	11.0%
Total fixed income	25.5%	7.9%
Real estate/real assets	13.0%	9.3%
Private equity	7.5%	14.6%
Hedge funds of funds	4.0%	8.7%
Cash	1.0%	4.0%

Discount Rate

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

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

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

	<u>1% decrease</u> (7.00%)	<u>Current</u> <u>Discount Rate</u> (8.00%)	<u>1% increase</u> (9.00%)
Plymouth County Retirement Association's net pension liability as of December 31, 2014	\$730,416,337	\$542,908,141	\$456,409,880
Town of East Bridgewater's net pension December 31, 2014	\$ 25,462,564	\$ 20,320,378	\$ 15,910,605

For Fiscal Year 2015, the total pension liability is presented as a liability of the governmental activities, and is not allocated across the separately stated major funds.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

2. Special Funding Situation - MTRS

Plan Description

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

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

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

Benefits Provided

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$3,964,618. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2014, rolled forward to June 30, 2014 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2014</u>
Total pension liability	\$ 41,435,000,000
Less: plan fiduciary net position	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 15,896,354,000</u>
Plan's fiduciary net position as a percentage of total pension liability	61.64%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 28,475,401
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	0.17913%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 2,047,798

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - a. Pre-retirement: reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct)
 - b. Post-retirement: reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - c. Disability: reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct), set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	43.0%	7.2%
Core Fixed Income	13.0%	2.5%
Hedge Funds	10.0%	5.5%
Private Equity	10.0%	8.8%
Real Estate	10.0%	6.3%
Value Added Fixed Income	10.0%	6.3%
Timber/Natural Resources	4.0%	5.0%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2014 (in thousands).

	<u>June 30, 2014</u>	<u>1% Decrease</u> <u>to 7%</u>	<u>Current Discount</u> <u>Rate 8%</u>	<u>1% Increase</u> <u>to 9%</u>
MTRS- Total		\$20,247,000	\$15,896,000	\$12,200,000
Proportionate share associated with Town		\$37,542,000	\$29,475,000	22,621,000

B. Compensated Absences

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

Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 50% of the health, dental and life insurance premiums for approximately 275 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as expenditures as premiums are paid. For 2015, those costs totaled approximately \$1,162,000. The costs for 2014 and 2013 were \$1,484,000 and \$1,487,000 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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Annual required contribution	\$ 3,526,381
Interest on net OPEB obligation	382,595
Amortization of Actuarial (Gain) / Losses	289,790
Adjustment to annual required contribution	<u>(531,864)</u>
Annual OPEB cost (expenses)	3,666,902
Contributions made	<u>(1,114,869)</u>
Increase in net OPEB obligation	2,552,033
Net OPEB obligation, beginning year	<u>9,569,887</u>
Net OPEB obligation, end of year	<u><u>\$ 12,121,920</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 3,666,902	30.40%	\$ 2,552,033
6/30/2014	\$ 3,239,535	43.70%	\$ 1,823,745
6/30/2013	\$ 3,109,203	46.45%	\$ 1,664,899

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
7/1/2014	\$ 15,200	\$ 36,282,226	\$ 36,267,026	0.00%	N/A	161.8%

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

Actuarial Methods and Assumptions

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.0%
FY 2009	10.0%	7.5%
FY 2010	9.0%	7.0%
FY 2011	8.0%	6.5%
FY 2012	7.0%	6.0%
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%
FY 2016	5.0%	5.0%

General Inflation Assumption: 2.5% per annum

Annual Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 24 years at July 1, 2014

Note 12. Landfill Closure and Postclosure Care Costs

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

As of June 30, 2015, \$371,251 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

Note 14. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2015. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

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

Note 15. Restated Beginning Fund Balance

The following table illustrates certain reclassifications of beginning net position:

Net position as of June 30, 2014 (Governmental Activities)	\$ 69,118,362
Implementation of GASB 68:	
Town's share of net pension liability	(19,338,765)
Prior period restatement of MSBA Receivable	<u>(3,822,051)</u>
Net position, restated as of July 1, 2014	<u>\$ 45,957,546</u>

Note 16. Implementation of New GASB Pronouncements

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

Current pronouncements

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which was required to be implemented in fiscal year 2015. The pronouncement required governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhanced accountability and transparency through revised and additional note disclosures and required supplementary information. The Town implemented the pronouncement.

The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which was implemented in fiscal year 2015. This pronouncement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The pronouncement had no impact on the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which was implemented in fiscal year 2015. This pronouncement requires consistent reporting by those governments that extend nonexchange financial guarantees. The pronouncement had no impact on the Town's financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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

Future pronouncements

The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2016. The pronouncement objective is to improve the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress – Other Post Employment Benefits (OPEB)
 June 30, 2015

Schedule of Funding Progress

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

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

<u>Funding Status and Schedule of Funding Progress</u>							
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll	
7/1/2014	\$ 15,200	\$ 36,282,226	\$ 36,267,026	0.00%	\$		
7/1/2012	\$ -	\$ 34,387,384	\$ 34,387,384	0.00%	\$ 21,248,189		161.8%
7/1/2010	\$ -	\$ 33,373,211	\$ 33,373,211	0.00%	\$ 21,359,339		156.2%

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

<u>Schedule of Employer Contributions</u>		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2015	\$ 3,526,381	31.62%
6/30/2014	\$ 3,165,887	44.72%
6/30/2013	\$ 3,102,152	46.56%
6/30/2012	\$ 2,885,541	60.03%

Actuarial Methods and Assumptions

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

See Independent Auditors' Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress – Other Post Employment Benefits (OPEB)
June 30, 2015

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

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

General Inflation Assumption: 2.5% per annum

Annual Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 24 years at July 1, 2014

See Independent Auditors' Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information

Schedule of Pension Contribution

June 30, 2015

A. Plymouth County Retirement Association

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan of January 1, 2015, the following is presented:

	<u>2014</u>
Total pension liability	\$ 1,417,490,110
Less:	
Plan fiduciary net position	<u>(834,581,696)</u>
Net pension liability	<u>\$ 582,908,142</u>
Plan fiduciary net position as a percentage of total pension liability	58.88%
 Town's proportionate/allocated share of collective net pension liability	 \$ 20,320,378
Town's proportionate share of pension expense	\$ 2,101,461
Town's proportionate share of collective net pension liability as a percentage of the total	3.49%
Actuarially determined contributions	\$ 2,052,200
Contributions in relation to the actuarial determined contribution	<u>\$ 2,052,200</u>
Contribution deficiency(excess)	<u>\$ -</u>
 Town's covered payroll	 \$ 9,566,500
Town's contributions as a percentage of covered payroll	21.45%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll.	212.4%

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

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 26,343,586	\$ 26,343,586	\$ 26,005,683	\$ (337,903)
Excise Taxes	1,406,159	1,406,159	1,782,528	376,369
Licenses and permits	205,000	205,000	235,231	30,231
Penalties and interest	200,000	200,000	414,414	214,414
Investment interest	25,000	25,000	41,674	16,674
Fees and fines	160,000	160,000	224,077	64,077
Departmental and other	181,500	181,500	225,671	44,171
Intergovernmental	12,660,060	12,660,060	12,682,031	21,971
Total revenues	41,181,305	41,181,305	41,611,309	430,004
Expenditures				
General government	10,996,260	10,712,224	9,440,801	1,271,423
Public safety	5,129,737	5,115,073	5,025,323	89,750
Education	18,920,802	20,063,465	19,991,733	71,732
Public works	1,011,674	983,029	1,670,714	(687,685)
Human services	652,225	767,686	684,374	83,312
Culture and recreation	447,878	411,516	429,272	(17,756)
State and county assessments	359,550	359,550	410,052	(50,502)
Debt Service	4,640,360	4,640,360	4,604,488	35,872
Total Expenditures	42,158,486	43,052,903	42,256,757	796,146
Revenues over (under) expenditures	(977,181)	(1,871,598)	(645,448)	1,226,150
Other financing sources (uses)				
Transfers in from other funds	1,001,844	1,008,844	1,407,505	398,661
Transfers out to other funds	(500,000)	(500,000)	(675,340)	(175,340)
Total other financing sources	501,844	508,844	732,165	223,321
Revenues and other financing sources over (under) expenditures and other financing uses	(475,337)	(1,362,754)	<u>\$ 86,717</u>	<u>\$ 1,449,471</u>
Other budget items				
Free cash appropriations	\$ 434,263	\$ 1,788,763		
Use of overlay	95,000	95,000		
Carryover encumbrances	224,942	(242,141)		
Premiums reserved for excluded debt	148,709	148,709		
Funding of prior year deficits	(427,577)	(427,577)		
Total other budget items	475,337	1,362,754		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditors' Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Schedule of Revenues, Expenditures, and

Changes in Fund Balance – Budgetary Basis

June 30, 2015

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, 2015, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 41,611,309	\$ 42,256,757	\$ 732,165
Adjustment for property tax revenues	42,801		
State funded teacher's pension	2,047,798	2,047,798	
MWPAT subsidy accrual	18,960	18,960	
Stabilization fund activity	72,238	22,667	167,656
Indirect costs of other funds recorded as operating transfers on budgetary basis		(241,705)	(241,705)
		<hr/>	<hr/>
As reported on a GAAP basis	<u>\$ 43,793,106</u>	<u>\$ 44,104,477</u>	<u>\$ 658,116</u>

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

See Independent Auditors' Report.