

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2016

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

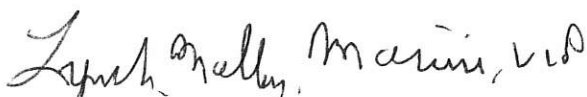
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v – xiii, and the Schedule of Funding Progress – Other Post-Employment Benefits (OPEB) Plan, the Schedule of Pension Contributions, and the budgetary comparison schedule and notes on pages 42 – 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the Town of East Bridgewater, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of East Bridgewater, Massachusetts's internal control over financial reporting and compliance.



Norwell, Massachusetts
March 31, 2017



Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of East Bridgewater, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of East Bridgewater, Massachusetts' basic financial statements, and have issued our report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Norwell, Massachusetts
March 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements, with notes, to enhance their understanding of the Town's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the Town's governmental activities (exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$45.8 million (net position). The Town's net investment in capital assets and restricted net position consisted of approximately \$57.6 and \$5.7 million, respectively. The \$17.8 million deficit balance reported in the unrestricted net position classification is due in large part to the reporting of approximately \$14.5 million of net Other Post-Employment Benefits (OPEB) obligation and \$22.1 million of Net Pension Liability as of June 30, 2016.
- The Town's business-type activities assets exceed its liabilities at the close of the most recent fiscal year by \$10.4 million (net position). This is comprised of net investment in capital assets of \$6.6 million and unrestricted net position of \$3.8 million.
- The total cost of all Town services for fiscal year 2016 was \$57.1 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$8.8 million, or approximately 19.18% of general fund expenditures.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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

Fund Financial Statements

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

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

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

The Town maintains several governmental funds. The Town has considered, as major funds, the general fund, high school building fund and septic loan repayment fund and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds. Individual fund data for each of these other governmental funds is available from the Town Accountant's office.

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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

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

Required supplementary information: Budgetary comparison information, the schedule of pension plan contributions, and the 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45.8 and \$10.4 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the accompanying tables. During fiscal year 2016, the estimated net OPEB obligation has been allocated between the Town's governmental and business-type activity. The beginning net position balances have been restated to reflect the allocation. This restatement has been detailed at Note 15 following the accompanying financial statements. Prior year amounts have not been restated in the following tables.

	FY 2016 Governmental Activities	FY 2015 Governmental Activities
Current assets	\$ 29,060,852	\$ 25,207,947
Capital assets, net	101,182,988	103,054,662
Total assets	130,243,840	128,262,609
Deferred outflows of resources	2,603,664	939,661
Current liabilities	7,756,153	10,221,491
Long-term liabilities	77,988,905	72,092,405
Total liabilities	85,745,058	82,313,896
Deferred inflows of resources	1,320,992	1,252,627
Net position:		
Net investment in capital assets	57,559,188	56,793,892
Restricted	5,707,804	7,085,769
Unrestricted	(17,485,537)	(18,243,914)
Total net position	\$ 45,781,454	\$ 45,635,747

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

	FY 2016	FY 2015
	Business-type	Business-type
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 4,536,473	\$ 4,374,442
Capital assets, net	<u>18,823,333</u>	<u>18,734,491</u>
Total assets	23,359,806	23,108,933
Current liabilities	1,175,314	1,836,361
Long-term liabilities	<u>11,799,785</u>	<u>10,502,983</u>
Total liabilities	12,975,099	12,339,344
Net position:		
Net investment in capital assets	6,617,957	7,591,969
Unrestricted	<u>3,766,750</u>	<u>3,177,620</u>
Total net position	<u>\$ 10,384,707</u>	<u>\$ 10,769,589</u>

Included within the governmental activities current assets are \$12.2 million in cash, \$8.0 million in investments, and \$8.8 million in receivables, net of allowances for uncollectible accounts. Receivables consist primarily of approximately \$1.0 million of sewer betterment, \$5.8 million of property taxes, excise, charges for services and other, and \$2.0 million of intergovernmental receivables. Intergovernmental receivables include veteran benefit receivable, school building assistance reimbursement and other federal and state town and school grants. Business-type activities' current assets are comprised of \$3.3 million of cash, and approximately \$1.2 million of receivables, associated with the user charges.

The Town reported \$2.6 million of deferred outflows of resources associated with the Town's net pension obligation, to be amortized over future periods. The Town reports the net pension obligation and associated deferred outflows of resources solely within governmental activities.

Current year additions to capital assets totaled approximately \$2.7 million. Capital asset additions included high school building additions, road related construction and improvement projects, equipment, and vehicle acquisitions.

Current liabilities for governmental activities of \$7.8 million consist primarily of \$1.1 million of accounts payable and wages, \$242,000 of accrued interest expense, \$3.6 million of notes payable, and \$2.9 million of current portion of bonded debt and capital lease obligations because it is due in fiscal year 2017. Business-type activities current liabilities of \$1.2 million consist of approximately \$245,000 of accounts payable and wages, \$121,000 of accrued interest expense, and \$800,000 of current portion of bonded debt due in 2017.

Governmental activities long-term liabilities (due in more than one year) include \$42.4 million in general obligation bonds, \$1.5 million for compensated absences, \$14.5 million for other post-employment benefits, \$341,000 for landfill closure and monitoring liability, \$66,000 for capital leases, and \$22.1 million in net pension liabilities.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Deferred inflows of resources of \$1.32 million is comprised of \$1.1 of unamortized bond premiums and \$212,000 related to net pension obligations. These amounts are to be amortized over future periods.

Other post-employment benefits obligations have been allocated between the Town and business-type activities as of July 1, 2015. The fiscal year 2015 amounts below have not been restated.

The largest portion of the Town's governmental activities and business-type activities net position \$64.2 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, \$5.7 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 \$17.5 million at the end of fiscal year 2016. 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 \$81,979 and business-type activities' net position decreased by \$157,196 during fiscal 2016. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ◆ Property taxes represent approximately 51% 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 31% of the Town's total revenue. The largest proportion of this revenue, nearly \$11.7 million, represents Chapter 70 school aid and other educational grants received from the Commonwealth and federal government.
- ◆ Capital Grants and contributions increased from fiscal year 2015 by almost \$1.0 million due to additional money to be received from the Massachusetts School Building Authority (MSBA) for the High School Building Project.
- ◆ Charges for services for the Town's business-type activities of \$2.9 million, represent 5.22% of total Town revenue. Charges for services related to the water fund and solid waste fund are \$2.3 million and \$645,000 respectively.

Expenses:

- ◆ Governmental activities expenses showed an increase of 6.4% from the prior year, due to increases in depreciation, pension expenses, and other post-employment benefits expenses.
- ◆ Business-type activities' operational expenses showed an increase of 10.9% from prior year due to increased depreciation and water fund operating expenses.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Governmental activities:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues and transfers:		
Program Revenues:		
Charges for services	\$ 3,829,686	\$ 4,009,972
Operating grants and contributions	15,619,803	14,051,011
Capital grants and contributions	<u>2,031,573</u>	<u>1,039,532</u>
Total program revenues	21,481,062	19,100,515
General Revenues:		
Property taxes levied	27,528,811	26,043,476
Excise taxes	1,903,442	1,794,111
Penalties and interest on taxes	275,998	352,736
Grants and contributions not restricted	1,864,619	2,080,798
Investment income	323,704	125,220
Miscellaneous and bond premiums	579,776	128,566
Special Item	-	956,954
Transfers	<u>(98,956)</u>	<u>(110,000)</u>
Total general revenues and transfers	32,377,394	31,371,861
Total revenues	53,858,456	50,472,376
Expenses:		
General government	16,605,273	14,335,278
Public safety	6,099,716	5,295,094
Education	25,988,295	24,977,389
Public works	1,655,355	2,594,185
Health and human services	963,589	978,002
Culture and recreation	613,165	488,343
Interest on long term debt	1,618,713	1,715,832
State and county charges	<u>396,329</u>	<u>410,052</u>
Total expenses	53,940,435	50,794,175
Change in net position	\$ (81,979)	\$ (321,799)

Business-type activities:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,940,150	\$ 3,151,297
Total operating revenues	2,940,150	3,151,297
Expenses:		
Salaries, wages, and employee benefits	685,871	632,957
Expenses	1,637,086	1,510,790
Depreciation	<u>627,037</u>	<u>530,399</u>
Total expenses	2,949,994	2,674,146
Total operating income	(9,844)	477,151
Non operating revenues (expenses)		
Debt service	(257,747)	(138,435)
Investment income	<u>11,439</u>	<u>8,835</u>
Total non operating revenue (expenses), net	(246,308)	(129,600)
Transfers		
Transfers in from other funds	<u>98,956</u>	<u>100,000</u>
Total transfers	98,956	100,000
Change in net position	\$ (157,196)	\$ 447,551

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Financial Analysis of the Governmental Funds Financial Statements

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15.7 million an increase of approximately \$4.8 million from the prior year. This increase is due primarily to the issuance of long term debt in fiscal year 2016. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$96,000, restricted fund balance of \$7.3 million, committed fund balance of \$.0 million; assigned fund balance of \$236,000 and unassigned fund balance of \$5.0 million.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$12.2 million, an increase of \$2.1 million from the previous year. Of this amount \$1.1 million or 8.9%, represents restricted fund balance. Committed fund balance of \$2.1 million and assigned fund balance of \$236,000 represent 17.0% and 2.0% of total general fund balance respectively. Unassigned fund balance of \$8.8 million represents 72.1% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 18.7% and 18.5%, respectively, of total general fund expenditures and revenues.

General Fund Budgetary Highlights

The difference between the original budget of \$43.4 million and the final budget of \$43.6 million is primarily due to additional appropriations at special town meetings of approximately \$955,000, less \$800,000 in encumbrances and carryover articles being carried over to the subsequent fiscal year.

The Town incurred snow and ice deficits in the amount of approximately \$235,000 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 2017 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, 2016 and 2015 amounts to \$101.2 million and \$103.0 million, which is net of accumulated depreciation of \$51.4 million and \$47.3 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 4.9	\$ 4.9
Works of art and historical treasures	0.1	0.1
Buildings and improvements	79.1	80.9
Equipment, machinery & vehicles	4.2	4.3
Infrastructure	12.9	12.8
	<u>\$ 101.2</u>	<u>\$ 103.0</u>

Capital asset events during 2016 include the following:

- Improvements to town roads
- Upgrades to Police/Fire Communications

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2016 and 2015 amounts to \$18.8 million and \$18.7 million, respectively, which is net of accumulated depreciation of \$11.2 million and \$10.6 million, respectively. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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

	<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 0.19	\$ 0.19
Buildings and improvements	2.37	2.44
Equipment, machinery & vehicles	0.08	0.30
Infrastructure	16.18	15.8
	<u>\$ 18.82</u>	<u>\$ 18.73</u>

Capital asset events during 2016 include the following:

- South St Water Main Project
- Purchase of vehicles

Long Term Debt

Governmental Activities

At June 30, 2016 and 2015, the Town's governmental activities had total bonded debt outstanding of \$42.4 million and \$41.0 million, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had short-term notes of \$3.6 million at June 30, 2016 and \$5.1 million at June 30, 2015.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Business-type Activities

At June 30, 2016 and 2015, the Town's business-type activities had total bonded debt outstanding of \$12.2 million and \$11.1 million, respectively. This debt is supported by water rates.

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

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 3.6% which includes new growth.

The operating budget increased 2.3% over the FY 16 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, 2016

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>	
Cash and cash equivalents	\$ 12,203,029	\$ 3,318,540	\$ 15,521,569
Investments	8,044,249		8,044,249
Receivables, net of allowance for uncollectible	8,813,574	1,217,933	10,031,507
Capital assets, net of accumulated depreciation	101,182,988	18,823,333	120,006,321
Total assets	130,243,840	23,359,806	153,603,646
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to net pension obligations	2,603,664		2,603,664
Total assets and deferred outflows of resources	<u>\$ 132,847,504</u>	<u>\$ 23,359,806</u>	<u>\$ 156,207,310</u>
<u>LIABILITIES</u>			
Accounts payable and wages	\$ 1,062,418	\$ 245,149	\$ 1,307,567
Provision for refund of paid taxes	16,940		16,940
Accrued interest	241,965	121,506	363,471
Notes payable	3,551,000		3,551,000
Noncurrent liabilities			
Due within one year	2,883,830	808,659	3,692,489
Due in more than one year	77,988,905	11,799,785	89,788,690
Total liabilities	85,745,058	12,975,099	98,720,157
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized bond premiums	1,109,488		1,109,488
Deferred inflows of resources related to net pension obligations	211,504		211,504
Total deferred inflows of resources	1,320,992		1,320,992
<u>NET POSITION</u>			
Net investment in capital assets	57,559,187	6,617,957	64,177,144
Restricted	5,707,804		5,707,804
Unrestricted	(17,485,537)	3,766,750	(13,718,787)
Total net position	45,781,454	10,384,707	56,166,161
Total liabilities, deferred inflows of resources, and net position	<u>\$ 132,847,504</u>	<u>\$ 23,359,806</u>	<u>\$ 156,207,310</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental activities							
General government	\$ 16,605,273	\$ 237,417	\$ 3,429,976	\$	\$ (12,937,880)	\$	\$ (12,937,880)
Public safety	6,099,716	941,349	415,461		(4,742,906)		(4,742,906)
Education	25,988,295	2,472,402	11,666,006	1,699,968	(10,149,919)		(10,149,919)
Public works	1,655,355	6,299		331,605	(1,317,451)		(1,317,451)
Health and human services	963,589	115,186	58,096		(790,307)		(790,307)
Culture and recreation	613,165	37,164	50,264		(525,737)		(525,737)
Interest	1,618,713	19,869			(1,598,844)		(1,598,844)
State and county charges	396,329				(396,329)		(396,329)
Total governmental activities	53,940,435	3,829,686	15,619,803	2,031,573	(32,459,373)		(32,459,373)
Business-type activities							
Water	2,387,967	2,294,951				(93,016)	(93,016)
Solid waste	819,774	645,199				(174,575)	(174,575)
Total business-type	3,207,741	2,940,150				(267,591)	(267,591)
Total primary government	\$ 57,148,176	\$ 6,769,836	\$ 15,619,803	\$ 2,031,573	(32,459,373)	(267,591)	(32,726,964)
General revenues and transfers							
Property taxes, net of allowances for uncollectibles					27,528,811		27,528,811
Excise taxes, net of allowances for uncollectibles					1,903,442		1,903,442
Penalties and interest on taxes					275,998		275,998
Grants and contributions not restricted to specific programs					1,864,619		1,864,619
Investment income					323,704	11,439	335,143
Miscellaneous					110,187		110,187
Loss on sale of capital assets					(31,468)		(31,468)
Premiums received on debt issuance					501,057		501,057
Transfers					(98,956)	98,956	
Total general revenues and transfers					32,377,394	110,395	32,487,789
Change in net position					(81,979)	(157,196)	(239,175)
Net position - beginning of year (restated)					45,863,433	10,541,903	56,405,336
Net position - end of year					\$ 45,781,454	\$ 10,384,707	\$ 56,166,161

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2016

	<u>General Fund</u>	<u>High School Building Project</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 5,524,797	\$ 76,783	\$ 2,152,108	\$ 4,449,341	\$ 12,203,029
Investments	7,502,612			541,637	8,044,249
Receivables	5,899,668	1,699,968	1,007,599	350,579	8,957,814
Total assets	<u>\$ 18,927,077</u>	<u>\$ 1,776,751</u>	<u>\$ 3,159,707</u>	<u>\$ 5,341,557</u>	<u>\$ 29,205,092</u>
<u>LIABILITIES</u>					
Accounts payable and wages	\$ 890,742	\$	\$	\$ 171,676	\$ 1,062,418
Notes payable		3,551,000			3,551,000
Provision for refund of paid taxes	16,940				16,940
Total liabilities	<u>907,682</u>	<u>3,551,000</u>		<u>171,676</u>	<u>4,630,358</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	5,831,174	1,699,968	1,007,599	350,579	8,889,320
Total deferred inflows of resources	<u>5,831,174</u>	<u>1,699,968</u>	<u>1,007,599</u>	<u>350,579</u>	<u>8,889,320</u>
<u>FUND BALANCES</u>					
Nonspendable				96,271	96,271
Restricted	1,087,502		2,152,108	4,094,753	7,334,363
Committed	2,072,089			969,917	3,042,006
Assigned	236,385				236,385
Unassigned	8,792,245	(3,474,217)		(341,639)	4,976,389
Total fund balances	<u>12,188,221</u>	<u>(3,474,217)</u>	<u>2,152,108</u>	<u>4,819,302</u>	<u>15,685,414</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,927,077</u>	<u>\$ 1,776,751</u>	<u>\$ 3,159,707</u>	<u>\$ 5,341,557</u>	<u>\$ 29,205,092</u>
Amounts reported for governmental activities in the statement of net assets are different because:					
Total fund balances of governmental funds				\$ 15,685,414	
Capital assets used in governmental activities are not financial resources and not reported in funds.					101,182,988
Certain deferred inflows of resources associated with unearned revenue are considered earned on the full accrual basis, net of allowances					8,745,080
Long-term liabilities, net of deferred costs, are not due and payable in the current period and are not included in funds.					(81,982,223)
Certain deferred inflows of resources associated with net pension liability are reported on full accrual basis					(211,504)
Certain deferred outflows of resources associated with net pension liability are reported on the full accrual basis					2,603,664
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.					(241,965)
Net position of governmental activities					<u>\$ 45,781,454</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, 2016

	<u>General Fund</u>	<u>High School Building Project</u>	<u>Septic Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 27,232,581	\$	\$	\$	\$ 27,232,581
Excise taxes	1,922,225				1,922,225
Licenses and permits	231,548				231,548
Penalties and interest	276,436				276,436
Investment income	308,379			20,838	329,217
Charges for services			216,705	2,881,081	3,097,786
Fees and fines	186,293			7,539	193,832
Departmental and other	321,173			201,383	522,556
Intergovernmental	16,063,357			2,703,431	18,766,788
Total revenues	<u>46,541,992</u>	<u></u>	<u>216,705</u>	<u>5,814,272</u>	<u>52,572,969</u>
Expenditures					
Current:					
General government	13,065,544			1,962,247	15,027,791
Public safety	5,254,658			371,714	5,626,372
Education	19,862,170	164,580		2,938,522	22,965,272
Public works	1,371,488			700,338	2,071,826
Human services	708,782		80,725	196,314	985,821
Culture and recreation	499,774			131,325	631,099
State and county assessments	396,329				396,329
Debt Service:					
Principal	2,932,735		213,158		3,145,893
Interest and other charges	1,744,426				1,744,426
Total expenditures	<u>45,835,906</u>	<u>164,580</u>	<u>293,883</u>	<u>6,300,460</u>	<u>52,594,829</u>
Revenues over (under) expenditures	706,086	(164,580)	(77,178)	(486,188)	(21,860)
Other financing sources (uses)					
Proceeds from long-term debt				4,461,000	4,461,000
Proceeds from bond premium				501,057	501,057
Transfers in from other funds	1,374,567			15,407	1,389,974
Transfers out to other funds	(15,407)			(1,473,524)	(1,488,931)
Total other financing sources and (uses)	<u>1,359,160</u>	<u></u>	<u></u>	<u>3,503,940</u>	<u>4,863,100</u>
Revenues and other financing sources over/(under) expenditures and other financing uses	2,065,246	(164,580)	(77,178)	3,017,752	4,841,240
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 12,188,221</u>	<u>\$ (3,474,217)</u>	<u>\$ 2,152,108</u>	<u>\$ 4,819,302</u>	<u>\$ 15,685,414</u>

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, 2016

Revenues and other financing sources expenditures and other financing uses - governmental funds	\$ 4,841,240
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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	2,677,844
Depreciation recorded for the fiscal year	(4,253,048)
Disposal of capital assets	(296,470)

Certain deferred outflows of resources and deferred inflows of resources are reported on 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	1,664,003
Deferred inflows related to pensions	(211,504)

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	938,346
Net change in allowance for uncollectible accounts	87,339

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	3,145,893
Amortization of bond premiums	134,298
Issuance of long-term debt	(4,461,000)
Capital lease additions	(85,476)
Capital lease payments	176,074

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	19,362
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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	(2,609,143)
Net pension liability	(1,788,971)
Compensated absences	(91,266)
Landfill closure and monitoring	30,500

Change in net position of governmental activities	\$ (81,979)
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The accompanying notes are an integral part of these financial statements.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Proprietary Net Position - Proprietary Funds

June 30, 2016

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,129,153	\$ 189,387	\$ 3,318,540
Receivables, net of allowances for uncollectibles	1,153,739	64,194	1,217,933
Capital assets, net of accumulated depreciation	18,823,333		18,823,333
Total assets	<u>\$ 23,106,225</u>	<u>\$ 253,581</u>	<u>\$ 23,359,806</u>
<u>LIABILITIES</u>			
Accounts payable, wages and other current liabilities	\$ 205,705	\$ 39,444	\$ 245,149
Accrued interest	121,506		121,506
Noncurrent liabilities:			
Due within one year	808,659		808,659
Due in more than one year	11,728,658	71,127	11,799,785
Total liabilities	12,864,528	110,571	12,975,099
<u>NET POSITION</u>			
Net investment in capital assets	6,617,957		6,617,957
Unrestricted	3,623,740	143,010	3,766,750
Total net position	10,241,697	143,010	10,384,707
Total liabilities and net position	<u>\$ 23,106,225</u>	<u>\$ 253,581</u>	<u>\$ 23,359,806</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, 2016

	Business-Type Activities		
	<u>Water</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating revenues			
Charges for services, departmental and other	\$ 2,294,951	\$ 645,199	\$ 2,940,150
Total operating revenues	<u>2,294,951</u>	<u>645,199</u>	<u>2,940,150</u>
Operating expenses			
Salaries and wages	607,382	78,489	685,871
Operating expenses	895,801	741,285	1,637,086
Depreciation	<u>627,037</u>		<u>627,037</u>
Total operating expenses	<u>2,130,220</u>	<u>819,774</u>	<u>2,949,994</u>
Operating income (loss)	164,731	(174,575)	(9,844)
Non operating revenues (expenses)			
Interest income	11,016	423	11,439
Interest expense	<u>(257,747)</u>		<u>(257,747)</u>
Total non-operating revenue (expenses), net	<u>(246,731)</u>	<u>423</u>	<u>(246,308)</u>
Transfers			
Transfers in from other funds	<u>98,956</u>		<u>98,956</u>
Total transfers	<u>98,956</u>		<u>98,956</u>
Change in net position	16,956	(174,152)	(157,196)
Net position at beginning of year (restated)	<u>10,224,741</u>	<u>317,162</u>	<u>10,541,903</u>
Net position at end of year	<u><u>\$ 10,241,697</u></u>	<u><u>\$ 143,010</u></u>	<u><u>\$ 10,384,707</u></u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2016

	<u>Business-Type Activities</u>		
	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 2,310,318	\$ 730,301	\$ 3,040,619
Payments to vendors, including fringe benefits	(673,889)	(742,209)	(1,416,098)
Payments to employees	<u>(607,382)</u>	<u>(78,489)</u>	<u>(685,871)</u>
Net cash provided by (used for) operating activities	1,029,047	(90,397)	938,650
Cash flows from capital and related financing activities			
Proceeds from bond issuance	1,780,000		1,780,000
Premiums received on bond issuance	98,956		98,956
Principal payments on bonds	(728,452)		(728,452)
Purchase of capital assets	(715,879)		(715,879)
Principal payments on leases	(10,616)		(10,616)
Interest	(236,597)		(236,597)
Principal payments on notes	<u>(875,000)</u>		<u>(875,000)</u>
Net cash used for capital and related financing activities	(687,588)		(687,588)
Cash flows from investing activities			
Reclassification of accounts from investments for current year presentation	1,505,902		1,505,902
Interest and dividends on investments	<u>11,016</u>	<u>423</u>	<u>11,439</u>
Net cash provided by for investing activities	<u>1,516,918</u>	<u>423</u>	<u>1,517,341</u>
 Net change in cash and cash equivalents	 1,858,377	 (89,974)	 1,768,403
Balances at the beginning of year	<u>1,270,776</u>	<u>279,361</u>	<u>1,550,137</u>
Balances at the end of year	<u><u>\$ 3,129,153</u></u>	<u><u>\$ 189,387</u></u>	<u><u>\$ 3,318,540</u></u>
 Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 164,731	\$ (174,575)	\$ (9,844)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	627,037		627,037
Changes in assets and liabilities:			
User fees receivables, net of allowance for collectibles	15,367	80,319	95,686
Inventory		4,783	4,783
Change in OPEB obligation	74,815	17,718	92,533
Change in compensated absences	3,941	1,301	5,242
Accounts payable and other liabilities	<u>143,156</u>	<u>(19,943)</u>	<u>123,213</u>
Total adjustments	<u>864,316</u>	<u>84,178</u>	<u>948,494</u>
Net cash provided by operating activities	<u><u>\$ 1,029,047</u></u>	<u><u>\$ (90,397)</u></u>	<u><u>\$ 938,650</u></u>

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2016

	Private Purpose Trust Fund	Other Post-Employment Benefits Trust Fund	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$	\$ 670,651
Investments	347,319	35,837	
Receivables			18,093
Total assets	<u>\$ 347,319</u>	<u>\$ 35,837</u>	<u>\$ 688,744</u>
<u>LIABILITIES</u>			
Guaranteed deposits	\$	\$	\$ 539,411
Due to student groups & other			149,333
Total liabilities			<u>\$ 688,744</u>
<u>NET POSITION</u>			
Amounts held in trust	<u>347,319</u>	<u>35,837</u>	
Total liabilities and net position	<u>\$ 347,319</u>	<u>\$ 35,837</u>	

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund
Additions		
Contributions and donations	\$	\$ 10,000
Interest and dividends	14,159	378
Total additions	14,159	10,378
Deductions		
Scholarships and awards	7,500	
Total deductions	7,500	
Change in net position	6,659	10,378
Net position at beginning of year	340,660	25,459
Net position at end of year	\$ 347,319	\$ 35,837

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, 2016

Note 1. Organization and Reporting Entity

A. Organization

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

B. Reporting Entity

General

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

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment/payments made by the Town in 2016. The Town also belongs to a cost sharing group established pursuant to Massachusetts General Laws for pension benefits. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2016 Assessment</u>
Southeastern Regional School District 250 Foundry Street, Easton, MA 02375	To provide vocational education	\$ 859,286
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation	\$ 92,360
North River Collaborative 198 Spring Street, Rockland, MA 02370	To provide special education	\$ 415,474

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Related Organization

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

Government-wide Statements

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

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

The net costs are normally covered by general revenue.

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

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

Fund Financial Statements

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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

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

Governmental Funds:

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

Major Funds

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

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other 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. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, Section 20, which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. Fair Value Measurement

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

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

D. Cash, Cash Equivalents, and Investments

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

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

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

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June 30, 2016

E. Receivables

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

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

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

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

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

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

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

F. Capital Assets

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

Government-wide Statements

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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

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

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

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

Fund Financial Statements

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

G. Deferred Outflows and Deferred Inflows

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

H. Liabilities

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

I. Compensated Absences

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

K. Equity Classifications

Government-wide Statements

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

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

Fund Financial Statements

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

Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

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June 30, 2016

- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting, the Town's highest level of decision making. Any modification or recession must be through Town Meeting votes.
- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations. Amounts may also be assigned by Town Meeting vote.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

L. Use of estimates

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

M. Total columns

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

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

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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, 2016, the Town maintained balances of \$2,326,203 in its stabilization fund, \$47,762 in its building maintenance stabilization fund, and \$4,096,985 in its capital stabilization fund.

In addition, the general fund unassigned fund balance included a snow and ice removal appropriation deficit of approximately \$235,000. This deficit is to be raised in the fiscal year 2017 tax levy as allowed by law.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

As of June 30, 2016, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>High School Building Project</u>	<u>Septic Loan</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Public Works	\$	\$	\$	\$ 14,461	\$ 14,461
Culture & Recreation				81,810	81,810
subtotal				96,271	96,271
Restricted:					
General Government				1,208,780	1,208,780
Public Safety				247,087	247,087
Education				557,790	557,790
Public Works				1,881,336	1,881,336
Human Services			2,152,108	62,066	2,214,174
Culture & Recreation				137,694	137,694
Debt service	1,087,502				1,087,502
subtotal	1,087,502		2,152,108	4,094,753	7,334,363
Committed:					
General Government	1,121,105			6,093	1,127,198
Public Safety	130,735			899,852	1,030,587
Education	303,781				303,781
Public Works	27,646			61,258	88,904
Human Services	784				784
Culture & Recreation				2,714	2,714
Debt service	488,038				488,038
subtotal	2,072,089			969,917	3,042,006
Assigned:					
General Government	86,286				86,286
Public Safety	16,741				16,741
Education	91,887				91,887
Public Works	82				82
Human Services	36,393				36,393
Other	4,996				4,996
subtotal	236,385				236,385
Unassigned	8,792,245	(3,474,217)		(341,639)	4,976,389
Total	<u>\$ 12,188,221</u>	<u>\$ (3,474,217)</u>	<u>\$ 2,152,108</u>	<u>\$ 4,819,302</u>	<u>\$ 15,685,414</u>

The Town reported deficit unassigned fund balances of \$3,474,217 related to the high school building project, for which permanent financing has not yet been obtained. Deficit balances of \$341,639 reported within other governmental funds were 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, 2016

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

Other capital project funds	\$ 1,840,381
Septic loan repayment fund	808,329
Other special revenue funds	2,517,473
Permanent funds - expendable	445,350
Permanent funds - non-expendable	96,271
Total restricted net position	<u>\$ 5,707,804</u>

Note 4. Cash, Cash Equivalents, and Investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. OPEB funds may be invested in accordance with MGL Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2016 deposits totaled \$17,319,806 and had a carrying amount of \$16,192,220. Of the deposit amounts, \$6,798,577 was exposed to custodial credit risk at June 30, 2016 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, 2016, the Town had the following investments:

Governmental activities:

<u>Type</u>	<u>Value</u>	<u>Measurement</u>	<u>Maturities</u>			<u>Total</u>
			<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 years</u>	
Money Markets	\$ 471,309	Amortized Cost	\$ 471,309	\$	\$	\$ 471,309
US Treasury/Agency Securities	5,093,620	Level 1	689,657	3,437,211	966,752	5,093,620
Domestic Equities	515,865	Level 1	515,865			515,865
Mutual Funds	204,775	Level 1	204,775			204,775
Corporate Bonds	945,118	Level 1	170,285	774,833		945,118
Certificates of Deposit	813,562	Level 1	129,722	683,840	-	813,562
Total	<u>\$ 8,044,249</u>		<u>\$ 2,181,613</u>	<u>\$ 4,895,884</u>	<u>\$ 966,752</u>	<u>\$ 8,044,429</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Fiduciary Funds:

<u>Type</u>	<u>Value</u>	<u>Measurement</u> Amortized	<u>Maturities</u>			<u>Total</u>
			<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 years</u>	
Money Markets	\$ 10,346	Cost	\$ 10,346	\$	\$	\$ 10,346
US Treasury/Agency Securities	148,820	Level 1	20,157	100,470	28,193	148,820
Equities	49,892	Level 1	49,892			49,892
Mutual Funds	19,260	Level 1	19,260			19,260
Corporate Bonds	58,489	Level 1	10,542	47,947		58,489
Certificates of Deposit	96,349	Level 1	15,364	80,985	-	96,349
Total	<u>\$ 383,156</u>		<u>\$ 125,561</u>	<u>\$ 229,402</u>	<u>\$ 28,193</u>	<u>\$ 383,156</u>

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

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

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

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

	<u>Rating</u>	<u>Maturities</u>			<u>Total</u>
		<u>Less than one year</u>	<u>1-5 years</u>		
AT&T Inc. 1.7%	BAA	\$ 75,308	\$	\$	75,308
Burlington Northern Santa Fe 4.7%	A		82,930		82,930
Duke Energy Corp, 2.15%	BAA	50,192			50,192
Union Pacific Railroad, 2.25%	A		77,058		77,058
Verizon Communications, 3.65%	BAA		78,810		78,810
General Electric Capital Corp MTN 2.30%	A1	25,250			25,250
General Electric Capital Corp MTN 1.67%	A1	30,077			30,077
Wells Fargo, 1.5%	A2		125,700		125,700
Merck & Co, Inc. 1.10%	A1		40,161		40,161
Fifth Third Bank, 1.45%	A3		95,471		95,471
General Mills, Inc. 2.20%	A3		76,799		76,799
AT&T Inc. 1.40%	Baa1		130,208		130,208
Bank of America	Baa1	-	115,643		115,643
Total		<u>\$ 180,827</u>	<u>\$ 822,780</u>	<u>\$</u>	<u>1,003,607</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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

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

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

Note 5. Receivables

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

Governmental activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 445,108	\$ (20,965)	\$ 424,143
Tax liens, deferrals and foreclosures	4,945,081		4,945,081
Motor vehicle excise	215,313	(42,153)	173,160
Charges for service	270,407	(81,122)	189,285
Departmental and other	8,148		8,148
Betterments	1,007,598		1,007,598
Intergovernmental:			
School Building Assistance	1,699,968		1,699,968
Chapter 90 awards not yet requested	80,172		80,172
Other federal and state grants	286,019		286,019
Totals	<u>\$ 8,957,814</u>	<u>\$ (144,240)</u>	<u>\$ 8,813,574</u>

Business-type activities:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 1,153,739	\$	\$ 1,153,739
Solid waste departmental	64,194		64,194
Totals	<u>\$ 1,217,933</u>	<u>\$</u>	<u>\$ 1,217,933</u>

Agency accounts report amounts, due from third parties for police and fire details, of \$18,903.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	11,250			11,250
Sub-total	<u>5,047,828</u>			<u>5,047,828</u>
Capital assets being depreciated:				
Buildings and related improvements	98,411,254	488,889		98,900,143
Equipment, vehicles and other	15,466,171	1,197,686	(485,064)	16,178,793
Infrastructure	31,440,795	991,269		32,432,064
Sub-total	<u>145,318,220</u>	<u>2,677,844</u>	<u>(485,064)</u>	<u>147,511,000</u>
Less accumulated depreciation:				
Buildings and related improvements	17,461,408	2,410,878		19,872,286
Equipment, vehicles and other	11,172,240	1,018,939	(188,594)	12,002,585
Infrastructure	18,677,738	823,231		19,500,969
Sub-total	<u>47,311,398</u>	<u>4,253,048</u>	<u>(188,594)</u>	<u>51,375,840</u>
Governmental capital assets, net	<u>\$ 103,054,662</u>	<u>\$ (1,575,204)</u>	<u>\$ (296,470)</u>	<u>\$ 101,182,988</u>
	<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	<u>192,627</u>			<u>192,627</u>
Capital assets being depreciated:				
Buildings and related improvements	3,800,523			3,800,523
Equipment, machinery & vehicles	903,984	65,010		968,994
Infrastructure	24,452,867	650,869		25,103,736
Sub-total	<u>29,157,374</u>	<u>715,879</u>		<u>29,873,253</u>
Less accumulated depreciation:				
Buildings and related improvements	1,358,725	66,795		1,425,520
Equipment, machinery & vehicles	587,893	308,403		896,296
Infrastructure	8,668,892	251,839		8,920,731
Sub-total	<u>10,615,510</u>	<u>627,037</u>		<u>11,242,547</u>
Business-type capital assets, net	<u>\$ 18,734,491</u>	<u>\$ 88,842</u>	<u>\$</u>	<u>\$ 18,823,333</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 127,729
Public safety	334,407
Education	2,784,308
Public works	871,246
Health and human services	118,088
Culture and recreation	17,270
Total depreciation expense – governmental activities	<u>\$ 4,253,048</u>
Business-type activities:	
Water	<u>\$ 627,037</u>
Total depreciation expense – business-type activities	<u>\$ 627,037</u>

Note 7. Interfund balances and activity

Interfund transfers, for the year ended June 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Governmental Funds</u>	<u>Business Type Activities</u>
Amounts transferred from Receipts Reserved for Appropriation, Revolving Funds and Other Special Revenue Funds to fund the FY 2016 Operating Budget	\$ 924,200	\$ (924,200)	\$
Amounts transferred to Other Special Revenue funds at Special Town Meetings	128,000	(128,000)	
Amounts transferred from Ambulance Fund to General Fund for firefighter retirements	32,694	(32,694)	
Bond premiums received transferred from Special Revenue Fund to General Fund	289,674	(289,674)	
Bond premiums received transferred from Special Revenue Fund to Water Fund		(98,956)	98,956
Amounts for restoration of articles	<u>(15,408)</u>	<u>15,408</u>	<u>-</u>
Totals	<u>\$ 1,359,160</u>	<u>\$ (1,458,116)</u>	<u>\$ 98,956</u>

During fiscal year 2016, the General Fund transferred \$10,000 to the OPEB Trust Fund. This has been reported as a contribution for financial reporting purposes.

During fiscal year 2016, the Town utilized \$50,000 from the general operating stabilization fund. The Town transferred a net of \$1.4 million to the capital stabilization fund.

Note 8. Deferred Outflows and Inflows of Resources

As of June 30, 2016, the Town reported the following deferred outflows and deferred inflows of resources associated with the Town's activities.

Deferred outflows of resources

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	Total Governmental Activities
Deferred outflows of resources:	
Net difference between projected and actual	
pension earnings	\$ 2,603,664
Total	<u>\$ 2,603,664</u>

Deferred inflows of resources:

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

	Total Governmental Activities
Deferred inflows of resources:	
Unamortized bond premiums	\$ 1,109,488
Changes in proportion and differences between employer	
contributions and proportionate share of contributions	<u>211,504</u>
Total	<u>\$ 1,320,992</u>

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

Type	General Fund	Major Funds	Other Governmental Funds	Total
Property Taxes and surcharge	\$ 345,190	\$	\$	\$ 345,190
Liens, deferred and possession	4,976,504			4,976,504
Excise Taxes	215,313			215,313
Special assessments		1,007,599		1,007,599
Ambulance fees			270,407	270,407
Departmental and other	8,148			8,148
Intergovernmental	83,899	1,699,968		1,783,867
State highway aid			80,172	80,172
Federal, state, grants, other	<u>202,120</u>	<u>-</u>	<u>-</u>	<u>202,120</u>
Total	<u>\$ 5,831,174</u>	<u>\$ 2,707,567</u>	<u>\$ 350,579</u>	<u>\$ 8,889,320</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 9. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

<u>Purpose</u>	<u>(restated) Balance July 1, 2015</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
MCWT subsidized septic bond, due 2017-2027	\$ 2,564,537	\$	\$ (213,158)	\$ 2,351,379	\$ 213,187
MCWT subsidized landfill bond, due 2020	360,000		(70,000)	290,000	70,000
General obligation bond, 4.05%, dtd 2/6/2007, due 2/1/2017	300,000		(150,000)	150,000	150,000
Multi-purpose bonds, 3.75-5.00%, dtd. 8/15/2001, due 8/15/2018	420,000		(110,000)	310,000	105,000
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	1,193,200		(941,000)	252,200	252,200
MCWT subsidized storm water management bond, due 2/15/2027	260,678		(17,735)	242,943	18,093
General obligation bond, 2.00-4.00%, dtd 8/5/2010, due 8/1/2022	900,000		(125,000)	775,000	125,000
General obligation bond, 3.00-5.00%, dtd 6/21/2011, due 6/15/2031	29,285,000		(1,275,000)	28,010,000	1,325,000
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	1,065,000		(59,000)	1,006,000	62,000
General obligation bond, 2.00-4.00%, dtd 9/27/13, due 9/15/2033	4,695,000		(185,000)	4,510,000	190,000
General obligation bond, 2.00-4.00%, dtd 8/27/15, due 8/15/35		3,051,000		3,051,000	251,000
General obligation bond, 2.25-4.00%, dtd 12/27/15, due 12/15/35		1,410,000		1,410,000	85,000
Total long-term bonds	41,043,415	4,461,000	(3,145,893)	42,358,522	2,846,480
Landfill closure and monitoring liability	371,251		(30,500)	340,751	
Other post employment benefits	11,894,234	3,761,976	(1,152,833)	14,503,377	
Capital leases payable	156,255	85,476	(176,074)	65,657	37,350
Net Pension Liability	20,320,378	1,788,971		22,109,349	
Compensated absences	1,403,813	91,266	-	1,495,079	-
Total governmental noncurrent liabilities	<u>\$ 75,189,346</u>	<u>\$10,188,689</u>	<u>\$ (4,505,300)</u>	<u>\$ 80,872,735</u>	<u>\$ 2,883,830</u>
Business-type activities:					
General obligation refunding bond, 3.5% dtd. 6/3/2005, due 12/15/2016	\$ 86,800	\$	\$ (44,000)	\$ 42,800	\$ 42,800
MCWT water filtration project bond, 2.0%, dtd. 12/18/2007, due 7/15/2027	6,960,218		(473,529)	6,486,689	483,096
MCWT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	2,599,286		(139,233)	2,460,053	142,046
MCWT drinking water bond, 2.0%, dtd. 7/8/2010, due 7/15/2030	666,218		(35,690)	630,528	36,411
General obligation bond, 2.00-3.00%, dtd 8/23/12, due 8/15/2032	830,000		(36,000)	794,000	38,000
General obligation bond, 2.00-4.00%, dtd 8/27/15, due 8/15/2035		875,000		875,000	35,000
General obligation bond, 2.00-4.00%, dtd 8/27/15, due 8/15/2035		905,000	-	905,000	20,000
Total long-term bonds payable	11,142,522	1,780,000	(728,452)	12,194,070	797,353
Other post employment benefits	227,686	93,783	(1,250)	320,219	
Capital leases payable	21,922		(10,616)	11,306	11,306
Compensated absences	77,607	5,242	-	82,849	-
Total business-type activities noncurrent liabilities	<u>\$ 11,469,737</u>	<u>\$ 1,879,025</u>	<u>\$ (740,318)</u>	<u>\$ 12,608,444</u>	<u>\$ 808,659</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Long-term debt

The Town has also applied and received approval for a grant from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on the recently completed high school. The final audit of the project was concluded and accepted August 19, 2016. These financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$1,699,968 related to the grant award. This amount has been accrued as revenue on the governmental financial statements.

The outstanding Massachusetts Clean Water Trust (MCWT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. However, it is anticipated that approximately 33% to 44% of the debt service payments relating to septic and landfill bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MWCT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide and governmental financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The septic and landfill bonds have been combined according to type for presentation purposes. These obligations have varying maturity dates as indicated. The Town received principal subsidies of \$19,208 during the current year.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2016, 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>
2017	\$ 2,846,480	\$ 1,728,231	\$ 4,574,711	\$ 797,353	\$ 282,133	\$ 1,079,486
2018	2,525,576	1,603,977	4,129,553	789,916	250,405	1,040,321
2019	2,605,979	1,498,905	4,104,884	803,550	233,171	1,036,721
2020	2,576,389	1,391,834	3,968,223	817,462	215,460	1,032,922
2021	2,514,827	1,283,703	3,798,530	838,652	197,139	1,035,791
2022- 2026	13,417,259	4,723,528	18,140,787	4,461,356	694,319	5,155,675
2027 – 2031	14,369,470	1,961,215	16,330,685	3,047,781	243,485	3,291,266
2032 – 2036	1,502,542	97,304	1,599,846	638,000	51,300	689,300
Totals	<u>\$ 42,358,522</u>	<u>\$ 14,288,697</u>	<u>\$ 56,647,219</u>	<u>\$ 12,194,070</u>	<u>\$ 2,167,412</u>	<u>\$ 14,361,482</u>

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

Unissued debt authorizations are required to be reported to the Commonwealth of Massachusetts on an annual basis. For purposes of this reporting, both temporary and permanent financing constitute a reduction of authorizations. At June 30, 2016, the Town reported the following unissued debt authorizations:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
High School Construction	2011	\$ 447,228
Police Cruisers	2016	182
DPW Roads	2016	544,000
Total authorized and unissued		<u>\$ 991,410</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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, 2016.

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 for both governmental and business-type activities to pay down capital lease obligations outstanding as of June 30, 2016, including interest is as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2017	\$ 48,656	\$ 1,878	\$ 50,534
2018	<u>28,307</u>	<u>555</u>	<u>28,862</u>
Totals	<u>\$ 76,963</u>	<u>\$ 2,433</u>	<u>\$ 79,936</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. Temporary loan balances are accounted for in the appropriate fund. Internal expenditures for governmental activities are accounted for in the General fund. Interest for business-type activities are accounted for in the appropriate fund.

Changes in the Town's short-term debt for the year ended June 30, 2016 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
<u>Governmental Activities</u>						
School Building Project BAN	1.00%	9/30/2016	\$	\$ 3,551,000	\$	\$ 3,551,000
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>875,000</u>	<u>-</u>	<u>(875,000)</u>	<u>-</u>
Total Governmental Activities			<u>\$ 5,936,100</u>	<u>\$ 3,551,000</u>	<u>\$ (5,936,100)</u>	<u>\$ 3,551,000</u>

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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.

Note 11. Employee Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (the Association) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2015, 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, 2015, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Benefits Provided

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

Contributions

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

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

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$2,220,461, which was net of the discount of approximately \$43,000.

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, 2015, based upon the valuation date of January 1, 2015:

	<u>2015</u>
Total pension liability	\$ 1,466,866,880
Less: plan fiduciary net position	(832,637,492)
Net pension liability	<u>\$ 634,229,388</u>

Plan's fiduciary net position as a percentage of total pension liability	56.76%
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Total employer pension expense	\$ 73,488,638
The Town's proportionate share of the collective net pension liability	\$ 22,109,349
The Town's percentage share of the collective net pension liability	3.49%
Town covered payroll	\$ 9,925,244
The Town's proportionate share of pension expense recognized	\$ 2,509,357

The Town's proportionate share of collective deferred outflows of resources of \$78,279,675 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$2,603,664. The Town's proportionate share of collective deferred inflows of resources of \$73,488,638, relates to changes in proportion, was \$211,504. This is to be recognized in future pension expense in the amount of \$657,163 for each of the years ending June 30, 2017, June 30, 2018 and June 30, 2019, and \$420,671 for year ending June 30, 2020.

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%

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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)
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%):

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	<u>1% decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% increase</u>
	(7.00%)	(8.00%)	(9.00%)
Plymouth County Retirement Association - Total	\$786,872,564	\$634,226,389	\$503,321,962
Proportionate share associated with the Town	\$ 27,430,647	\$ 22,109,349	\$ 17,545,976

For Fiscal Year 2016, the total pension liability is presented as a liability of the governmental activities, and is not allocated across the separately stated major funds.

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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

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

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$1,961,464. 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, 2015 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2015</u>
Total pension liability	\$ 45,918,711,000
Less: plan fiduciary net position	<u>(25,429,068,000)</u>
Net pension liability	<u>\$ 20,489,643,000</u>
Plan's fiduciary net position as a percentage of total pension liability	55.38%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 39,327,846
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	0.19194%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 3,189,839

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - c. Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 14 years

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	2.4%
Hedge Funds	9.0%	5.8%
Private Equity	10.0%	8.5%
Real Estate	10.0%	6.5%
Value Added Fixed Income	10.0%	5.8%
Portfolio Completion Strategies	4.0%	5.5%
Timber/Natural Resources	4.0%	6.6%
Total	100.0%	

Discount Rate

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

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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, 2015 (in thousands).

	<u>June 30, 2015</u>	<u>1% Decrease</u> <u>to 6.5%</u>	<u>Current Discount</u> <u>Rate 7.5%</u>	<u>1% Increase</u> <u>to 8.5%</u>
MTRS- Total		\$25,449,000	\$20,489,643	\$16,221,000
Proportionate share associated with Town		\$48,487	\$39,328	\$31,135

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities of approximately \$1.5 million and \$83,000 respectively.

C. Other Post Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and life insurance (the Plan) to substantially all retired employees and their spouses (plan members). Plan participants consisted of approximately 1,008 active and retired participants. Benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances. The Plan does not issue separate financial statements.

Funding Policy

The contribution rates of retirees are established by Massachusetts General Law. The required contribution is based on pay as you go financing requirements. All benefits are provided through a cost sharing group established pursuant to MGL that administers, assumes and pays all claims. The Town contributes at 50% of the insurance premiums, with the remainder funded through pension benefit deductions or direct payments to the Town.

The Town has established an Other Post-Employment Trust fund in order to contribute funds to reduce the future OPEB liability. During the current year, the Town contributed \$10,000 into the fund. As of June 30, 2016 the balance reported was \$35,837.

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 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 over a period not to exceed thirty years.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The following table shows the components of the Town's annual OPEB cost for the year, and changes in the Town's net OPEB obligation:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution (ARC)	\$ 3,523,478	\$ 89,479	\$ 3,612,957
Interest on net OPEB obligation	477,794	7,082	484,876
Amortization of Actuarial (Gain) / Losses	422,909	9,067	431,976
Adjustment to annual required contribution	(664,205)	(9,845)	(674,050)
Annual OPEB cost	3,761,976	93,783	3,855,759
Contributions	(1,152,833)	(1,250)	(1,154,083)
Increase in net OPEB obligation	2,609,143	92,533	2,701,676
Net OPEB obligation – beginning of year (restated)	11,894,234	227,686	12,121,920
Net OPEB obligations – end of year	<u>\$ 14,503,377</u>	<u>\$ 320,219</u>	<u>\$14,823,596</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 3,855,759	29.93%	\$ 14,823,596
6/30/2015	\$ 3,666,902	30.40%	\$ 12,121,920
6/30/2014	\$ 3,239,535	43.70%	\$ 9,569,887

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	N/A
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. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Actuarial Methods and Assumptions

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates: Medical and dental project 5%

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: 23 years at July 1, 2015

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, 2016, \$340,751 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2016, the Town anticipates 11 years of post-closure monitoring remaining. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 13. Risk Management

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

The Town belongs to the Group Insurance Commission. The Group Insurance Commission (GIC) was established by the Massachusetts Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth of Massachusetts' employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities, and retired municipal employees and teachers in certain governmental units. Total health and dental premiums paid to the GIC for the year ended June 30, 2016 was \$4.6 million.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 14. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2016. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

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

Note 15. Restatement of certain beginning balances

The following illustrates reclassifications of beginning year balances for allocation of the post-employment benefits (OPEB) obligation at the beginning of the year to the water fund and solid waste fund based upon the Town's most recent actuarial valuation.

Governmental activities and Business-type activities:

	Total Governmental Activities	Total Business-type Activities	<u>Business-type Activities</u> Water Fund	<u>Solid Waste Fund</u>
Net position, June 30, 2015	\$ 45,635,747	\$ 10,769,589	\$ 10,405,931	\$ 363,658
Reclassification of beginning other post-employment benefits obligation	<u>227,686</u>	<u>(227,686)</u>	<u>(181,190)</u>	<u>(46,496)</u>
Net position, restated, July 1, 2015	<u>\$ 45,863,433</u>	<u>\$ 10,541,903</u>	<u>\$ 10,224,741</u>	<u>\$ 317,162</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 #72, *Fair Value Measurement and Application*, which was required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town implemented the pronouncement as applicable.

The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which was required to be implemented in fiscal year 2016. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP). The Town implemented the pronouncement as applicable.

The GASB issued Statement #79, *Certain External Investment Pools and Pool Participants*, which was required to be implemented in fiscal year 2016. The pronouncement issued accounting and financial reporting guidance regarding qualifying external investment pools and state and local governments that participate in such external investment pools. The Town implemented the pronouncement as applicable.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Future pronouncements

The GASB issued Statement #75, *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.

The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance regarding disclosures of any tax abatement agreements with parties which the government promises to forgo tax revenues for the promise of specific actions which contribute to economic development or otherwise benefits the government or its citizens. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The Town will evaluate the implementation of the pronouncement as applicable, but doesn't expect the pronouncement to be applicable.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress – Other Post Employment Benefits (OPEB) Plan
 June 30, 2016

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.

<u>Funding Status and Schedule of Funding Progress</u>							UAAL as of Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	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.

Actuarial Methods and Assumptions

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates: Medical and dental 5% increase

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: 23 years at July 1, 2015

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2016

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>2015</u>	<u>2014</u>
Total pension liability	\$ 1,466,866,880	\$ 1,417,490,110
Less:		
Plan fiduciary net position	<u>(832,637,492)</u>	<u>(834,581,696)</u>
Net pension liability	<u>\$ 634,229,388</u>	<u>\$ 582,908,414</u>
Plan fiduciary net position as a percentage of total pension liability	56.76%	58.88%
Town's proportionate/allocated share of collective net pension liability	\$ 22,109,349	\$ 20,320,378
Town's proportionate share of pension expense	\$ 2,509,357	\$ 2,101,461
Town's proportionate share of collective net pension liability as a percentage of the total	3.49%	3.49%
Actuarially determined contributions	\$ 2,220,461	\$ 2,052,200
Contributions in relation to the actuarial determined contribution	<u>\$ 2,220,461</u>	<u>\$ 2,052,200</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 9,925,244	\$ 9,566,500
Town's contributions as a percentage of covered payroll	23.21%	21.45%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	231.1%	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

Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2016

B. Special Funding Situation – Massachusetts Teacher Retirement System

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the Massachusetts Teachers Retirement Plan (MTRS) (the Plan). Since the Town does not contribute directly to the MTRS, there is no net pension liability recognize. Based upon the actuarial valuation of the Plan as of January 1, 2015, the following is presented.

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 45,918,711,000	\$ 41,435,000,000
Less:		
Plan fiduciary net position	<u>(25,429,068,000)</u>	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 20,489,643,000</u>	<u>\$ 15,896,534,000</u>
Plan fiduciary net position as a percentage of total pension liability	55.38%	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability	\$ 39,327,856	\$ 29,475,401
Commonwealth's proportionate share of pension expense	\$ 3,189,839	\$ 2,047,798
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.191940%	0.185422%
Actuarially determined contributions	\$ 1,961,494	\$ 1,738,111
Contributions in relation to the actuarial determined contribution	<u>\$ 1,961,494</u>	<u>\$ 1,738,111</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 9,566,500	\$ 9,117,000
Commonwealth's contributions as a percentage of covered payroll	20.29%	19.06%
Commonwealth's proportionate share of the collective net pension liability as a percentage of covered payroll.	411.10%	323.3%

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.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property Taxes	\$ 27,204,140	\$ 27,204,140	\$ 27,244,431	\$ 40,291
Excise Taxes	1,606,159	1,606,159	1,922,225	316,066
Licenses and permits	205,000	205,000	231,548	26,548
Penalties and interest	200,000	200,000	276,436	76,436
Investment interest	25,000	25,000	48,296	23,296
Fees and fines	155,000	155,000	186,293	31,293
Departmental and other	186,500	186,500	321,173	134,673
Intergovernmental	<u>12,834,373</u>	<u>12,834,373</u>	<u>12,854,310</u>	<u>19,937</u>
Total revenues	<u>42,416,172</u>	<u>42,416,172</u>	<u>43,084,712</u>	<u>668,540</u>
Expenditures				
General government	11,195,841	10,874,489	10,079,552	794,937
Public safety	5,044,550	5,349,384	5,254,659	94,725
Education	19,726,540	19,886,403	19,862,171	24,232
Public works	1,066,030	1,143,690	1,371,488	(227,798)
Human services	772,349	732,147	708,782	23,365
Culture and recreation	494,877	505,077	499,774	5,303
State and county assessments	411,110	411,110	396,329	14,781
Debt Service	<u>4,711,161</u>	<u>4,677,161</u>	<u>4,657,953</u>	<u>19,208</u>
Total Expenditures	<u>43,422,458</u>	<u>43,579,461</u>	<u>42,830,708</u>	<u>748,753</u>
Revenues over (under) expenditures	(1,006,286)	(1,163,289)	254,004	1,417,293
Other financing sources (uses)				
Transfers in from other funds	1,180,234	1,374,928	1,859,296	484,368
Transfers out to other funds	<u>(493,358)</u>	<u>(1,493,358)</u>	<u>(1,508,766)</u>	<u>(15,408)</u>
Total other financing sources	<u>686,876</u>	<u>(118,430)</u>	<u>350,530</u>	<u>468,960</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(319,410)	(1,281,719)	<u>\$ 604,534</u>	<u>\$ 1,886,253</u>
Other budget items				
Free cash appropriations	\$ 291,477	\$ 2,054,945		
Use of overlay	110,000	110,000		
Carryover encumbrances	467,083	(334,076)		
Premiums reserved for excluded debt	143,500	143,500		
Funding of prior year deficits	<u>(692,650)</u>	<u>(692,650)</u>		
Total other budget items	<u>319,410</u>	<u>1,281,719</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

Notes to Schedule Required Supplementary Information

June 30, 2016

Note 1. Budgetary basis of accounting

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

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

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2016, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 43,084,712	\$ 42,830,708	\$ 350,530
Adjustment for property tax revenues	(11,849)		
State funded teacher's pension	3,189,839	3,189,839	
CWT subsidy accrual	19,208	19,208	
Stabilization fund activity	222,759	24,846	1,237,325
Interest income from Employee Health Claims Fund	37,323		
Indirect costs of other funds recorded as operating transfers on budgetary basis	-	(228,695)	(228,695)
As reported on a GAAP basis	<u>\$ 46,541,992</u>	<u>\$ 45,835,906</u>	<u>\$ 1,359,160</u>

During the year, the Town incurred a snow and ice appropriation deficit which is allowed by law of approximately \$235,000. Amounts will be raised in the fiscal year 2017 budget related thereto.

See Independent Auditor's Report.