

TOWN OF BRIDGEWATER, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2014

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2014

TOWN OF BRIDGEWATER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Town Council
Town of 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 Bridgewater, Massachusetts, (the "Town") as of and for the year ended June 30, 2014, 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 of 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 those 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 purposes 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 as of June 30, 2014 and the respective changes in financial position where applicable and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note IV.A., the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously reported as Assets and Liabilities*. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding and contribution progress for pension benefits and other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 December 22, 2014, on our consideration of the Town'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 the Town's internal control over the financial reporting and compliance.

Roselli, Clark and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 22, 2014

Management's Discussion and Analysis

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by over \$45.4 million (*total net position*). Over \$30.4 million represented net position of governmental activities and approximately \$15.0 million represented net assets of the business-type activities.
- The government's total net position increased by nearly \$0.4 million or less than 1.0% year to year. The governmental activities decreased net position by over \$0.3 million (1.0%) while the business-type activities increased net position by nearly \$0.7 million (4.8%).
- The Town's unassigned fund balance reported in the General Fund was approximately \$4.0 million (8.4% of General Fund expenditures). Total fund balance in the General Fund was nearly \$4.1 million (8.5% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$3.1 million in the Community Preservation Fund, a restricted fund balance of nearly \$0.9 million in the Title V Program Fund, a restricted fund balance of over \$0.5 million in the Capital Projects Fund and reported total fund balances of nearly \$1.7 million in the combined Nonmajor Governmental Funds.
- The Town's total long-term debt experienced a net decrease over \$1.1 million during the fiscal year. This was primarily due to regular scheduled pay downs exceeding new issuances. Included in this activity are refunding bonds of over \$3.6 million whose activity netted to virtually zero.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, 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 *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 giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist of water, sewer, transfer station and municipal golf course activities.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Non-spendable —amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the financial statements to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, Title V program fund and capital project fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund and its enterprise funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

Proprietary Funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary

funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, transfer station and municipal golf course activities.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<u>Assets</u>						
Current and other assets	\$ 17,440,774	\$ 17,404,516	\$ 9,894,193	\$ 10,099,299	\$ 27,334,967	\$ 27,503,815
Capital assets, net	31,552,450	32,338,406	17,068,444	16,945,242	48,620,894	49,283,648
Total Assets	48,993,224	49,742,922	26,962,637	27,044,541	75,955,861	76,787,463
<u>Liabilities</u>						
Long-term liabilities	17,690,489	17,801,975	10,852,015	9,838,036	28,542,504	27,640,011
Other liabilities	877,236	1,193,119	1,102,031	2,887,367	1,979,267	4,080,486
Total Liabilities	18,567,725	18,995,094	11,954,046	12,725,403	30,521,771	31,720,497
<u>Net Position</u>						
Net investment in capital assets	25,938,891	24,934,391	7,817,015	8,053,473	33,755,906	32,987,864
Restricted	5,946,500	5,334,272	-	-	5,946,500	5,334,272
Unrestricted	(1,459,892)	479,165	7,191,576	6,265,665	5,731,684	6,744,830
Net Position	\$ 30,425,499	\$ 30,747,828	\$ 15,008,591	\$ 14,319,138	\$ 45,434,090	\$ 45,066,966

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by over \$45.4 million (*total net position*). This was an increase of nearly \$0.4 million over the preceding year. Noncash charges related to other postemployment liabilities of nearly \$1.5 million together with a snow and ice deficit of over \$0.3 million was offset by favorable revenue variances as compared to forecast of over \$1.2 million in the governmental activities and strong revenue results in the business-type activities, particularly water and sewer of over \$0.7 million.

By far the largest portion (approximately 74.3%) of the Town’s net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), 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's 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 (approximately 13.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, (approximately 12.6%), may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed statement of changes in net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 3,225,532	\$ 2,979,750	\$ 6,547,646	\$ 6,353,342	\$ 9,773,178	\$ 9,333,092
Operating grants and	1,931,179	1,831,119	-	-	1,931,179	1,831,119
Capital grants and	808,970	838,213	53,526	44,723	862,496	882,936
General revenues:						
Property taxes	37,454,705	36,145,936	-	-	37,454,705	36,145,936
Intergovernmental	3,161,932	3,080,637	-	-	3,161,932	3,080,637
Other	3,679,049	3,445,293	1,966	3,585	3,681,015	3,448,878
Total Revenues	50,261,367	48,320,948	6,603,138	6,401,650	56,864,505	54,722,598
<u>Expenses</u>						
General government	3,439,066	3,255,771	-	-	3,439,066	3,255,771
Public safety	14,382,841	13,424,372	-	-	14,382,841	13,424,372
Education	27,695,465	26,870,906	-	-	27,695,465	26,870,906
Public works	3,000,142	2,385,637	-	-	3,000,142	2,385,637
Health and human services	846,777	704,065	-	-	846,777	704,065
Culture and recreation	1,223,802	1,072,650	-	-	1,223,802	1,072,650
Debt service	262,355	264,523	-	-	262,355	264,523
Water	-	-	2,448,417	2,323,401	2,448,417	2,323,401
Sewer	-	-	1,577,659	1,499,214	1,577,659	1,499,214
Transfer station	-	-	277,749	286,752	277,749	286,752
Golf	-	-	1,343,108	1,327,076	1,343,108	1,327,076
Total Expenses	50,850,448	47,977,924	5,646,933	5,436,443	56,497,381	53,414,367
Excess (deficiency) in net position	(589,081)	343,024	956,205	965,207	367,124	1,308,231
Transfers	266,752	195,501	(266,752)	(195,501)	-	-
Changes in net position	(322,329)	538,525	689,453	769,706	367,124	1,308,231
year	30,747,828	30,209,303	14,319,138	13,549,432	45,066,966	43,758,735
Net position, end of year	\$ 30,425,499	\$ 30,747,828	\$ 15,008,591	\$ 14,319,138	\$ 45,434,090	\$ 45,066,966

Governmental Activities The town relies significantly on property taxes, which, during 2014, made up approximately 74.5% of total revenues, consistent with 74.5% in the prior year. No other revenues were greater than 10% of total revenues in 2014 or 2013.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 54.5% of total expenses, down slightly from the prior year of 56.0%. Public safety expenses represented 28.3% of total expenses, up slightly from the prior year of 28.0%. No other expense types were greater than 10% of total expenses in 2014 or 2013.

Business-type Activities Major revenue sources consist of revenue from user charges, which represented approximately 99.1% and 99.2% of total fiscal year 2014 and 2013 revenues, respectively. Water, sewer, transfer station and golf expenses represented 43.4%, 27.9%, 4.9% and 23.8% of total fiscal year 2014 business-type activities expenses, respectively, and 42.7%, 27.6%, 5.3% and 24.4% of total fiscal year 2013 business-type activities expenses, respectively. These were all consistent and with expectations and comparable to the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds 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 financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$10.2 million. This represents an increase of approximately \$0.5 million over the previous year, which is in line with expectations. Of the ending fund balance approximately \$3.9 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$4.0 million, while total fund balance reached approximately \$4.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 8.3% of total general fund expenditures, while total fund balance represents approximately 8.5% of that same amount.

The Community Preservation fund was not used as a funding source for any large capital projects. This fund was increased by over \$0.6 million to nearly \$3.1 million during the year as a result of this decreased activity.

The Capital Mitigation fund was only used as a funding source for several minor capital projects during the year. As a result, this fund was decreased by nearly \$0.2 million to approximately \$0.5 million.

The combined Nonmajor funds were consistent with the prior year. Fund balances at year end were approximately \$1.7 million.

Proprietary Funds The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2014, net position of the water and sewer enterprise funds were approximately \$6.2 million and \$7.2 million, respectively. The transfer station and golf course enterprise funds had fund balances of approximately \$0.1 million and \$1.5 million, respectively, at June 30, 2014. The Town's proprietary fund's net position increased by approximately \$0.7 million, primarily due the positive water and sewer fund operating results.

General Fund Budgetary Highlights

The final amended budget was approximately \$0.3 million higher than the original budget, primarily due to increases in public safety and public works. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to approximately \$48.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects a decrease of approximately \$0.7 million due to annual depreciation exceeding capital additions.

The Town has undergone significant capital improvements over the past several years. These include major improvements to its town hall, roads and water infrastructure.

Additional information on the Town capital assets can be found Note III. Subsection C of this report.

Long-term Debt At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$16.3 million. Of this amount approximately \$7.1 million represents debt of the governmental activities and approximately \$9.3 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a net decrease over \$1.1 million during the fiscal year. This was primarily due to regular scheduled pay downs exceeding new issuances. Included in this activity are refunding bonds of over \$3.6 million whose activity netted to virtually zero.

As of June 30, 2014, the Town is entitled to receive over \$1.7 million in principal reimbursements from the Massachusetts School Building Authority (MSBA) over the next six years. This represents amounts approved for qualifying construction to Schools owned by the Town and is used to offset debt related to the construction.

The Town maintains a bond rating of "A2" as set by Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$118 million, based on an equalized valuation of approximately \$2.4 billion.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Notes III. Subsection F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have stabilized over the past twelve months, and this trend may continue into calendar 2014. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound cannot be reasonably estimated at this time.

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 85.9% of the Town's real estate tax base. The Town also relies to a much lesser extent on its commercial and industrial real estate tax base, which in aggregate comprise approximately 10.4% of the Town's real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy. This limit may be exceeded through a majority vote at Town Council along with ballot approval.
- Consistent with both State and National indices, the Town's housing market experienced a downward trend from 2005 to 2010. Housing prices began to stabilize during fiscal year 2011 and have seen an upward trend for the past few fiscal years. As a result, the Town expects its housing market to continue to maintain or slightly outpace National indices.
- In fiscal year 2014, the Town anticipated receiving local aid of approximately \$3.7 million from the Commonwealth of Massachusetts, which is approximately the same amount received in fiscal year 2014.
- The Town's tax rate was approved by the Department of Revenue on December 10, 2014.

The above items were considered when the Town developed its budget for fiscal year 2015.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, 64 Central Square, Bridgewater, Massachusetts 02324.

TOWN OF BRIDGEWATER, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 10,902,686	\$ 6,429,047	\$ 17,331,733
Investments	77,796	-	77,796
Receivables, net of allowance for uncollectibles:			
Property taxes	647,680	-	647,680
User fees	-	2,423,770	2,423,770
Unapportioned assessments	-	1,030,253	1,030,253
Departmental and other	3,994,603	-	3,994,603
Intergovernmental	1,818,009	-	1,818,009
Inventory	-	11,123	11,123
Capital assets, not being depreciated	9,327,440	110,288	9,437,728
Capital assets, net of accumulated depreciation	<u>22,225,010</u>	<u>16,958,156</u>	<u>39,183,166</u>
Total Assets	<u>48,993,224</u>	<u>26,962,637</u>	<u>75,955,861</u>
Liabilities			
Warrants and accounts payable	456,405	192,025	648,430
Accrued interest expense	-	94,566	94,566
Unearned revenue	-	60,440	60,440
Other liabilities	20,831	-	20,831
Bond anticipation notes payable	400,000	755,000	1,155,000
Long-term liabilities:			
Due within one year	2,917,280	1,340,281	4,257,561
Due in more than one year	<u>14,773,209</u>	<u>9,511,734</u>	<u>24,284,943</u>
Total Liabilities	<u>18,567,725</u>	<u>11,954,046</u>	<u>30,521,771</u>
Net Position			
Net investment in capital assets	25,938,891	7,817,015	33,755,906
Restricted:			
Nonexpendable permanent funds	200,367	-	200,367
Expendable permanent funds	379,165	-	379,165
Community preservation	3,108,638	-	3,108,638
Title V	318,057	-	318,057
Capital projects	815,521	-	815,521
Other purposes	1,124,752	-	1,124,752
Unrestricted	<u>(1,459,892)</u>	<u>7,191,576</u>	<u>5,731,684</u>
Total Net Position	<u>\$ 30,425,499</u>	<u>\$ 15,008,591</u>	<u>\$ 45,434,090</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Primary Government:</u>							
<i>Governmental Activities</i>							
General government	\$ 3,439,066	\$ 528,612	\$ 369,238	\$ -	\$ (2,541,216)		\$ (2,541,216)
Public safety	14,382,841	2,161,163	542,530	-	(11,679,148)		(11,679,148)
Education	27,695,465	137,652	480,245	-	(27,077,568)		(27,077,568)
Public works	3,000,142	-	144,600	562,290	(2,293,252)		(2,293,252)
Health and human services	846,777	260,542	219,006	-	(367,229)		(367,229)
Culture and recreation	1,223,802	137,563	107,146	246,680	(732,413)		(732,413)
Debt service	262,355	-	68,414	-	(193,941)		(193,941)
Total Governmental Activities	50,850,448	3,225,532	1,931,179	808,970	(44,884,767)		(44,884,767)
<i>Business-Type Activities:</i>							
Water	2,448,417	2,775,215	-	-		\$ 326,798	326,798
Sewer	1,577,659	2,112,011	-	53,526		587,878	587,878
Transfer Station	277,749	303,763	-	-		26,014	26,014
Golf	1,343,108	1,356,657	-	-		13,549	13,549
Total Business-Type Activities	5,646,933	6,547,646	-	53,526		954,239	954,239
Total Primary Government	<u>\$ 56,497,381</u>	<u>\$ 9,773,178</u>	<u>\$ 1,931,179</u>	<u>\$ 862,496</u>	<u>(44,884,767)</u>	<u>954,239</u>	<u>(43,930,528)</u>
<u>General Revenues:</u>							
					37,454,705	-	37,454,705
					3,205,521	-	3,205,521
					250,411	-	250,411
					3,161,932	-	3,161,932
					29,867	1,966	31,833
					193,250		193,250
					266,752	(266,752)	-
					44,562,438	(264,786)	44,297,652
					(322,329)	689,453	367,124
<u>Net Position:</u>							
					30,747,828	14,319,138	45,066,966
					\$ 30,425,499	\$ 15,008,591	\$ 45,434,090

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,423,923	\$ 3,131,521	\$ 1,287,775	\$ 515,934	\$ 1,543,533	\$ 10,902,686
Investments	-	-	-	-	77,796	77,796
Receivables, net of allowance for uncollectibles:						
Real estate and personal property taxes	647,680	-	-	-	-	647,680
Departmental and other	2,945,409	22,238	814,500	-	212,456	3,994,603
Due from Commonwealth	1,715,614	-	-	-	102,395	1,818,009
Total Assets	9,732,626	3,153,759	2,102,275	515,934	1,936,180	17,440,774
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 9,732,626	\$ 3,153,759	\$ 2,102,275	\$ 515,934	\$ 1,936,180	\$ 17,440,774
Liabilities:						
Warrants and accounts payable	\$ 350,076	\$ 44,899	\$ -	\$ -	\$ 61,430	\$ 456,405
Other liabilities	14,385	222	6,224	-	-	20,831
Bond anticipation notes payable	-	-	400,000	-	-	400,000
Total Liabilities	364,461	45,121	406,224	-	61,430	877,236
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	647,680	22,238	-	-	-	669,918
Unavailable revenues - MSBA	1,715,614	-	-	-	-	1,715,614
Unavailable revenues - other	2,945,409	-	814,500	-	181,931	3,941,840
Total Deferred Inflows of Resources	5,308,703	22,238	814,500	-	181,931	6,327,372
Fund Balances:						
Nonspendable	-	-	-	-	200,367	200,367
Restricted	-	3,086,400	881,551	515,934	1,621,573	6,105,458
Committed	54,417	-	-	-	-	54,417
Unassigned	4,005,045	-	-	-	(129,121)	3,875,924
Total Fund Balances	4,059,462	3,086,400	881,551	515,934	1,692,819	10,236,166
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,732,626	\$ 3,153,759	\$ 2,102,275	\$ 515,934	\$ 1,936,180	\$ 17,440,774

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances **\$ 10,236,166**

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. 31,552,450

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are reported as unavailable revenue in the governmental funds. 6,475,051

Long-term liabilities are not due and payable in the current period and, therefore,
are not reported in the government funds:

Bonds and notes payable	(7,069,910)
Compensated absences	(1,906,263)
Other postemployment benefits	<u>(8,714,316)</u>

Net Position of Governmental Activities **\$ 30,573,178**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 36,415,824	\$ 483,017	\$ -	\$ -	\$ -	\$ 36,898,841
Intergovernmental	5,113,359	246,680	-	3,886	899,288	6,263,213
Motor vehicle and other excises	3,165,220	-	-	-	-	3,165,220
Departmental and other revenue	1,671,437	1,590	125,242	-	548,414	2,346,683
Licenses and permits	702,850	-	-	-	-	702,850
Penalties and interest on taxes	250,411	-	-	-	-	250,411
Fines and forfeitures	47,965	-	-	-	133,152	181,117
Investment income	15,183	5,301	-	2,572	6,811	29,867
Contributions and donations	-	-	-	-	384,190	384,190
Total Revenues	47,382,249	736,588	125,242	6,458	1,971,855	50,222,392
Expenditures:						
Current:						
General government	2,308,372	238,035	-	-	79,735	2,626,142
Public safety	8,295,397	-	-	-	751,948	9,047,345
Education	26,997,438	-	-	-	-	26,997,438
Public works	1,464,453	-	-	-	707,500	2,171,953
Health and human services	390,460	-	163,851	-	73,814	628,125
Culture and recreation	645,864	-	-	-	270,423	916,287
Pensions and other fringes	5,410,893	-	-	-	-	5,410,893
State and county tax assessments	385,606	-	-	-	-	385,606
Debt service:						
Principal	1,853,206	32,000	-	-	-	1,885,206
Interest	247,195	15,160	-	-	-	262,355
Total Expenditures	47,998,884	285,195	163,851	-	1,883,420	50,331,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	(616,635)	451,393	(38,609)	6,458	88,435	(108,958)
Other Financing Sources (Uses):						
Proceeds from issuance of bonds and notes	-	-	-	-	155,372	155,372
Sale of property	-	193,250	-	-	-	193,250
Transfers in	686,332	-	-	-	2,254	688,586
Transfers out	(71,680)	-	(81,536)	(173,618)	(95,000)	(421,834)
Total Other Financing Sources (Uses)	614,652	193,250	(81,536)	(173,618)	62,626	615,374
Net Change in Fund Balances	(1,983)	644,643	(120,145)	(167,160)	151,061	506,416
Fund Balances - Beginning	4,061,445	2,441,757	1,001,696	683,094	1,541,758	9,729,750
Fund Balances - Ending	\$ 4,059,462	\$ 3,086,400	\$ 881,551	\$ 515,934	\$ 1,692,819	\$ 10,236,166

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Fund Balances	\$	506,416
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:

Capital outlays	887,751	
Depreciation expense	<u>(1,673,707)</u>	
Net effect of reporting capital assets		(785,956)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Payments on refunding bonds	2,610,000	
Repayments of debt	1,885,206	
Proceeds from refunding bonds	(2,603,544)	
Proceeds from general obligation bonds and notes	<u>(155,372)</u>	
Net effect of reporting long-term debt		1,736,290

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(6,596)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(131,408)	
Other postemployment benefits	<u>(1,493,396)</u>	
Net effect of reporting long-term liabilities		<u>(1,624,804)</u>

Change in Net Position of Governmental Activities	\$	<u>(174,650)</u>
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See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-type Activities - Enterprise Funds				Totals
	Water	Sewer	Transfer Station	Golf Course	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 2,475,585	\$ 3,828,769	\$ 67,542	\$ 57,151	\$ 6,429,047
Receivables, net of allowance for uncollectibles:					
User charges	1,626,878	796,892	-	-	2,423,770
Inventory	-	-	-	11,123	11,123
Total Current Assets	4,102,463	4,625,661	67,542	68,274	8,863,940
Noncurrent assets:					
Receivables - unapportioned assessments	-	1,030,253	-	-	1,030,253
Capital assets, not being depreciated	-	110,288	-	-	110,288
Capital assets, net of accumulated depreciation	8,116,962	4,584,490	51,010	4,205,694	16,958,156
Total Noncurrent Assets	8,116,962	5,725,031	51,010	4,205,694	18,098,697
Total Assets	12,219,425	10,350,692	118,552	4,273,968	26,962,637
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	117,451	61,830	972	11,772	192,025
Accrued interest	47,361	6,715	-	40,490	94,566
Unearned revenue	-	-	-	60,440	60,440
Bond anticipation notes payable	-	700,000	-	55,000	755,000
Bonds and notes payable	508,564	277,899	-	408,000	1,194,463
Capital lease obligations	-	-	-	56,952	56,952
Compensated absences	36,748	19,966	-	32,152	88,866
Total Current Liabilities	710,124	1,066,410	972	664,806	2,442,312
Noncurrent Liabilities:					
Bonds and notes payable	4,727,966	1,640,000	-	1,689,000	8,056,966
Capital lease obligations	-	-	-	116,820	116,820
Compensated absences	36,749	19,966	-	32,153	88,868
Other postemployment benefits	529,268	459,678	7,827	252,307	1,249,080
Total Noncurrent Liabilities	5,293,983	2,119,644	7,827	2,090,280	9,511,734
Total Liabilities	6,004,107	3,186,054	8,799	2,755,086	11,954,046
Net Position:					
Net investment in capital assets	2,880,432	2,776,879	51,010	2,108,694	7,817,015
Unrestricted	3,334,886	4,387,759	58,743	(589,812)	7,191,576
Total Net Position	\$ 6,215,318	\$ 7,164,638	\$ 109,753	\$ 1,518,882	\$ 15,008,591

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds				Totals
	Water	Sewer	Transfer Station	Golf Course	
Operating Revenues:					
Charges for services	\$ 2,682,081	\$ 2,064,494	\$ 303,763	\$ 1,356,657	\$ 6,406,995
Other operating income	93,134	47,517	-	-	140,651
Total Operating Revenues	2,775,215	2,112,011	303,763	1,356,657	6,547,646
Operating Expenses:					
Operating costs	1,967,876	1,293,750	276,104	944,481	4,482,211
Depreciation	334,439	233,873	1,645	288,109	858,066
Total Operating Expenses	2,302,315	1,527,623	277,749	1,232,590	5,340,277
Operating Income (Loss)	472,900	584,388	26,014	124,067	1,207,369
Nonoperating Revenues (Expenses):					
Betterments	-	53,526	-	-	53,526
Interest income	-	-	-	1,966	1,966
Interest expense	(146,102)	(50,036)	-	(110,518)	(306,656)
Total Nonoperating Revenues (Expenses), net	(146,102)	3,490	-	(108,552)	(251,164)
Income (Loss) Before Transfers	326,798	587,878	26,014	15,515	956,205
Transfers:					
Transfers in	4,500	4,050	-	60,876	69,426
Transfers out	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
Transfers, net	(112,117)	(81,442)	(40,252)	(32,941)	(266,752)
Change in Net Position	214,681	506,436	(14,238)	(17,426)	689,453
Total Net Position - Beginning	6,000,637	6,658,202	123,991	1,536,308	14,319,138
Total Net Position - Ending	\$ 6,215,318	\$ 7,164,638	\$ 109,753	\$ 1,518,882	\$ 15,008,591

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Cash Flows from Operating Activities:					
Receipts from users	\$ 2,647,342	\$ 2,130,545	\$ 303,763	\$ 1,361,474	\$ 6,443,124
Other receipts	93,134	47,517	-	-	140,651
Payments to employees	(548,358)	(459,199)	(61,258)	(417,949)	(1,486,764)
Payments to vendors	(1,403,641)	(735,108)	(247,741)	(497,435)	(2,883,925)
Net Cash Provided by (Used For) Operating Activities	788,477	983,755	(5,236)	446,090	2,213,086
Cash Flows from Noncapital Related Financing Activities:					
Transfers in	4,500	4,050	-	60,876	69,426
Transfers out	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(112,117)	(81,442)	(40,252)	(32,941)	(266,752)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from betterment principal	-	214,967	-	-	214,967
Proceeds from issuance of bond and note debt	2,029,614	2,000,000	-	630,000	4,659,614
Proceeds from issuance of refunding bonds	-	1,130,000	-	-	1,130,000
Proceeds from new capital lease obligations	-	-	-	178,206	178,206
Acquisition and construction of capital assets	(441,589)	(361,473)	-	(178,206)	(981,268)
Principal payments on bonds and notes	(2,417,610)	(2,238,042)	-	(993,000)	(5,648,652)
Payments of refunded bonds	-	(1,125,000)	-	-	(1,125,000)
Principal payments on capital leases	-	-	-	(47,287)	(47,287)
Interest expense	(150,672)	(74,893)	-	(120,680)	(346,245)
Net Cash (Used For) Capital and Related Financing Activities	(980,257)	(454,441)	-	(530,967)	(1,965,665)
Cash Flows from Investing Activities:					
Investment income	-	-	-	1,966	1,966
Net Cash Provided by Investing Activities	-	-	-	1,966	1,966
Net Change in Cash and Cash Equivalents	(303,897)	447,872	(45,488)	(115,852)	(17,365)
Cash and Cash Equivalents:					
Beginning of year	2,779,482	3,380,897	113,030	173,003	6,446,412
End of year	<u>\$ 2,475,585</u>	<u>\$ 3,828,769</u>	<u>\$ 67,542</u>	<u>\$ 57,151</u>	<u>\$ 6,429,047</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:					
Operating income (loss)	\$ 472,900	\$ 584,388	\$ 26,014	\$ 124,067	\$ 1,207,369
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	334,439	233,873	1,645	288,109	858,066
Changes in assets and liabilities:					
Receivables	(34,739)	66,051	-	-	31,312
Inventory	-	-	-	(5,012)	(5,012)
Accounts payable and accrued expenses	(116,208)	996	(33,216)	(33,025)	(181,453)
Unearned income	-	-	-	4,817	4,817
Compensated absences	13,107	5,971	-	12,943	32,021
Other postemployment benefits	118,978	92,476	321	54,772	266,547
Other liabilities	-	-	-	(581)	(581)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 788,477</u>	<u>\$ 983,755</u>	<u>\$ (5,236)</u>	<u>\$ 446,090</u>	<u>\$ 2,213,086</u>
Noncash Investing, Capital, and Financing Activities:					
Intergovernmental subsidy of principal and interest payments	\$ -	\$ 852	\$ -	\$ -	\$ 852

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 126,565	\$ 114,428	\$ 1,457,918
Total Assets	<u>126,565</u>	<u>114,428</u>	<u>1,457,918</u>
Liabilities:			
Warrants and accounts payable	-	-	8,132
Planning and performance bonds	-	-	1,381,334
Other liabilities	-	-	68,452
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,457,918</u>
Net Position:			
Held in trust for other post employment benefits	126,565	-	-
Held in trust for other purposes	-	114,428	-
Total Net Position	<u>\$ 126,565</u>	<u>\$ 114,428</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Investment income	\$ -	\$ 2,963
Employer contributions	<u>126,565</u>	<u>126,565</u>
Total Additions	<u>126,565</u>	<u>129,528</u>
 Deductions:		
Scholarships	<u>-</u>	<u>1,700</u>
Total Deductions	<u>-</u>	<u>1,700</u>
 Change in Net Position	 126,565	 127,828
Net Position - Beginning	<u>-</u>	<u>113,165</u>
Net Position - Ending	<u><u>\$ 126,565</u></u>	<u><u>\$ 240,993</u></u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Bridgewater is located in Plymouth County and was incorporated as a town in 1656. An elected nine-member Town Council governs the Town with an appointed Town Manager. Each Town Council member serves three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water and sewer, waste management through a transfer station, street maintenance, parks and recreational facilities. Water, sewer, transfer station and recreational (golf) services are funded almost entirely with user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Bridgewater-Raynham Regional School District that provides educational services to the two member communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2014, the Town's share of the operating and debt service expenses was \$25,919,310. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 166 Mt. Prospect Street, Bridgewater, MA 02324.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are 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 interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – is used to account for funds received in accordance with the state Community Preservation Act. Funds are used to acquire or develop open space, recreational facilities, historic resources and affordable housing.

Title V Program Fund – is used to account for specific activities related to providing financial assistance in the form of loans and betterments to individuals in the community who are required to maintain septic systems in compliance with statutory Title V regulations.

Capital Project Fund – is a legislatively created fund used by the Town to accumulate funds appropriated from any available source including funds received by the Town from the Commonwealth for mitigation of prison expansion. Accumulated funds may be appropriated, by a special or annual Town meeting vote, for any purpose for which the Town would be authorized to borrow money under section 7 or 8 of chapter 44 of the general laws of Massachusetts.

The *Nonmajor Governmental Funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on 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 or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

Sewer – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s sewer utility.

Transfer Station – is used to account for user fees collected to finance the operations of the Town’s “pay-as-you-throw” waste disposal activities.

Golf Course – is used to account for user charges collected to finance costs associated with operating and maintaining the Olde Scotland Links golf course, a municipal golf course.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are due in four installments on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, Title V loans, and water and sewer user fees and betterments may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than five years old. Other departmental receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than ninety days old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g. roads, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery, equipment and vehicles	5-10 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items for reporting as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows or resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, Massachusetts School Building Authority grants and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represents the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space, recreational facilities, historic resources and affordable housing.

Title V represents assets that are restricted by the state for the purposes of providing financial assistance in the form of loans and betterments to individuals in the community who are required to maintain septic systems in compliance with statutory Title V regulations.

Capital projects represents remaining balances from bond proceeds and other sources that are restricted by state law to specific capital purposes and borrowing terms.

Other purposes represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Council members through Town Council Orders. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (through Town Council Orders) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Manager to assign fund balance. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,830,840 at June 30, 2014 and is reported as unassigned fund balance in the General Fund.

The Town maintains a capital stabilization fund which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$253,131 at June 30, 2014 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Manager and Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reported \$34,256 of encumbrances from Town Council votes in the general fund as committed.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total
Non-Spendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 200,367	\$ 200,367
Restricted:						
General government	-	-	-	-	250,085	250,085
Public safety	-	-	-	-	550,915	550,915
Public works	-	-	-	-	127,005	127,005
Health and human services	-	-	881,551	-	122,011	1,003,562
Culture and recreation	-	-	-	-	263,620	263,620
Community preservation	-	3,086,400	-	-	-	3,086,400
Capital outlay	-	-	-	515,934	299,587	815,521
Other purposes	-	-	-	-	8,350	8,350
Committed:						
Capital outlay	34,256	-	-	-	-	34,256
Unemployment benefits	20,161	-	-	-	-	20,161
Unassigned	4,005,045	-	-	-	(129,121)	3,875,924
	<u>\$ 4,059,462</u>	<u>\$ 3,086,400</u>	<u>\$ 881,551</u>	<u>\$ 515,934</u>	<u>\$ 1,692,819</u>	<u>\$ 10,236,166</u>

D. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$379,591. In addition, expenditures exceeded appropriations in various other functions totaling \$20,469. These over-expenditures will be funded through available funds during fiscal year 2015. The Town incurred a total of \$129,121 in deficits in three special revenue funds, which are reported in the nonmajor governmental funds. These deficits will be funded through grants and available funds during fiscal year 2015.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the

reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds. State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust ("the MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$19,030,644 and the bank balance was \$19,338,337. Of the Town's bank balance, \$7,841,928 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings.

The Town's common stock investments totaling \$77,796 are not exposed to custodial credit risk because they are held with the Town. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk - The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk - The Town does not place a limit on the amount that may be invested in any one issuer. During the fiscal year, the Town maintained 100% of its investments in the common stock of Bank of America.

Credit Risk - The Town has not adopted a formal policy related to credit risk.

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 647,680	\$ -	\$ 647,680
Tax liens, deferrals and foreclosures	2,407,159	-	2,407,159
Excise	538,250	-	538,250
Community preservation surcharges	22,238	-	22,238
Title V loans	814,500	-	814,500
Ambulance fees	181,931	-	181,931
Other	30,525	-	30,525
Intergovernmental	1,818,009	-	1,818,009
Total	<u>\$ 6,460,292</u>	<u>\$ -</u>	<u>\$ 6,460,292</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 1,626,878	\$ -	\$ 1,626,878
Sewer - user fees	796,892	-	796,892
Sewer - betterments	1,030,253	-	1,030,253
Total	<u>\$ 3,454,023</u>	<u>\$ -</u>	<u>\$ 3,454,023</u>

Massachusetts School Building Authority – As of June 30, 2014, the Town expects to receive as the balance of grants from the Commonwealth of Massachusetts \$1,794,216 applicable to approved school construction costs which includes both principal and interest. Such costs will be reimbursed to the Town in equal annual installments over the balance of the life of the related bonds, and are subject to approval by the State Legislature. The principal portion, \$1,715,614 of this amount is included as an intergovernmental receivable in the Governmental funds.

Betterments – The Town reflects receivables of \$814,500 and \$1,030,253 in the Title V major fund and the Sewer Enterprise Fund, respectively. These represent amounts anticipated to be billed and collected in the future for Title V septic and sewer betterments the Town has funded through bond and note issuances.

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 9,276,257	\$ -	\$ -	\$ 9,276,257
Construction in process	-	51,183	-	51,183
Total capital assets not being depreciated	9,276,257	51,183	-	9,327,440
Capital assets being depreciated:				
Buildings and improvements	20,755,069	95,024	-	20,850,093
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	30,076,692	322,644	-	30,399,336
Machinery, equipment and vehicles	13,051,374	418,900	-	13,470,274
Total capital assets being depreciated	65,481,373	836,568	-	66,317,941
Less accumulated depreciation for:				
Buildings and improvements	(14,530,926)	(414,979)	-	(14,945,905)
Improvements other than buildings	(667,997)	(38,177)	-	(706,174)
Infrastructure	(16,213,265)	(744,567)	-	(16,957,832)
Machinery, equipment and vehicles	(11,007,036)	(475,984)	-	(11,483,020)
Total accumulated depreciation	(42,419,224)	(1,673,707)	-	(44,092,931)
Total capital assets being depreciated, net	23,062,149	(837,139)	-	22,225,010
Total governmental activities capital assets, net	<u>\$ 32,338,406</u>	<u>\$ (785,956)</u>	<u>\$ -</u>	<u>\$ 31,552,450</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 369,290	\$ 110,288	\$ (369,290)	\$ 110,288
Total capital assets not being depreciated	369,290	110,288	(369,290)	110,288
Capital assets being depreciated:				
Buildings and improvements	6,185,600	-	-	6,185,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	30,186,135	1,062,064	-	31,248,199
Machinery, equipment and vehicles	6,462,866	178,206	-	6,641,072
Total capital assets being depreciated	43,635,601	1,240,270	-	44,875,871
Less accumulated depreciation for:				
Buildings and improvements	(3,580,221)	(131,776)	-	(3,711,997)
Improvements other than buildings	(720,900)	(20,025)	-	(740,925)
Infrastructure	(16,782,541)	(554,752)	-	(17,337,293)
Machinery, equipment and vehicles	(5,975,987)	(151,513)	-	(6,127,500)
Total accumulated depreciation	(27,059,649)	(858,066)	-	(27,917,715)
Total capital assets being depreciated, net	16,575,952	382,204	-	16,958,156
Total business-type activities capital assets, net	<u>\$ 16,945,242</u>	<u>\$ 492,492</u>	<u>\$ (369,290)</u>	<u>\$ 17,068,444</u>

Capital asset activity for the year ended June 30, 2014, for the Town's Enterprise Funds was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 369,290	\$ -	\$ (369,290)	\$ -
Total capital assets not being depreciated	<u>369,290</u>	<u>-</u>	<u>(369,290)</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	1,569,400	-	-	1,569,400
Infrastructure	19,587,546	810,879	-	20,398,425
Machinery, equipment and vehicles	<u>1,348,583</u>	<u>-</u>	<u>-</u>	<u>1,348,583</u>
Total capital assets being depreciated	<u>22,505,529</u>	<u>810,879</u>	<u>-</u>	<u>23,316,408</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,176,495)	(16,568)	-	(1,193,063)
Infrastructure	(12,470,377)	(295,239)	-	(12,765,616)
Machinery, equipment and vehicles	<u>(1,218,135)</u>	<u>(22,632)</u>	<u>-</u>	<u>(1,240,767)</u>
Total accumulated depreciation	<u>(14,865,007)</u>	<u>(334,439)</u>	<u>-</u>	<u>(15,199,446)</u>
Total capital assets being depreciated, net	<u>7,640,522</u>	<u>476,440</u>	<u>-</u>	<u>8,116,962</u>
Total Water capital assets, net	<u>\$ 8,009,812</u>	<u>\$ 476,440</u>	<u>\$ (369,290)</u>	<u>\$ 8,116,962</u>
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 110,288	\$ -	\$ 110,288
Total capital assets not being depreciated	<u>-</u>	<u>110,288</u>	<u>-</u>	<u>110,288</u>
Capital assets being depreciated:				
Buildings and improvements	3,387,900	-	-	3,387,900
Infrastructure	5,497,548	251,185	-	5,748,733
Machinery, equipment and vehicles	<u>3,638,182</u>	<u>-</u>	<u>-</u>	<u>3,638,182</u>
Total capital assets being depreciated	<u>12,523,630</u>	<u>251,185</u>	<u>-</u>	<u>12,774,815</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,094,735)	(84,698)	-	(2,179,433)
Infrastructure	(2,279,073)	(130,471)	-	(2,409,544)
Machinery, equipment and vehicles	<u>(3,582,644)</u>	<u>(18,704)</u>	<u>-</u>	<u>(3,601,348)</u>
Total accumulated depreciation	<u>(7,956,452)</u>	<u>(233,873)</u>	<u>-</u>	<u>(8,190,325)</u>
Total Sewer capital assets being depreciated, net	<u>\$ 4,567,178</u>	<u>\$ 17,312</u>	<u>\$ -</u>	<u>\$ 4,584,490</u>
Total Sewer capital assets, net	<u>\$ 4,567,178</u>	<u>\$ 127,600</u>	<u>\$ -</u>	<u>\$ 4,694,778</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Transfer Station</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,900	\$ -	\$ -	\$ 7,900
Infrastructure	65,819	-	-	65,819
Machinery, equipment and vehicles	104,600	-	-	104,600
Total capital assets being depreciated	<u>178,319</u>	<u>-</u>	<u>-</u>	<u>178,319</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,900)	-	-	(7,900)
Infrastructure	(13,164)	(1,645)	-	(14,809)
Machinery, equipment and vehicles	<u>(104,600)</u>	<u>-</u>	<u>-</u>	<u>(104,600)</u>
Total accumulated depreciation	<u>(125,664)</u>	<u>(1,645)</u>	<u>-</u>	<u>(127,309)</u>
Total Transfer Station capital assets being depreciated, net	<u>\$ 52,655</u>	<u>\$ (1,645)</u>	<u>\$ -</u>	<u>\$ 51,010</u>
<i><u>Business-type Activities: Golf</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,220,400	\$ -	\$ -	\$ 1,220,400
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	5,035,222	-	-	5,035,222
Machinery, equipment and vehicles	<u>1,371,501</u>	<u>178,206</u>	<u>-</u>	<u>1,549,707</u>
Total capital assets being depreciated	<u>8,428,123</u>	<u>178,206</u>	<u>-</u>	<u>8,606,329</u>
Less accumulated depreciation for:				
Buildings and improvements	(301,091)	(30,510)	-	(331,601)
Improvements other than buildings	(720,900)	(20,025)	-	(740,925)
Infrastructure	(2,019,927)	(127,397)	-	(2,147,324)
Machinery, equipment and vehicles	<u>(1,070,608)</u>	<u>(110,177)</u>	<u>-</u>	<u>(1,180,785)</u>
Total accumulated depreciation	<u>(4,112,526)</u>	<u>(288,109)</u>	<u>-</u>	<u>(4,400,635)</u>
Total Golf capital assets being depreciated, net	<u>\$ 4,315,597</u>	<u>\$ (109,903)</u>	<u>\$ -</u>	<u>\$ 4,205,694</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 28,911
Public safety	555,838
Education	229,058
Public works	796,909
Health and human services	19,780
Culture and recreation	<u>43,211</u>
	<u>\$ 1,673,707</u>

Business-Type Activities:

Water	\$ 334,439
Sewer	233,873
Transfer station	1,645
Golf	<u>288,109</u>
	<u>\$ 858,066</u>

D. Interfund Receivables, Payables and Transfers

Intrafund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

Transfers Out	Transfers In					Total	
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Fund	Golf Enterprise Fund		
General Fund	\$ -	\$ 2,254	\$ 4,050	\$ 4,500	\$ 60,876	\$ 71,680	(1)
Title V Program Fund	81,536	-	-	-	-	81,536	(2)
Capital Project Fund	173,618	-	-	-	-	173,618	(2)
Nonmajor Governmental Funds	95,000	-	-	-	-	95,000	(2)
Water Enterprise Fund	116,617	-	-	-	-	116,617	(3)
Sewer Enterprise Fund	85,492	-	-	-	-	85,492	(3)
Transfer Station Enterprise Fund	40,252	-	-	-	-	40,252	(3)
Golf Enterprise Fund	93,817	-	-	-	-	93,817	(3)
Total	<u>\$686,332</u>	<u>\$ 2,254</u>	<u>\$ 4,050</u>	<u>\$ 4,500</u>	<u>\$ 60,876</u>	<u>\$758,012</u>	

- (1) Transfers to enterprise funds to supplement operating budget and transfer to nonmajor governmental for capital purposes.
(2) Transfers to general fund to supplement operating budgets.
(3) Transfers to general fund for indirect costs.

E. Capital Leases

The Town has entered into non-cancelable leases for the purchase of a fire vehicle, lawn mowers and golf club cars. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Asset:	Amount
Fire vehicle	\$ 37,934
Lawn mowers	94,161
Golf club cars	275,272
Less: accumulated depreciation	(232,285)
Total	<u>\$ 175,082</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2014, are as follows:

Fiscal Year Ended June 30,	Amount
2015	\$ 60,132
2016	60,132
2017	60,131
2018	2,433
Total minimum lease payments	182,828
Less: amounts representing interest	(9,056)
Present value of minimum lease payments	<u>\$ 173,772</u>

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2014, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2013	Additions	Retirements	June 30, 2014
BAN	0.60%	Matured	\$ 155,372	\$ -	\$ (155,372)	\$ -
BAN	0.60%	Matured	-	155,372	(155,372)	-
MWPAT	0.00%	12/31/15	400,000	-	-	400,000
Total Governmental Notes			555,372	155,372	(310,744)	400,000
BAN	0.95%	Matured	285,000	-	(285,000)	-
BAN	0.60%	Matured	147,530	-	(147,530)	-
BAN	0.45%	Matured	1,891,000	-	(1,891,000)	-
BAN	0.60%	Matured	-	2,108,530	(2,108,530)	-
BAN	1.15%	Matured	-	215,000	(215,000)	-
BAN	0.55%	05/03/15	-	700,000	-	700,000
BAN	1.00%	05/03/15	-	55,000	-	55,000
Total Business-Type Notes			2,323,530	3,078,530	(4,647,060)	755,000
Total Notes Payable			\$ 2,878,902	\$ 3,233,902	\$ (4,957,804)	\$ 1,155,000

Temporary notes outstanding at June 30, 2014 were issued for enterprise fund capital projects for sewer projects (\$700,000) and golf clubhouse construction (\$55,000).

The Town is eligible for interim loan financing from the Massachusetts Water Pollution Abatement Trust (the MWPAT) in anticipation of permanent financing through MWPAT for costs related to the Town's community septic management program. The interim loans must be converted to permanent long-term debt no later than December 31, 2015. Short-term MWPAT loans totaling \$400,000 are reported in the Title V Program fund.

G. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

On April 15, 2014, the Town issued general obligation refunding bonds of \$3,733,544 (par value) with variable interest rates of 2.0% to 3.0%. The debt proceeds, along with \$1,456 of premiums were used to retire \$3,735,000 of callable bonds. As a result of the current refunding, the Town reduced its total debt service requirement by \$258,169, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$232,361.

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 8,806,200	\$ 2,758,916	\$ (4,495,206)	\$ 7,069,910	\$ 1,964,148
Compensated absences	1,774,855	133,461	(2,053)	1,906,263	953,132
Other postemployment benefits	7,220,920	2,693,739	(1,200,343)	8,714,316	-
Total Governmental Activities	<u>\$ 17,801,975</u>	<u>\$ 5,586,116</u>	<u>\$ (5,697,602)</u>	<u>\$ 17,690,489</u>	<u>\$ 2,917,280</u>
<i>Business-type Activities: Water</i>					
Bond and note debt	\$ 4,615,996	\$ 1,021,084	\$ (400,550)	\$ 5,236,530	\$ 508,564
Compensated absences	60,390	13,107	-	73,497	36,748
Other postemployment benefits	410,290	215,725	(96,747)	529,268	-
Total Business-type Activities: Water	<u>5,086,676</u>	<u>1,249,916</u>	<u>(497,297)</u>	<u>5,839,295</u>	<u>545,312</u>
<i>Business-type Activities: Sewer</i>					
Bond and note debt	1,850,941	1,430,000	(1,363,042)	1,917,899	277,899
Compensated absences	33,961	5,971	-	39,932	19,966
Other postemployment benefits	367,202	154,820	(62,344)	459,678	-
Total Business-type Activities: Sewer	<u>2,252,104</u>	<u>1,590,791</u>	<u>(1,425,386)</u>	<u>2,417,509</u>	<u>297,865</u>
<i>Business-type Activities: Transfer Station</i>					
Other postemployment benefits	7,506	4,783	(4,462)	7,827	-
Total Business-type Activities: Transfer Station	<u>7,506</u>	<u>4,783</u>	<u>(4,462)</u>	<u>7,827</u>	<u>-</u>
<i>Business-type Activities: Golf</i>					
Bond and note debt	2,200,000	260,000	(363,000)	2,097,000	408,000
Capital lease obligations	42,853	178,206	(47,287)	173,772	56,952
Compensated absences	51,362	12,943	-	64,305	32,152
Other postemployment benefits	197,535	63,752	(8,980)	252,307	-
Total Business-type Activities: Golf	<u>2,491,750</u>	<u>514,901</u>	<u>(419,267)</u>	<u>2,587,384</u>	<u>497,104</u>
Total Business-type Activities	<u>\$ 9,838,036</u>	<u>\$ 3,360,391</u>	<u>\$ (2,346,412)</u>	<u>\$ 10,852,015</u>	<u>\$ 1,340,281</u>

The governmental activities will be liquidated by the general fund. The business-type activities liabilities will be liquidated by the water, sewer, transfer station and golf enterprise funds.

The following is a summary of outstanding long-term debt obligations as of June 30, 2014:

Description of Issue	Interest Rate	Outstanding June 30, 2013	Issuances	Maturities	Outstanding June 30, 2014
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds	2.00 - 4.50%	\$ 2,659,000	\$ 155,372	\$ (1,458,000)	\$ 1,356,372
Refunding Bonds	2.00 - 5.00%	4,668,000	2,603,544	(2,936,000)	4,335,544
MWPAT Notes (Title V)	0.00%	1,479,200	-	(101,206)	1,377,994
Total Governmental Activities		<u>\$ 8,806,200</u>	<u>\$ 2,758,916</u>	<u>\$ (4,495,206)</u>	<u>\$ 7,069,910</u>
<i><u>Business-Type Activities - Water</u></i>					
General Obligation Bonds	2.00 - 5.00%	\$ 2,275,000	\$ 1,021,084	\$ (175,000)	\$ 3,121,084
Refunding Bonds	2.00 - 3.00%	1,322,000	-	(181,000)	1,141,000
MWPAT Note	2.00%	1,018,996	-	(44,550)	974,446
Total Water		<u>4,615,996</u>	<u>1,021,084</u>	<u>(400,550)</u>	<u>5,236,530</u>
<i><u>Business-Type Activities - Sewer</u></i>					
General Obligation Bonds	2.00 - 4.70%	1,250,000	300,000	(1,250,000)	300,000
Refunding Bonds	2.00 - 4.00%	570,000	1,130,000	(98,000)	1,602,000
MWPAT Note	2.00%	30,941	-	(15,042)	15,899
Total Sewer		<u>1,850,941</u>	<u>1,430,000</u>	<u>(1,363,042)</u>	<u>1,917,899</u>
<i><u>Business-Type Activities - Golf</u></i>					
General Obligation Bonds	2.00 - 2.30%	65,000	260,000	(6,000)	319,000
Refunding Bond	2.25 - 5.00%	1,770,000	-	(330,000)	1,440,000
State House Note	6.50%	365,000	-	(27,000)	338,000
Total Golf		<u>2,200,000</u>	<u>260,000</u>	<u>(363,000)</u>	<u>2,097,000</u>
Total Business-Type Activities		<u>\$ 8,666,937</u>	<u>\$ 2,711,084</u>	<u>\$ (2,126,592)</u>	<u>\$ 9,251,429</u>

Payments on outstanding long-term debt obligation due in future years consist of the following:

<i>Governmental Activities - Total Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2015	\$ 1,964,148	\$ -	\$ 1,964,148	\$ 126,012	\$ (6,578)	\$ 119,434	\$ 2,083,582
2016	1,048,262	-	1,048,262	89,635	(5,531)	84,104	1,132,366
2017	697,291	-	697,291	65,274	(4,496)	60,778	758,069
2018	691,321	-	691,321	52,316	(3,468)	48,848	740,169
2019	663,351	-	663,351	39,121	(2,447)	36,674	700,025
2020-2024	1,414,739	-	1,414,739	60,764	(3,892)	56,872	1,471,611
2025-2029	488,783	-	488,783	3,386	-	3,386	492,169
2030-2034	102,015	-	102,015	-	-	-	102,015
Total	<u>\$ 7,069,910</u>	<u>\$ -</u>	<u>\$ 7,069,910</u>	<u>\$ 436,506</u>	<u>\$ (26,412)</u>	<u>\$ 410,094</u>	<u>\$ 7,480,004</u>

Business-type Activities: Water - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2015	\$ 508,564	\$ -	\$ 508,564	\$ 150,716	\$ -	\$ 150,716	\$ 659,280
2016	508,427	-	508,427	139,754	-	139,754	648,181
2017	543,396	-	543,396	122,822	-	122,822	666,218
2018	539,383	-	539,383	108,754	-	108,754	648,137
2019	533,393	-	533,393	93,932	-	93,932	627,325
2020-2024	1,778,844	-	1,778,844	271,951	-	271,951	2,050,795
2025-2029	641,413	-	641,413	54,557	-	54,557	695,970
2030-2034	183,110	-	183,110	5,996	-	5,996	189,106
Total	<u>\$ 5,236,530</u>	<u>\$ -</u>	<u>\$ 5,236,530</u>	<u>\$ 948,480</u>	<u>\$ -</u>	<u>\$ 948,480</u>	<u>\$ 6,185,010</u>

Business-type Activities: Sewer - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2015	\$ 277,899	\$ (137)	\$ 277,762	\$ 37,090	\$ (300)	\$ 36,790	\$ 314,552
2016	246,000	-	246,000	38,662	-	38,662	284,662
2017	243,000	-	243,000	32,132	-	32,132	275,132
2018	240,000	-	240,000	27,197	-	27,197	267,197
2019	234,000	-	234,000	22,120	-	22,120	256,120
2020-2024	677,000	-	677,000	43,160	-	43,160	720,160
Total	<u>\$ 1,917,899</u>	<u>\$ (137)</u>	<u>\$ 1,917,762</u>	<u>\$ 200,361</u>	<u>\$ (300)</u>	<u>\$ 200,061</u>	<u>\$ 2,117,823</u>

Business-type Activities: Golf - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2015	\$ 408,000	\$ -	\$ 408,000	\$ 84,101	\$ -	\$ 84,101	\$ 492,101
2016	426,000	-	426,000	65,233	-	65,233	491,233
2017	441,000	-	441,000	45,817	-	45,817	486,817
2018	410,000	-	410,000	28,838	-	28,838	438,838
2019	61,000	-	61,000	19,457	-	19,457	80,457
2020-2024	266,000	-	266,000	60,220	-	60,220	326,220
2025-2029	85,000	-	85,000	10,242	-	10,242	95,242
Total	<u>\$ 2,097,000</u>	<u>\$ -</u>	<u>\$ 2,097,000</u>	<u>\$ 313,908</u>	<u>\$ -</u>	<u>\$ 313,908</u>	<u>\$ 2,410,908</u>

Business-type Activities - Total Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2015	\$ 1,194,463	\$ (137)	\$ 1,194,326	\$ 271,907	\$ (300)	\$ 271,607	\$ 1,465,933
2016	1,180,427	-	1,180,427	243,649	-	243,649	1,424,076
2017	1,227,396	-	1,227,396	200,771	-	200,771	1,428,167
2018	1,189,383	-	1,189,383	164,789	-	164,789	1,354,172
2019	828,393	-	828,393	135,509	-	135,509	963,902
2020-2024	2,721,844	-	2,721,844	375,331	-	375,331	3,097,175
2025-2029	726,413	-	726,413	64,799	-	64,799	791,212
2030-2034	183,110	-	183,110	5,996	-	5,996	189,106
Total	<u>\$ 9,251,429</u>	<u>\$ (137)</u>	<u>\$ 9,251,292</u>	<u>\$ 1,462,748</u>	<u>\$ (300)</u>	<u>\$ 1,462,448</u>	<u>\$ 10,713,740</u>

MWPAT Loan Subsidies – The Town has entered into multiple loan agreements with the MWPAT. It is expected that the Town will be subsidized by the MWPAT on a periodic basis for interest in the amount of \$26,712 until the maturity of these agreements.

Title V Loans – The Town also participates in the Community Septic Loan Title V Program which is administered by the MWPAT. The funds from this program will offer financing to homeowners with septic tank needs. As a result of this participation the Town is contingently liable for \$1,377,994 in long-term notes. Of which, it is expected that the Town will be subsidized by MWPAT on a periodic basis for all interest costs. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements.

At June 30, 2014, the Town had authorized and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
Golf clubhouse	\$ 1,401,000
Water mains	8,006
Water resource plan	250,000
Land purchase	799,000
Building Remodel	7,863,000
Septic repair	808,182
Sewer reline	4,770,500
Total authorized and unissued	<u>\$ 15,899,688</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Plymouth County Retirement Association (the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Plymouth County Retirement Association (the “Board”).

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (PERAC) that includes financial statements and required supplementary information. The report may be obtained by writing to the Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Funding Policy – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,648,047, \$2,545,430, and \$2,222,064 respectively, which equaled its required contribution for each year. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers' Retirement System

Retired teachers and certain administrative individuals who were previously employed by the Town when the Town maintained its own School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$438,743 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool administered by the Mayflower Municipal Health Group (the Group). The Group offers a variety of premium based health plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

The Town also participates in a public-entity risk-pool administered by the Massachusetts Inter-local Insurance Association, Inc. (MIIA). Through this pool, the Town participates in two insurance programs; the Worker's compensation group that provides coverage for worker's compensation to Town employees who are not police officers or fire fighters, and the Property and Casualty Group that provides the Town with property and casualty insurance.

The Town is self-insured for workers' compensation claims for its police and firefighters and unemployment insurance compensation. Claim expenses are recorded in the general fund when incurred. Estimated liabilities for these risks are not included in the general fund as the liabilities were not material at June 30, 2014.

D. Other Postemployment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the "Plan") in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 126 active employees and 139 retired employees for a total of 265.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contributions and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost is calculated based on the annual required contribution "ARC" of the employer, an actuarially determined amount that is calculated in accordance with 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 liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contribution (ARC)	\$ 2,912,848
Interest on net OPEB obligation	328,138
Adjustment to ARC	<u>(108,167)</u>
Annual OPEB cost	3,132,819
Contributions made	<u>(1,372,876)</u>
Increase in net OPEB obligation	1,759,943
Net OPEB obligation at beginning of year	<u>8,203,453</u>
Net OPEB obligation at end of year	<u>\$ 9,963,396</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012	\$ 3,059,681	42.2%	\$ 6,439,926
June 30, 2013	\$ 3,042,221	42.0%	\$ 8,203,453
June 30, 2014	\$ 3,132,819*	43.8%	\$ 9,963,396

* Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2014 was charged to the following functional programs: General Government \$168,364; Public Safety \$2,041,574; Education \$45,063; Public Works \$188,894; Health and Human Services \$57,446; Culture and Recreation \$192,398; Water \$215,725; Sewer \$154,820; Transfer Station \$4,783 and Golf \$63,752.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2014 for the most recent actuarial valuation performed as of July 1, 2012, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 36,573,050	\$ 36,573,050	0.00%	N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

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

The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar (closed)
Remaining amortization period	26 years
Interest discount rate	4%
Inflation rate	2.5%
Salary increases	3%
Healthcare/Medical cost trend rate	6% grading down to 5% by year 2015 and thereafter

- E. Commitments and Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2014.

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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementation

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term

deferred in financial statement presentations. The provisions of GASB 65 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

B. Future Year Implementation

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of GASB 67 are effective for the System as of December 31, 2014 and the correlative impact will be reflected by the Town in fiscal year 2015. The Town believes the adoption of this statement will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (fiscal year 2015). The Town believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013

(fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. The issue related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

SCHEDULES OF FUNDING PROGRESS

Pension System - Plymouth County Retirement Association

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2013	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
1/1/2011	666,730,812	1,187,447,414	520,716,602	56.1%	228,289,638	228.1%
1/1/2010	673,709,456	1,132,847,379	459,137,923	59.5%	227,507,647	201.8%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2012	\$ -	\$ 36,573,050	\$ 36,573,050	0.0%	N/A	N/A
7/1/2010	-	34,830,881	34,830,881	0.0%	N/A	N/A
7/1/2008	-	34,706,085	34,706,085	0.0%	10,427,042	332.8%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Plymouth County Retirement Association			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2014	\$ 54,966,177	\$ 54,966,177	100.0%	\$ 2,648,047	4.8%
2013	52,815,432	52,815,432	100.0%	2,545,430	4.8%
2012	46,850,764	46,850,764	100.0%	2,222,064	4.7%

Other Postemployment Benefits

Year Ended June 30,	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed
2014	\$ 3,132,819	\$ 1,372,876	43.8%
2013	3,042,221	1,278,694	42.0%
2012	3,059,681	1,290,159	42.2%

N/A - Information not available

See accompanying independent auditor's report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 36,545,408	\$ 36,545,408	\$ 36,415,824	\$ -	\$ 36,415,824	\$ (129,584)
Intergovernmental	4,437,638	4,437,638	4,674,616	-	4,674,616	236,978
Motor vehicle and other excises	2,498,706	2,498,706	3,165,220	-	3,165,220	666,514
Departmental and other revenue	1,490,739	1,490,739	1,671,437	-	1,671,437	180,698
Licenses and permits	408,385	408,385	702,850	-	702,850	294,465
Penalties and interest on taxes	289,627	289,627	250,411	-	250,411	(39,216)
Fines and forfeitures	48,687	48,687	47,965	-	47,965	(722)
Investment income	-	-	14,059	-	14,059	14,059
Total Revenues	45,719,190	45,719,190	46,942,382	-	46,942,382	1,223,192
Expenditures						
General government	2,282,460	2,407,163	2,308,372	22,372	2,330,744	76,419
Public safety	8,250,367	8,378,856	8,295,397	7,577	8,302,974	75,882
Education	27,048,606	26,999,606	26,997,438	-	26,997,438	2,168
Public works	962,368	1,086,526	1,464,453	1,663	1,466,116	(379,590)
Health and human services	396,030	420,937	390,460	-	390,460	30,477
Culture and recreation	640,715	648,508	645,864	2,644	648,508	-
Pensions and fringe benefits	4,888,784	4,850,038	4,844,165	-	4,844,165	5,873
State and county tax assessments	381,088	381,088	385,606	-	385,606	(4,518)
Debt service	2,100,404	2,100,404	2,100,401	-	2,100,401	3
Total Expenditures	46,950,822	47,273,126	47,432,156	\$ 34,256	47,466,412	(193,286)
Other Financing Sources (Uses)						
Transfers in	686,273	798,459	798,459		798,459	-
Transfers out	(151,240)	(1,796,591)	(1,796,591)		(1,796,591)	-
Total Other Financing Sources (Uses)	535,033	(998,132)	(998,132)		(998,132)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	(696,599)	(2,552,068)	\$ (1,487,906)		\$ (1,522,162)	\$ 1,029,906
Other Budgetary Items						
Use of free cash (unassigned fund balance)	-	1,855,469				
Prior year encumbrances	338,793	338,793				
Prior year appropriation deficits	(575,204)	(575,204)				
Revenues not budgeted	933,010	933,010				
	\$ -	\$ -				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2014

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Town Manager and approved by the Town Council. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Council approval, appropriation balances from one expenditure account to another within their department or budget. Town Council, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

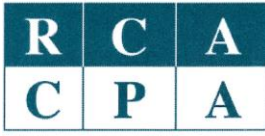
The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2014, Town Council approved approximately \$300,000 in supplemental budgetary increases which were primarily for public works (\$100,000), public safety (\$100,000) and general government (\$100,000) appropriations.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Council. Budgetary control is exercised through the Town's accounting system.

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis of accounting other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2014, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 46,942,382
Stabilization investment income	\$ -	\$ 1,000	1,000
Unemployment investment income	-	124	124
On behalf payments	438,743	-	438,743
Revenues on a GAAP basis	<u>\$ 438,743</u>	<u>\$ 1,124</u>	<u>\$ 47,382,249</u>
Expenditures on a budgetary basis			\$ 47,432,156
On behalf payments	\$ 438,743	\$ -	438,743
Unemployment expenditures	-	1,420	1,420
OPEB transfers	-	126,565	126,565
Expenditures on a GAAP basis	<u>\$ 438,743</u>	<u>\$ 127,985</u>	<u>\$ 47,998,884</u>
Net transfers on a budgetary basis			\$ (998,132)
Stabilization transfers	\$ -	\$ 1,486,219	1,486,219
OPEB transfers	-	126,565	126,565
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ 1,612,784</u>	<u>\$ 614,652</u>

Excess of Expenditures Over Appropriations – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$379,591. In addition, expenditures exceeded appropriations in various other functions totaling \$20,469. These over-expenditures will be funded through available funds during fiscal year 2015.



**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**

The Honorable Members of the Town Council
Town of Bridgewater, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Massachusetts (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and corrective action plans as items 2014-1, 2014-2 and 2014-3 to be material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

Response to Findings

The Town of Bridgewater, Massachusetts' response to the findings identified in our audit is described in the accompanying schedule of findings and corrective action plans. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. This 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.

Roselli, Clark and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 22, 2014

TOWN OF BRIDGEWATER, MASSACHUSETTS

SCHEDULE OF FINDINGS AND CORRECTIVE ACTION PLANS YEAR ENDED JUNE 30, 2014

Findings

2014-1

Material Weakness – Cash Reconciliation Process

Criteria: Cash should be reconciled periodically to ensure that transactions are recorded in accordance with the objectives of management.

Statement of Condition: Cash reconciliations between the Treasurer's cashbook and the general ledger were not completed during the fiscal year until subsequent to year-end. The initial variance of over \$2,500,000 was primarily due to unrecorded debt and payroll withholding transactions.

Cause and Effect: The Town was without a Treasurer for the majority of the year with no managerial oversight of the cash reconciliation process. The lack of formal cash reconciliation procedures does not properly safeguard the cash assets of the Town.

Recommendation: The Town should establish a process of reconciling cash between the Town Accountant and the Treasurer. Variances should be investigated immediately and adjustments made only after a thorough investigation has been performed.

Corrective Action Plan: A Treasurer was appointed during fiscal year 2015 to fill the position that had been vacant during fiscal year 2014. Given there was no Treasurer in place for a year, a substantial level of resources were diverted to catching up for fiscal 2014. The new Treasurer has prior experience and the expectation is that a monthly reconciliation process between the Treasurer and Town Accountant will be developed and implemented effective fiscal 2016.

2014-2

Material Weakness – Recording Debt Transactions

Criteria: Debt service transactions and balances should be reconciled periodically to ensure that transactions are recorded in accordance with the objectives of management.

Statement of Condition: Approximately \$2,600,000 of debt transactions were not recorded until subsequent to year-end.

Cause and Effect: The Town was without a Treasurer for the majority of the year with no managerial oversight of the debt process. Historically, maintenance of debt records in the Treasurer's Office has been lacking. The lack of formal cash reconciliation procedures does not properly safeguard the cash assets of the Town.

Recommendation: The Town should establish a process of reconciling accounts debt transactions and balances between the Town Accountant and the Treasurer.

Corrective Action Plan: During fiscal year 2014, debt management was entirely paper-based, existing in numerous folders in file cabinets. Subsequently, in fiscal year 2015, an MS/Access database system was created for managing debt. It includes the ability to run schedules to see what needs to be paid each month, as well as to create vouchers to submit to the accountant for payment. The Treasurer's Office worked closely with its Financial Advisor, and the Massachusetts Clean Water Trust to ensure that schedules are accurate. The system has run well for fiscal year 2015.

2014-3

Material Weakness – Reconciling Payroll Warrants and Related Withholding Liabilities

Criteria: Account balances should be reconciled periodically to ensure that transactions are recorded in accordance with the objectives of management.

Statement of Condition: Reconciliations of payroll warrants between the Treasurer's cashbook and the general ledger as well as reconciliations of the related payroll liability accounts were not completed during the fiscal year.

Cause and Effect: The Town transitioned from an unsupported payroll processing system to an outside vendor that did not have the capability to manage the complexities involved in the processing of municipal payroll. This led to reporting deficiencies and payroll related transactions that were incorrectly posted or not recorded at all. The lack of formal payroll warrant and related withholding account reconciliation procedures does not ensure that transactions are recorded accurately and in accordance with the objectives of management.

Recommendation: The Town should establish a process of reconciling weekly payroll warrants and the related withholding account balances between the Treasurer and Town Accountant.

Corrective Action Plan: The original DOS-based payroll system was no longer supported and was having too many issues. Because the Town was lean on staff, the decision was made to outsource to Paychex. The transition was a challenge. While there initially were a number of mistakes, the Treasurer's and Accountant's offices worked diligently to reconcile them. Furthermore, starting in January of 2015, the Town moved all payroll functions to MUNIS. Since MUNIS is an enterprise system, payroll is automatically available for posting at the end of each Payroll run, eliminating errors due to manual posting.