

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2015

Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters  
Year Ended June 30, 2015

# **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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2015 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 disclosed in the Note III to the financial statements, the Town of Canton implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015. Our opinion was not modified with respect to this matter.

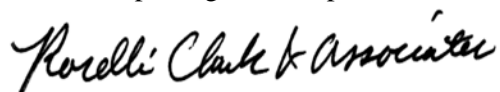
### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and the Town's contributions to pension plan, the funding progress and contribution funding for 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 August 16, 2016, 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 & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
August 16, 2016

## 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 \$20.1 million (*total net position*). Over \$7.7 million represented net position of governmental activities and approximately \$12.4 million represented net position of the business-type activities.
- The government's total net position increased by nearly \$1.8 million or less than 9.8% year to year. The governmental activities increased net position by over \$1.1 million (16.7%) while the business-type activities increased net position by nearly \$0.7 million (5.9%).
- The Town's unassigned fund balance reported in the General Fund was approximately \$3.9 million (8.1% of General Fund expenditures). Total fund balance in the General Fund was nearly \$4.9 million (10.0% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$2.5 million in the Community Preservation Fund, a restricted fund balance of nearly \$1.3 million in the Title V Program Fund, a restricted fund balance of nearly \$0.7 million along with an assigned fund balance deficit of over \$0.8 million in the Capital Project Fund and reported total fund balances of nearly \$1.6 million in the combined Nonmajor Governmental Funds.
- The Town's total long-term debt experienced a net decrease approximately \$2.8 million during the fiscal year. This was primarily due to regular scheduled pay downs of approximately \$3.2 million exceeding new issuances of approximately \$0.4 million.

### **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 position* presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the net result 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.)

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*), and (2) those whose activities 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:

- Nonspendable—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.

**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 which includes the schedules of the Town's proportionate share of the net pension liability, contributions to the pension plan, the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

**New Significant Accounting Standards Implemented** In fiscal year 2015, the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards board (GASB) that relate to pension activity:

- Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" and
- Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*"

Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the Town's defined benefit pension plans. This statement replaces the requirements of prior GASB statements impacting account and disclosure of pensions.

The significant impact to the Town of implementing Statement No. 68 is the reporting of the Town's unfunded pension liability on the Town's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

In order to implement the Statement, a prior period adjustment was made to the Town's July 1, 2014 net position. This prior period adjustment decreased the Town's net position by \$27,115,780 from \$45,434,090 to \$18,318,310. Specific details of the restatement are in Note IV.

## Government-wide Financial Analysis

The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u><b>Assets</b></u>						
Current and other assets	\$ 18,598,432	\$ 17,440,774	\$ 10,028,010	\$ 9,894,193	\$ 28,626,442	\$ 27,334,967
Capital assets, net	33,769,977	31,552,450	16,446,928	17,068,444	50,216,905	48,620,894
<b>Total Assets</b>	<b>52,368,409</b>	<b>48,993,224</b>	<b>26,474,938</b>	<b>26,962,637</b>	<b>78,843,347</b>	<b>75,955,861</b>
<b>Deferred outflows of resources</b>	<b>1,157,792</b>	<b>-</b>	<b>160,021</b>	<b>-</b>	<b>1,317,813</b>	<b>-</b>
<u><b>Liabilities</b></u>						
Long-term liabilities	43,166,177	17,690,489	13,278,335	10,852,015	56,444,512	28,542,504
Other liabilities	2,652,912	877,236	925,982	1,102,031	3,578,894	1,979,267
<b>Total Liabilities</b>	<b>45,819,089</b>	<b>18,567,725</b>	<b>14,204,317</b>	<b>11,954,046</b>	<b>60,023,406</b>	<b>30,521,771</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u><b>Net Position</b></u>						
Net investment in capital assets	27,819,334	25,938,891	8,935,698	7,817,015	36,755,032	33,755,906
Restricted	5,520,459	5,946,500	-	-	5,520,459	5,946,500
Unrestricted	(25,632,681)	(1,459,892)	3,468,282	7,191,576	(22,164,399)	5,731,684
<b>Net Position</b>	<b>\$ 7,707,112</b>	<b>\$ 30,425,499</b>	<b>\$ 12,403,980</b>	<b>\$ 15,008,591</b>	<b>\$ 20,111,092</b>	<b>\$ 45,434,090</b>

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 \$20.1 million (*total net position*). This was an increase of nearly \$1.8 million over the preceding year from net increases in capital assets of over \$1.2 million in the governmental activities and strong revenue results in the sewer business-type activity of over \$0.6 million.

By far the largest portion (approximately \$36.8 million) 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 \$5.5 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* is reported as a deficit of approximately \$22.2 million due to the recognition of net pension liabilities of approximately \$25.0 million in 2015 and other postemployment benefits of approximately \$10.7 million since the implementation of GASB 45 in 2009.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 3,475,211	\$ 3,225,532	\$ 6,433,072	\$ 6,547,646	\$ 9,908,283	\$ 9,773,178
Operating grants and contributions	662,528	1,931,179	-	-	662,528	1,931,179
Capital grants and contributions	1,939,715	808,970	44,771	53,526	1,984,486	862,496
General revenues:						
Property taxes	39,229,218	37,454,705	-	-	39,229,218	37,454,705
Intergovernmental	3,510,062	3,161,932	-	-	3,510,062	3,161,932
Other	3,810,867	3,679,049	1,862	1,966	3,812,729	3,681,015
<b>Total Revenues</b>	<b>52,627,601</b>	<b>50,261,367</b>	<b>6,479,705</b>	<b>6,603,138</b>	<b>59,107,306</b>	<b>56,864,505</b>
<b><u>Expenses</u></b>						
General government	2,286,283	3,439,066	-	-	2,286,283	3,439,066
Public safety	15,020,596	14,382,841	-	-	15,020,596	14,382,841
Education	27,974,645	27,695,465	-	-	27,974,645	27,695,465
Public works	3,069,997	3,000,142	-	-	3,069,997	3,000,142
Health and human services	770,674	846,777	-	-	770,674	846,777
Culture and recreation	2,455,879	1,223,802	-	-	2,455,879	1,223,802
Debt service	119,433	262,355	-	-	119,433	262,355
Water	-	-	2,592,844	2,448,417	2,592,844	2,448,417
Sewer	-	-	1,426,076	1,577,659	1,426,076	1,577,659
Transfer station	-	-	289,851	277,749	289,851	277,749
Golf	-	-	1,308,246	1,343,108	1,308,246	1,343,108
<b>Total Expenses</b>	<b>51,697,507</b>	<b>50,850,448</b>	<b>5,617,017</b>	<b>5,646,933</b>	<b>57,314,524</b>	<b>56,497,381</b>
Excess (deficiency) in net position before transfers	930,094	(589,081)	862,688	956,205	1,792,782	367,124
<b>Transfers</b>	<b>174,642</b>	<b>266,752</b>	<b>(174,642)</b>	<b>(266,752)</b>	<b>-</b>	<b>-</b>
Change in net position	1,104,736	(322,329)	688,046	689,453	1,792,782	367,124
Net position, beginning of year	30,425,499	30,747,828	15,008,591	14,319,138	45,434,090	45,066,966
Restatement for net pension liability	(23,823,123)	-	(3,292,657)	-	(27,115,780)	-
Net position, beginning of year, as restated	6,602,376	30,747,828	11,715,934	14,319,138	18,318,310	45,066,966
<b>Net position, end of year</b>	<b>\$ 7,707,112</b>	<b>\$ 30,425,499</b>	<b>\$ 12,403,980</b>	<b>\$ 15,008,591</b>	<b>\$ 20,111,092</b>	<b>\$ 45,434,090</b>

**Governmental Activities** The town relies significantly on property taxes, which, during 2015, 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 2015 or 2014.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 54.1% of total expenses, down slightly from the prior year of 54.5%. Public safety expenses represented 29.1% of total expenses, up slightly from the prior year of 28.3%. No other expense types were greater than 10% of total expenses in 2015 or 2014.

**Business-type Activities** Major revenue sources consist of revenue from user charges, which represented approximately 99.3% and 99.1% of total fiscal year 2015 and 2014 revenues, respectively. Water, sewer, transfer station and golf expenses represented 46.2%, 25.4%, 5.2% and 23.3% of total fiscal year 2015 business-type activities expenses, respectively, and 43.4%, 27.9%, 4.9% and 23.8% of total fiscal year

2014 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 nearly \$10.1 million. This represents a decrease of approximately \$0.1 million over the previous year. Of the ending fund balance approximately \$3.0 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 \$3.9 million, while total fund balance reached approximately \$4.9 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 8.1% of total general fund expenditures, while total fund balance represents approximately 10.0% of that same amount.

The Community Preservation fund was used as a funding source for building remodeling and other capital spending. This fund was decreased by over \$0.6 million to nearly \$2.5 million during the year as a result of this increased activity.

The Capital Project fund was also used as a funding source for building remodeling projects as well as roadway improvements during the year. As a result, this fund was decreased by nearly \$1.0 million to a deficit of approximately \$0.2 million.

The combined Nonmajor funds were reasonably consistent with the prior year. Fund balances at year end were approximately \$1.6 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, 2015, net position of the water and sewer enterprise funds were approximately \$4.9 million and \$6.5 million, respectively. The transfer station and golf course enterprise funds had fund balances (deficits) of approximately (\$0.1 million) and \$1.0 million, respectively, at June 30, 2015. The Town's proprietary fund's net position increased by approximately \$0.7 million, primarily due the positive sewer fund operating results.

### **General Fund Budgetary Highlights**

The final amended budget was approximately \$1.0 million higher than the original budget, primarily due to increases in general government, public safety and public works operating capital projects. 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, 2015, amounts to approximately \$50.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects an increase of approximately \$1.6 million due to capital additions exceeding annual depreciation.

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 II. 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 \$13.6 million. Of this amount approximately \$5.5 million represents debt of the governmental activities and approximately \$8.1 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a net decrease over \$2.8 million during the fiscal year. This was primarily due to regular scheduled pay downs of approximately \$3.2 million exceeding new issuances of approximately \$0.4 million.

As of June 30, 2015, the Town is entitled to receive over \$0.9 million in principal reimbursements from the Massachusetts School Building Authority (MSBA) over the next three 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 "A1" 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 II. 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 2015. 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 2016, the Town anticipated receiving local aid of approximately \$3.9 million from the Commonwealth of Massachusetts, which is approximately \$0.2 million that the amount received in fiscal year 2015.
- The Town's tax rate was approved by the Department of Revenue on December 9, 2015.

The above items were considered when the Town developed its budget for fiscal year 2016.

### **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 Finance Director, 66 Central Square, Bridgewater, Massachusetts 02324.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,367,017	\$ 6,388,408	\$ 17,755,425
Investments	57,187	-	57,187
Receivables, net of allowance for uncollectibles:			
Property taxes	699,201	-	699,201
User fees	-	2,742,788	2,742,788
Unapportioned assessments	-	894,821	894,821
Departmental and other	4,224,988	-	4,224,988
Intergovernmental	2,238,875	-	2,238,875
Internal balances	11,164	(11,164)	-
Inventory	-	13,157	13,157
Capital assets, not being depreciated	11,606,783	-	11,606,783
Capital assets, net of accumulated depreciation	22,163,194	16,446,928	38,610,122
<b>Total Assets</b>	<b>52,368,409</b>	<b>26,474,938</b>	<b>78,843,347</b>
<b>Deferred Outflows of Resources</b>			
Deferred pensions	1,157,792	160,021	1,317,813
<b>Total Deferred Outflows of Resources</b>	<b>1,157,792</b>	<b>160,021</b>	<b>1,317,813</b>
<b>Liabilities</b>			
Warrants and accounts payable	303,068	75,609	378,677
Accrued payroll and withholdings	121,986	26,662	148,648
Retainage payable	16,573	-	16,573
Accrued interest expense	-	79,742	79,742
Unearned revenue	-	66,592	66,592
Other liabilities	11,285	4,039	15,324
Bond anticipation notes payable	2,200,000	700,000	2,900,000
Long-term liabilities:			
Due within one year	2,030,569	1,325,436	3,356,005
Due in more than one year	41,135,608	11,952,899	53,088,507
<b>Total Liabilities</b>	<b>45,819,089</b>	<b>14,230,979</b>	<b>60,050,068</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>			
Net investment in capital assets	27,819,334	8,935,698	36,755,032
Restricted:			
Nonexpendable permanent funds	179,564	-	179,564
Expendable permanent funds	386,861	-	386,861
Community preservation	2,491,650	-	2,491,650
Title V	385,220	-	385,220
Capital projects	688,153	-	688,153
Other purposes	1,389,011	-	1,389,011
Unrestricted	(25,632,681)	3,468,282	(22,164,399)
<b>Total Net Position</b>	<b>\$ 7,707,112</b>	<b>\$ 12,403,980</b>	<b>\$ 20,111,092</b>

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

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	\$ 2,286,283	\$ 479,810	\$ 57,722	\$ -	\$ (1,748,751)		\$ (1,748,751)
Public safety	15,020,596	2,627,909	240,651	-	(12,152,036)		(12,152,036)
Education	27,974,645	-	36,107	-	(27,938,538)		(27,938,538)
Public works	3,069,997	-	1,099	1,385,899	(1,682,999)		(1,682,999)
Health and human services	770,674	236,147	232,855	-	(301,672)		(301,672)
Culture and recreation	2,455,879	131,345	46,400	553,816	(1,724,318)		(1,724,318)
Debt service	119,433	-	47,694	-	(71,739)		(71,739)
Total Governmental Activities	51,697,507	3,475,211	662,528	1,939,715	(45,620,053)		(45,620,053)
<i>Business-Type Activities:</i>							
Water	2,592,844	2,673,094	-	-		\$ 80,250	80,250
Sewer	1,426,076	2,099,471	-	44,771		718,166	718,166
Transfer Station	289,851	316,710	-	-		26,859	26,859
Golf	1,308,246	1,343,797	-	-		35,551	35,551
Total Business-Type Activities	5,617,017	6,433,072	-	44,771		860,826	860,826
Total Primary Government	<u>\$ 57,314,524</u>	<u>\$ 9,908,283</u>	<u>\$ 662,528</u>	<u>\$ 1,984,486</u>	(45,620,053)	860,826	(44,759,227)
<u>General Revenues:</u>							
Real and personal property taxes					39,229,218	-	39,229,218
Motor vehicle and other excise					3,437,423	-	3,437,423
Penalties and interest on taxes					347,358	-	347,358
Grants and contributions not restricted to specific programs					3,510,062	-	3,510,062
Unrestricted investment income					26,086	1,862	27,948
<u>Transfers (net):</u>					174,642	(174,642)	-
Total General Revenues and Transfers					46,724,789	(172,780)	46,552,009
Change in Net Position					1,104,736	688,046	1,792,782
<u>Net Position:</u>							
Beginning of year, as restated (see Note V)					6,602,376	11,715,934	18,318,310
End of year					<u>\$ 7,707,112</u>	<u>\$ 12,403,980</u>	<u>\$ 20,111,092</u>

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 5,181,251	\$ 2,954,291	\$ 1,292,825	\$ 388,154	\$ 1,550,496	\$ 11,367,017
Investments	-	-	-	-	57,187	57,187
Receivables, net of allowance for uncollectibles:						
Real estate and personal property taxes	699,201	27,581	-	-	-	726,782
Departmental and other	3,153,987	-	775,380	-	268,040	4,197,407
Intergovernmental	949,572	400,000	-	889,303	-	2,238,875
Due from other funds	107,090	-	-	-	-	107,090
<b>Total Assets</b>	<b>10,091,101</b>	<b>3,381,872</b>	<b>2,068,205</b>	<b>1,277,457</b>	<b>1,875,723</b>	<b>18,694,358</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 10,091,101</b>	<b>\$ 3,381,872</b>	<b>\$ 2,068,205</b>	<b>\$ 1,277,457</b>	<b>\$ 1,875,723</b>	<b>\$ 18,694,358</b>
<b>Liabilities:</b>						
Warrants and accounts payable	\$ 286,677	\$ -	\$ -	\$ 10,199	\$ 6,192	\$ 303,068
Accrued payroll and withholdings	106,522	-	-	-	15,464	121,986
Retainage payable	-	-	-	16,573	-	16,573
Other liabilities	4,840	222	6,223	-	-	11,285
Due to other funds	-	-	-	95,926	-	95,926
Bond anticipation notes payable	-	890,000	-	1,310,000	-	2,200,000
<b>Total Liabilities</b>	<b>398,039</b>	<b>890,222</b>	<b>6,223</b>	<b>1,432,698</b>	<b>21,656</b>	<b>2,748,838</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenues - property taxes	699,201	27,581	-	-	-	726,782
Unavailable revenues - intergovernmental	949,572	-	-	-	-	949,572
Unavailable revenues - other	3,153,987	-	775,380	-	248,973	4,178,340
<b>Total Deferred Inflows of Resources</b>	<b>4,802,760</b>	<b>27,581</b>	<b>775,380</b>	<b>-</b>	<b>248,973</b>	<b>5,854,694</b>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	179,564	179,564
Restricted	-	2,464,069	1,286,602	688,153	1,526,899	5,965,723
Committed	868,881	-	-	-	-	868,881
Assigned	71,844	-	-	-	-	71,844
Unassigned	3,949,577	-	-	(843,394)	(101,369)	3,004,814
<b>Total Fund Balances</b>	<b>4,890,302</b>	<b>2,464,069</b>	<b>1,286,602</b>	<b>(155,241)</b>	<b>1,605,094</b>	<b>10,090,826</b>
<b>Total Liabilities, Deferred Inflows of Resources     and Fund Balance</b>	<b>\$ 10,091,101</b>	<b>\$ 3,381,872</b>	<b>\$ 2,068,205</b>	<b>\$ 1,277,457</b>	<b>\$ 1,875,723</b>	<b>\$ 18,694,358</b>

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, 2015**

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**Total Governmental Fund Balances** **\$ 10,090,826**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 33,769,977

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 5,854,694

Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds:  
Net difference between projected and actual earnings on pension plan investments 1,157,792

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 (5,505,762)  
Compensated absences (1,924,615)  
Net pension liability (25,037,505)  
Other postemployment benefits (10,698,295)

**Net Position of Governmental Activities** **\$ 7,707,112**

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, 2015**

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Real estate and personal property taxes, net	\$ 38,321,641	\$ 511,532	\$ -	\$ -	\$ -	\$ 38,833,173
Intergovernmental	4,520,283	553,816	-	1,385,899	241,660	6,701,658
Motor vehicle and other excises	3,568,026	-	-	-	-	3,568,026
Departmental and other revenue	1,368,563	2,140	185,998	-	997,818	2,554,519
Licenses and permits	730,575	-	-	-	-	730,575
Penalties and interest on taxes	347,358	-	-	-	-	347,358
Fines and forfeitures	34,303	-	-	-	127,892	162,195
Investment income	11,457	3,748	-	3,632	7,249	26,086
Contributions and donations	-	-	-	-	176,689	176,689
<b>Total Revenues</b>	<u>48,902,206</u>	<u>1,071,236</u>	<u>185,998</u>	<u>1,389,531</u>	<u>1,551,308</u>	<u>53,100,279</u>
<b>Expenditures:</b>						
Current:						
General government	2,241,985	332,181	-	783,867	55,762	3,413,795
Public safety	8,436,416	-	-	59,527	808,163	9,304,106
Education	27,708,711	-	-	-	4,500	27,713,211
Public works	1,841,146	-	-	1,385,899	1,100	3,228,145
Health and human services	421,764	-	80,947	-	66,228	568,939
Culture and recreation	606,101	1,314,086	-	-	200,912	2,121,099
Pensions and other fringes	4,987,211	-	-	-	-	4,987,211
State and county tax assessments	400,174	-	-	-	-	400,174
Debt service:						
Principal	1,926,148	38,000	-	-	-	1,964,148
Interest	110,133	9,300	-	-	-	119,433
<b>Total Expenditures</b>	<u>48,679,789</u>	<u>1,693,567</u>	<u>80,947</u>	<u>2,229,293</u>	<u>1,136,665</u>	<u>53,820,261</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>222,417</u>	<u>(622,331)</u>	<u>105,051</u>	<u>(839,762)</u>	<u>414,643</u>	<u>(719,982)</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from issuance of bonds and notes	-	-	400,000	-	-	400,000
Transfers in	772,178	-	-	-	2,219	774,397
Transfers out	(163,755)	-	(100,000)	(131,000)	(205,000)	(599,755)
<b>Total Other Financing Sources (Uses)</b>	<u>608,423</u>	<u>-</u>	<u>300,000</u>	<u>(131,000)</u>	<u>(202,781)</u>	<u>574,642</u>
<b>Net Change in Fund Balances</b>	<u>830,840</u>	<u>(622,331)</u>	<u>405,051</u>	<u>(970,762)</u>	<u>211,862</u>	<u>(145,340)</u>
Fund Balances - Beginning, as restated (see Note V)	<u>4,059,462</u>	<u>3,086,400</u>	<u>881,551</u>	<u>815,521</u>	<u>1,393,232</u>	<u>10,236,166</u>
Fund Balances - Ending	<u><b>\$ 4,890,302</b></u>	<u><b>\$ 2,464,069</b></u>	<u><b>\$ 1,286,602</b></u>	<u><b>\$ (155,241)</b></u>	<u><b>\$ 1,605,094</b></u>	<u><b>\$ 10,090,826</b></u>

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, 2015**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (145,340)**

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	3,935,065	
Depreciation expense	<u>(1,717,538)</u>	
Net effect of reporting capital assets		2,217,527

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:

Repayments of debt	1,964,148	
Proceeds from general obligation bonds and notes	<u>(400,000)</u>	
Net effect of reporting long-term debt		1,564,148

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (472,678)

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	(18,352)	
Pension benefits	(56,590)	
Other postemployment benefits	<u>(1,983,979)</u>	
Net effect of reporting long-term liabilities		<u>(2,058,921)</u>

**Change in Net Position of Governmental Activities** **\$ 1,104,736**

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Transfer Station</b>	<b>Golf Course</b>	<b>Totals</b>
<b>Assets:</b>					
Current Assets:					
Cash and cash equivalents	\$ 2,116,287	\$ 4,191,956	\$ 80,165	\$ -	\$ 6,388,408
Receivables, net of allowance for uncollectibles:					
User charges	1,792,747	950,041	-	-	2,742,788
Inventory	-	-	-	13,157	13,157
<b>Total Current Assets</b>	<b>3,909,034</b>	<b>5,141,997</b>	<b>80,165</b>	<b>13,157</b>	<b>9,144,353</b>
Noncurrent assets:					
Receivables - unapportioned assessments	-	894,821	-	-	894,821
Capital assets, net of accumulated depreciation	7,772,387	4,734,666	49,364	3,890,511	16,446,928
<b>Total Noncurrent Assets</b>	<b>7,772,387</b>	<b>5,629,487</b>	<b>49,364</b>	<b>3,890,511</b>	<b>17,341,749</b>
<b>Total Assets</b>	<b>11,681,421</b>	<b>10,771,484</b>	<b>129,529</b>	<b>3,903,668</b>	<b>26,486,102</b>
<b>Deferred Outflows of Resources:</b>					
Deferred pensions	62,454	61,561	7,699	28,307	160,021
<b>Total Deferred Outflows of Resources</b>	<b>62,454</b>	<b>61,561</b>	<b>7,699</b>	<b>28,307</b>	<b>160,021</b>
<b>Liabilities:</b>					
Current Liabilities:					
Warrants and accounts payable	43,470	22,399	867	8,873	75,609
Accrued payroll and withholdings	9,134	7,398	930	9,200	26,662
Accrued interest	42,316	5,732	-	31,694	79,742
Unearned revenue	-	-	-	66,592	66,592
Other liabilities	-	4,039	-	-	4,039
Due to other funds	-	-	-	11,164	11,164
Bond anticipation notes payable	-	700,000	-	-	700,000
Bonds and notes payable	508,427	246,000	-	426,000	1,180,427
Capital lease obligations	-	-	-	56,097	56,097
Compensated absences	29,872	21,272	-	37,768	88,912
<b>Total Current Liabilities</b>	<b>633,219</b>	<b>1,006,840</b>	<b>1,797</b>	<b>647,388</b>	<b>2,289,244</b>
Noncurrent Liabilities:					
Bonds and notes payable	4,219,539	1,394,000	-	1,263,000	6,876,539
Capital lease obligations	-	-	-	60,723	60,723
Compensated absences	29,872	21,271	-	37,768	88,911
Other postemployment benefits	601,148	538,132	18,996	307,951	1,466,227
Net pension liability	1,350,590	1,331,263	166,500	612,146	3,460,499
<b>Total Noncurrent Liabilities</b>	<b>6,201,149</b>	<b>3,284,666</b>	<b>185,496</b>	<b>2,281,588</b>	<b>11,952,899</b>
<b>Total Liabilities</b>	<b>6,834,368</b>	<b>4,291,506</b>	<b>187,293</b>	<b>2,928,976</b>	<b>14,242,143</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>					
Net investment in capital assets	3,706,977	3,094,666	49,364	2,084,691	8,935,698
Unrestricted	1,202,530	3,446,873	(99,429)	(1,081,692)	3,468,282
<b>Total Net Position</b>	<b>\$ 4,909,507</b>	<b>\$ 6,541,539</b>	<b>\$ (50,065)</b>	<b>\$ 1,002,999</b>	<b>\$ 12,403,980</b>

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, 2015**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Transfer Station</b>	<b>Golf Course</b>	
<b>Operating Revenues:</b>					
Charges for services	\$ 2,571,601	\$ 2,033,644	\$ 316,710	\$ 1,343,797	\$ 6,265,752
Other operating income	101,493	65,827	-	-	167,320
<b>Total Operating Revenues</b>	<b>2,673,094</b>	<b>2,099,471</b>	<b>316,710</b>	<b>1,343,797</b>	<b>6,433,072</b>
<b>Operating Expenses:</b>					
Operating costs	2,102,597	1,156,918	288,205	914,061	4,461,781
Depreciation	344,575	229,859	1,646	315,183	891,263
<b>Total Operating Expenses</b>	<b>2,447,172</b>	<b>1,386,777</b>	<b>289,851</b>	<b>1,229,244</b>	<b>5,353,044</b>
<b>Operating Income (Loss)</b>	<b>225,922</b>	<b>712,694</b>	<b>26,859</b>	<b>114,553</b>	<b>1,080,028</b>
<b>Nonoperating Revenues (Expenses):</b>					
Betterments	-	44,771	-	-	44,771
Interest income	-	-	-	1,862	1,862
Interest expense	(145,672)	(39,299)	-	(79,002)	(263,973)
<b>Total Nonoperating Revenues (Expenses), net</b>	<b>(145,672)</b>	<b>5,472</b>	<b>-</b>	<b>(77,140)</b>	<b>(217,340)</b>
<b>Income (Loss) Before Transfers</b>	<b>80,250</b>	<b>718,166</b>	<b>26,859</b>	<b>37,413</b>	<b>862,688</b>
<b>Transfers:</b>					
Transfers in	15,640	10,920	12,000	122,976	161,536
Transfers out	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
<b>Transfers, net</b>	<b>(100,977)</b>	<b>(74,572)</b>	<b>(28,252)</b>	<b>29,159</b>	<b>(174,642)</b>
<b>Change in Net Position</b>	<b>(20,727)</b>	<b>643,594</b>	<b>(1,393)</b>	<b>66,572</b>	<b>688,046</b>
Total Net Position - Beginning, as restated (see Note V)	4,930,234	5,897,945	(48,672)	936,427	11,715,934
Total Net Position - Ending	<b>\$ 4,909,507</b>	<b>\$ 6,541,539</b>	<b>\$ (50,065)</b>	<b>\$ 1,002,999</b>	<b>\$ 12,403,980</b>

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>				
	Water	Sewer	Transfer Station	Golf Course	Totals
<b>Cash Flows from Operating Activities:</b>					
Receipts from users	\$ 2,405,732	\$ 1,880,495	\$ 316,710	\$ 1,349,949	\$ 5,952,886
Other receipts	101,493	65,827	-	-	167,320
Payments to employees	(615,760)	(453,204)	(59,986)	(423,726)	(1,552,676)
Payments to vendors	(1,490,505)	(647,634)	(215,849)	(417,809)	(2,771,797)
Net Cash Provided by (Used For) Operating Activities	400,960	845,484	40,875	508,414	1,795,733
<b>Cash Flows from Noncapital Related Financing Activities:</b>					
Advance from other funds	-	-	-	11,164	11,164
Transfers in	15,640	10,920	12,000	122,976	161,536
Transfers out	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(100,977)	(74,572)	(28,252)	40,323	(163,478)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from betterment principal	-	180,203	-	-	180,203
Proceeds from issuance of bond and note debt	-	700,000	-	-	700,000
Acquisition and construction of capital assets	-	(269,747)	-	-	(269,747)
Principal payments on bonds and notes	(508,564)	(977,899)	-	(463,000)	(1,949,463)
Principal payments on capital leases	-	-	-	(56,952)	(56,952)
Interest expense	(150,717)	(40,282)	-	(87,798)	(278,797)
Net Cash (Used For) Capital and Related Financing Activities	(659,281)	(407,725)	-	(607,750)	(1,674,756)
<b>Cash Flows from Investing Activities:</b>					
Investment income	-	-	-	1,862	1,862
Net Cash Provided by Investing Activities	-	-	-	1,862	1,862
<b>Net Change in Cash and Cash Equivalents</b>	(359,298)	363,187	12,623	(57,151)	(40,639)
<b>Cash and Cash Equivalents:</b>					
Beginning of year	2,475,585	3,828,769	67,542	57,151	6,429,047
End of year	\$ 2,116,287	\$ 4,191,956	\$ 80,165	\$ -	\$ 6,388,408
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:</b>					
Operating income (loss)	\$ 225,922	\$ 712,694	\$ 26,859	\$ 114,553	\$ 1,080,028
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	344,575	229,859	1,646	315,183	891,263
Changes in assets and liabilities:					
Receivables	(165,869)	(153,149)	-	-	(319,018)
Inventory	-	-	-	(2,034)	(2,034)
Deferred outflows	(62,454)	(61,561)	(7,699)	(28,307)	(160,021)
Accounts payable and accrued expenses	(64,847)	(32,033)	825	6,301	(89,754)
Unearned income	-	-	-	6,152	6,152
Compensated absences	(13,753)	2,611	-	11,231	89
Other postemployment benefits	71,880	78,454	11,169	55,644	217,147
Net pension liability	3,052	3,009	376	1,384	7,821
Other liabilities	-	4,039	-	-	4,039
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 338,506</u>	<u>\$ 783,923</u>	<u>\$ 33,176</u>	<u>\$ 480,107</u>	<u>\$ 1,635,712</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Intergovernmental subsidy of principal and interest payments	\$ -	\$ 437	\$ -	\$ -	\$ 437

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2015**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
<b>Assets:</b>			
Cash and cash equivalents	\$ 126,565	\$ 86,099	\$ 1,245,519
Investments	-	29,411	-
<b>Total Assets</b>	<b>126,565</b>	<b>115,510</b>	<b>1,245,519</b>
<b>Liabilities:</b>			
Warrants and accounts payable	-	-	3,663
Planning and performance bonds	-	-	1,234,270
Other liabilities	-	-	7,586
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,245,519</b>
<b>Net Position:</b>			
Held in trust for other post employment benefits	126,565	-	-
Held in trust for other purposes	-	115,510	-
<b>Total Net Position</b>	<b>\$ 126,565</b>	<b>\$ 115,510</b>	<b>\$ -</b>

See accompanying notes to basic financial statements.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2015**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>Additions:</b>		
Investment income	\$ -	\$ 3,582
	<u>                    </u>	<u>                    </u>
<b>Total Additions</b>	-	3,582
	<u>                    </u>	<u>                    </u>
<b>Deductions:</b>		
Scholarships	-	2,500
	<u>                    </u>	<u>                    </u>
<b>Total Deductions</b>	-	2,500
	<u>                    </u>	<u>                    </u>
<b>Change in Net Position</b>	-	1,082
Net Position - Beginning	126,565	114,428
	<u>                    </u>	<u>                    </u>
Net Position - Ending	<u><u>\$ 126,565</u></u>	<u><u>\$ 115,510</u></u>

See accompanying notes to basic financial statements.

## TOWN OF BRIDGEWATER, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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#### **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 2015, the Town's share of the operating and debt service expenses was \$26,432,106. 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 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.

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 has one such item that is reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability. This will be recognized in pension expense in future years as more fully described in Note III, subsection A.

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 three sources: property taxes, intergovernmental 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:

*Nonspendable* 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 \$1,740,021 at June 30, 2015 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, 2015 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 reports \$71,844 of encumbrances from normal purchasing activity in the general fund as assigned and \$848,677 of encumbrances from Town Council Orders in the general fund as committed. There are no encumbrances reported in any other fund.

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

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 179,564	\$ 179,564
Restricted:						
General government	-	-	-	-	293,889	293,889
Public safety	-	-	-	-	705,587	705,587
Public works	-	-	-	-	127,049	127,049
Health and human services	-	-	1,286,602	-	128,271	1,414,873
Culture and recreation	-	-	-	-	268,253	268,253
Community preservation	-	2,464,069	-	-	-	2,464,069
Capital outlay	-	-	-	688,153	-	688,153
Other purposes	-	-	-	-	3,850	3,850
Committed:						
Capital outlay	848,677	-	-	-	-	848,677
Unemployment benefits	20,204	-	-	-	-	20,204
Assigned:						
Purchase Orders	71,844	-	-	-	-	71,844
Unassigned	3,949,577	-	-	(843,394)	(101,369)	3,004,814
	<u>\$ 4,890,302</u>	<u>\$ 2,464,069</u>	<u>\$ 1,286,602</u>	<u>\$ (155,241)</u>	<u>\$ 1,605,094</u>	<u>\$ 10,090,826</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 \$860,163 and library costs by \$6,430. These over-expenditures will be funded through available funds during fiscal year 2016. The Town incurred a deficit of \$843,394 in the Capital Projects Major Fund and \$101,369 in deficits in two special revenue funds, which are reported in the nonmajor governmental funds. These deficits will be funded through grants and available funds during fiscal year 2016.

## **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 \$19,213,608 and the bank balance was \$19,935,643. Of the Town's bank balance, \$10,746,613 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 \$86,598 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	\$ 699,201	\$ -	\$ 699,201
Tax liens, deferrals and foreclosures	2,746,340	-	2,746,340
Excise	407,647	-	407,647
Community preservation surcharges	27,581	-	27,581
Title V loans	775,380	-	775,380
Ambulance fees	355,676	(106,703)	248,973
Other	19,067	-	19,067
Intergovernmental	2,238,875	-	2,238,875
Total	<u>\$ 7,269,767</u>	<u>\$ (106,703)</u>	<u>\$ 7,163,064</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	\$ 1,792,747	\$ -	\$ 1,792,747
Sewer - user fees	950,041	-	950,041
Sewer - betterments	894,821	-	894,821
Total	<u>\$ 3,637,609</u>	<u>\$ -</u>	<u>\$ 3,637,609</u>

Massachusetts School Building Authority – As of June 30, 2015, the Town expects to receive as the balance of grants from the Commonwealth of Massachusetts \$980,479 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, \$949,572 of this amount is included as an intergovernmental receivable in the Governmental funds.

Betterments – The Town reflects receivables of \$775,380 and \$894,821 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, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 9,276,257	\$ 1,282,408	\$ -	\$ 10,558,665
Construction in process	51,183	1,048,118	(51,183)	1,048,118
Total capital assets not being depreciated	9,327,440	2,330,526	(51,183)	11,606,783
Capital assets being depreciated:				
Buildings and improvements	20,850,093	173,397	-	21,023,490
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	30,399,336	1,385,899	-	31,785,235
Machinery, equipment and vehicles	13,470,274	96,426	-	13,566,700
Total capital assets being depreciated	66,317,941	1,655,722	-	67,973,663
Less accumulated depreciation for:				
Buildings and improvements	(14,945,905)	(408,956)	-	(15,354,861)
Improvements other than buildings	(706,174)	(36,627)	-	(742,801)
Infrastructure	(16,957,832)	(753,109)	-	(17,710,941)
Machinery, equipment and vehicles	(11,483,020)	(518,846)	-	(12,001,866)
Total accumulated depreciation	(44,092,931)	(1,717,538)	-	(45,810,469)
Total capital assets being depreciated, net	22,225,010	(61,816)	-	22,163,194
Total governmental activities capital assets, net	\$ 31,552,450	\$ 2,268,710	\$ (51,183)	\$ 33,769,977
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 110,288	\$ -	\$ (110,288)	\$ -
Total capital assets not being depreciated	110,288	-	(110,288)	-
Capital assets being depreciated:				
Buildings and improvements	6,185,600	-	-	6,185,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	31,248,199	380,035	-	31,628,234
Machinery, equipment and vehicles	6,641,072	-	-	6,641,072
Total capital assets being depreciated	44,875,871	380,035	-	45,255,906
Less accumulated depreciation for:				
Buildings and improvements	(3,711,997)	(131,775)	-	(3,843,772)
Improvements other than buildings	(740,925)	(20,025)	-	(760,950)
Infrastructure	(17,337,293)	(572,780)	-	(17,910,073)
Machinery, equipment and vehicles	(6,127,500)	(166,683)	-	(6,294,183)
Total accumulated depreciation	(27,917,715)	(891,263)	-	(28,808,978)
Total capital assets being depreciated, net	16,958,156	(511,228)	-	16,446,928
Total business-type activities capital assets, net	\$ 17,068,444	\$ (511,228)	\$ (110,288)	\$ 16,446,928

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,569,400	\$ -	\$ -	\$ 1,569,400
Infrastructure	20,398,425	-	-	20,398,425
Machinery, equipment and vehicles	1,348,583	-	-	1,348,583
Total capital assets being depreciated	23,316,408	-	-	23,316,408
Less accumulated depreciation for:				
Buildings and improvements	(1,193,063)	(16,568)	-	(1,209,631)
Infrastructure	(12,765,616)	(305,375)	-	(13,070,991)
Machinery, equipment and vehicles	(1,240,767)	(22,632)	-	(1,263,399)
Total accumulated depreciation	(15,199,446)	(344,575)	-	(15,544,021)
Total capital assets being depreciated, net	8,116,962	(344,575)	-	7,772,387
Total Water capital assets, net	<u>\$ 8,116,962</u>	<u>\$ (344,575)</u>	<u>\$ -</u>	<u>\$ 7,772,387</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	110,288	-	(110,288)	-
Capital assets being depreciated:				
Buildings and improvements	3,387,900	-	-	3,387,900
Infrastructure	5,748,733	380,035	-	6,128,768
Machinery, equipment and vehicles	3,638,182	-	-	3,638,182
Total capital assets being depreciated	12,774,815	380,035	-	13,154,850
Less accumulated depreciation for:				
Buildings and improvements	(2,179,433)	(84,697)	-	(2,264,130)
Infrastructure	(2,409,544)	(138,362)	-	(2,547,906)
Machinery, equipment and vehicles	(3,601,348)	(6,800)	-	(3,608,148)
Total accumulated depreciation	(8,190,325)	(229,859)	-	(8,420,184)
Total Sewer capital assets being depreciated, net	\$ 4,584,490	\$ 150,176	\$ -	\$ 4,734,666
Total Sewer capital assets, net	<u>\$ 4,694,778</u>	<u>\$ 150,176</u>	<u>\$ (110,288)</u>	<u>\$ 4,734,666</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	178,319	-	-	178,319
Less accumulated depreciation for:				
Buildings and improvements	(7,900)	-	-	(7,900)
Infrastructure	(14,809)	(1,646)	-	(16,455)
Machinery, equipment and vehicles	(104,600)	-	-	(104,600)
Total accumulated depreciation	(127,309)	(1,646)	-	(128,955)
Total Transfer Station capital assets being depreciated, net	<u>\$ 51,010</u>	<u>\$ (1,646)</u>	<u>\$ -</u>	<u>\$ 49,364</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	1,549,707	-	-	1,549,707
Total capital assets being depreciated	8,606,329	-	-	8,606,329
Less accumulated depreciation for:				
Buildings and improvements	(331,601)	(30,510)	-	(362,111)
Improvements other than buildings	(740,925)	(20,025)	-	(760,950)
Infrastructure	(2,147,324)	(127,397)	-	(2,274,721)
Machinery, equipment and vehicles	(1,180,785)	(137,251)	-	(1,318,036)
Total accumulated depreciation	(4,400,635)	(315,183)	-	(4,715,818)
Total Golf capital assets being depreciated, net	<u>\$ 4,205,694</u>	<u>\$ (315,183)</u>	<u>\$ -</u>	<u>\$ 3,890,511</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 33,686
Public safety	577,126
Education	227,508
Public works	809,579
Health and human services	19,780
Culture and recreation	49,859
	<u>\$ 1,717,538</u>

**Business-Type Activities:**

Water	\$ 344,575
Sewer	229,859
Transfer station	1,646
Golf	315,183
	<u>\$ 891,263</u>

#### D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Project Fund	\$ 95,926
General Fund	Golf Enterprise Fund	11,164
		<u>\$ 107,090</u>

The outstanding balances between funds result mainly from the timing difference between the dates that (1) reimburseable expenditures occur, (2) the intergovernmental reimbursements are received and (3) the payments to the general fund are made.

Intrafund transfers for the fiscal year ended June 30, 2015, are summarized as follows:

Transfers Out	Transfers In						Total	
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Transfer Station Enterprise Fund	Golf Enterprise Fund		
General Fund	\$ -	\$ 2,219	\$ 15,640	\$ 10,920	\$ 12,000	\$ 122,976	\$ 163,755	(1)
Title V Program Fund	100,000	-	-	-	-	-	100,000	(2)
Capital Project Fund	131,000	-	-	-	-	-	131,000	(3)
Nonmajor Governmental Funds	205,000	-	-	-	-	-	205,000	(2)
Water Enterprise Fund	116,617	-	-	-	-	-	116,617	(4)
Sewer Enterprise Fund	85,492	-	-	-	-	-	85,492	(4)
Transfer Station Enterprise Fund	40,252	-	-	-	-	-	40,252	(4)
Golf Enterprise Fund	93,817	-	-	-	-	-	93,817	(4)
Total	<u>\$ 772,178</u>	<u>\$ 2,219</u>	<u>\$ 15,640</u>	<u>\$ 10,920</u>	<u>\$ 12,000</u>	<u>\$ 122,976</u>	<u>\$ 935,933</u>	

(1) Transfers to enterprise funds to supplement operating budget and transfer to nonmajor governmental for contractual obligations.

(2) Transfers to general fund to supplement operating budgets.

(3) Transfers to general fund for capital purposes.

(4) 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:

	Amount
<i>Asset:</i>	
Fire vehicle	\$ 37,934
Lawn mowers	94,161
Golf club cars	150,618
Less: accumulated depreciation	(175,789)
Total	<u>\$ 106,924</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2015, are as follows:

Fiscal Year Ended June 30,	Amount
2016	\$ 60,132
2017	60,131
2018	2,433
Total minimum lease payments	122,696
Less: amounts representing interest	(5,876)
Present value of minimum lease payments	<u>\$ 116,820</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, 2015, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2014	Additions	Retirements	June 30, 2015
BAN	0.45%	11/06/15	\$ -	\$ 1,310,000	\$ -	\$ 1,310,000
BAN	0.55%	02/06/16	-	890,000	-	890,000
MCWT	0.00%	Matured	400,000	-	(400,000)	-
Total Governmental Notes			<u>400,000</u>	<u>2,200,000</u>	<u>(400,000)</u>	<u>2,200,000</u>
BAN	0.55%	Matured	700,000	-	(700,000)	-
BAN	1.00%	Matured	55,000	-	(55,000)	-
BAN	1.00%	05/13/16	-	700,000	-	700,000
Total Business-Type Notes			<u>755,000</u>	<u>700,000</u>	<u>(755,000)</u>	<u>700,000</u>
Total Notes Payable			<u>\$ 1,155,000</u>	<u>\$ 2,900,000</u>	<u>\$ (1,155,000)</u>	<u>\$ 2,900,000</u>

On November 6, 2015, the Town renewed the \$1,310,000 BAN with the new note paying interest at 0.60% interest and maturing on February 6, 2016.

## 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”.

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	\$ 7,069,910	\$ 400,000	\$ (1,964,148)	\$ 5,505,762	\$ 1,068,262
Compensated absences	1,906,263	971,484	(953,132)	1,924,615	962,307
Net pension liability *	23,823,123	3,747,082	(2,532,700)	25,037,505	-
Other postemployment benefits	8,714,316	3,126,337	(1,142,358)	10,698,295	-
<b>Total Governmental Activities</b>	<b>\$ 41,513,612</b>	<b>\$ 8,244,903</b>	<b>\$ (6,592,338)</b>	<b>\$ 43,166,177</b>	<b>\$ 2,030,569</b>
<i>Business-type Activities: Water</i>					
Bond and note debt	\$ 5,236,530	\$ -	\$ (508,564)	\$ 4,727,966	\$ 508,427
Compensated absences	73,497	22,995	(36,748)	59,744	29,872
Net pension liability *	1,285,084	202,127	(136,621)	1,350,590	-
Other postemployment benefits	529,268	162,816	(90,936)	601,148	-
<b>Total Business-type Activities: Water</b>	<b>7,124,379</b>	<b>387,938</b>	<b>(772,869)</b>	<b>6,739,448</b>	<b>538,299</b>
<i>Business-type Activities: Sewer</i>					
Bond and note debt	1,917,899	-	(277,899)	1,640,000	246,000
Compensated absences	39,932	22,607	(19,996)	42,543	21,272
Net pension liability *	1,266,693	199,235	(134,665)	1,331,263	-
Other postemployment benefits	459,678	109,935	(31,481)	538,132	-
<b>Total Business-type Activities: Sewer</b>	<b>3,684,202</b>	<b>331,777</b>	<b>(464,041)</b>	<b>3,551,938</b>	<b>267,272</b>
<i>Business-type Activities: Transfer Station</i>					
Net pension liability *	158,425	24,918	(16,843)	166,500	-
Other postemployment benefits	7,827	15,622	(4,453)	18,996	-
<b>Total Business-type Activities: Transfer Station</b>	<b>166,252</b>	<b>40,540</b>	<b>(21,296)</b>	<b>185,496</b>	<b>-</b>
<i>Business-type Activities: Golf</i>					
Bond and note debt	2,097,000	-	(408,000)	1,689,000	426,000
Capital lease obligations	173,772	-	(56,952)	116,820	56,097
Compensated absences	64,305	43,383	(32,152)	75,536	37,768
Net pension liability *	582,455	91,613	(61,922)	612,146	-
Other postemployment benefits	252,307	65,200	(9,556)	307,951	-
<b>Total Business-type Activities: Golf</b>	<b>3,169,839</b>	<b>200,196</b>	<b>(568,582)</b>	<b>2,801,453</b>	<b>519,865</b>
<b>Total Business-type Activities</b>	<b>\$ 14,144,672</b>	<b>\$ 960,451</b>	<b>\$ (1,826,788)</b>	<b>\$ 13,278,335</b>	<b>\$ 1,325,436</b>

\* Restated due to GASB 68 implementation (See Note III, Subsection F)

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, 2015:

Description of Issue	Interest Rate	Outstanding June 30, 2014	Issuances	Maturities	Outstanding June 30, 2015
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds	2.00 - 4.50%	\$ 1,356,372	\$ -	\$ (138,372)	\$ 1,218,000
Refunding Bonds	2.00 - 5.00%	4,335,544	-	(1,724,544)	2,611,000
MCWT Notes (Title V)	0.00%	1,377,994	400,000	(101,232)	1,676,762
<b>Total Governmental Activities</b>		<b>\$ 7,069,910</b>	<b>\$ 400,000</b>	<b>\$ (1,964,148)</b>	<b>\$ 5,505,762</b>
<i><u>Business-Type Activities - Water</u></i>					
General Obligation Bonds	2.00 - 5.00%	\$ 3,121,084	\$ -	\$ (292,084)	\$ 2,829,000
Refunding Bonds	2.00 - 3.00%	1,141,000	-	(171,000)	970,000
MCWT Note	2.00%	974,446	-	(45,480)	928,966
Total Water		<b>5,236,530</b>	<b>-</b>	<b>(508,564)</b>	<b>4,727,966</b>
<i><u>Business-Type Activities - Sewer</u></i>					
General Obligation Bonds	2.00 - 4.70%	300,000	-	(34,000)	266,000
Refunding Bonds	2.00 - 4.00%	1,602,000	-	(228,000)	1,374,000
MCWT Note	2.00%	15,899	-	(15,899)	-
Total Sewer		<b>1,917,899</b>	<b>-</b>	<b>(277,899)</b>	<b>1,640,000</b>
<i><u>Business-Type Activities - Golf</u></i>					
General Obligation Bonds	2.00 - 2.30%	319,000	-	(37,000)	282,000
Refunding Bond	2.25 - 5.00%	1,440,000	-	(345,000)	1,095,000
State House Note	6.50%	338,000	-	(26,000)	312,000
Total Golf		<b>2,097,000</b>	<b>-</b>	<b>(408,000)</b>	<b>1,689,000</b>
<b>Total Business-Type Activities</b>		<b>\$ 9,251,429</b>	<b>\$ -</b>	<b>\$ (1,194,463)</b>	<b>\$ 8,056,966</b>

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	
2016	\$ 1,068,262	\$ -	\$ 1,068,262	\$ 89,635	\$ (5,531)	\$ 84,104	\$ 1,152,366
2017	717,291	-	717,291	65,274	(4,496)	60,778	778,069
2018	711,321	-	711,321	52,316	(3,468)	48,848	760,169
2019	683,351	-	683,351	39,121	(2,447)	36,674	720,025
2020	658,513	-	658,513	26,161	(1,696)	24,465	682,978
2021-2025	1,051,322	-	1,051,322	37,213	(2,196)	35,017	1,086,339
2026-2030	454,934	-	454,934	776	-	776	455,710
2031-2035	160,768	-	160,768	-	-	-	160,768
Total	<b>\$ 5,505,762</b>	<b>\$ -</b>	<b>\$ 5,505,762</b>	<b>\$ 310,495</b>	<b>\$ (19,834)</b>	<b>\$ 290,661</b>	<b>\$ 5,796,423</b>

*Business-type Activities: Water - Bond and Note Indebtedness*

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	529,422	-	529,422	78,913	-	78,913	608,335
2021-2025	1,480,323	-	1,480,323	216,187	-	216,187	1,696,510
2026-2030	472,491	-	472,491	34,451	-	34,451	506,942
2031-2033	121,131	-	121,131	2,953	-	2,953	124,084
Total	<u>\$ 4,727,966</u>	<u>\$ -</u>	<u>\$ 4,727,966</u>	<u>\$ 797,766</u>	<u>\$ -</u>	<u>\$ 797,766</u>	<u>\$ 5,525,732</u>

*Business-type Activities: Sewer - Bond and Note Indebtedness*

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	228,000	-	228,000	17,135	-	17,135	245,135
2021-2023	449,000	-	449,000	26,025	-	26,025	475,025
Total	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ 1,640,000</u>	<u>\$ 163,271</u>	<u>\$ -</u>	<u>\$ 163,271</u>	<u>\$ 1,803,271</u>

*Business-type Activities: Golf - Bond and Note Indebtedness*

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	61,000	-	61,000	17,068	-	17,068	78,068
2021-2025	237,000	-	237,000	48,312	-	48,312	285,312
2026-2027	53,000	-	53,000	5,082	-	5,082	58,082
Total	<u>\$ 1,689,000</u>	<u>\$ -</u>	<u>\$ 1,689,000</u>	<u>\$ 229,807</u>	<u>\$ -</u>	<u>\$ 229,807</u>	<u>\$ 1,918,807</u>

*Business-type Activities - Total Bond and Note Indebtedness*

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	818,422	-	818,422	113,116	-	113,116	931,538
2021-2025	2,166,323	-	2,166,323	290,524	-	290,524	2,456,847
2026-2030	525,491	-	525,491	39,533	-	39,533	565,024
2031-2033	121,131	-	121,131	2,953	-	2,953	124,084
Total	<u>\$ 8,056,966</u>	<u>\$ -</u>	<u>\$ 8,056,966</u>	<u>\$ 1,190,844</u>	<u>\$ -</u>	<u>\$ 1,190,844</u>	<u>\$ 9,247,810</u>

**MCWT Loan Subsidies** – The Town has entered into multiple loan agreements with the MCWT. It is expected that the Town will be subsidized by the MCWT on a periodic basis for interest in the amount of \$19,834 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 MCWT. 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 \$1,676,762 in long-term notes. Of which, it is expected that the Town will be subsidized by MCWT 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, 2015, 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	68,810
Land purchase	799,000
Murray-Needs	1,300,000
Building remodel	8,380,000
Septic repair	8,182
Sewer reline	4,745,500
Total authorized and unissued	<u>\$ 16,710,498</u>

### **III. Other Information**

#### **A. Retirement System**

*Retirement System Description* – The Town contributes to the Plymouth County Retirement Association (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and is administered by Plymouth County Retirement Board (the “Board”). Standalone financial statements for the year ended December 31, 2014 were issued and are available at the Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Current membership in the Retirement System for all employers as of December 31, 2014 was as follows:

Active and inactive employees	7,837
Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them and disabled participants	<u>3,588</u>
	<u>11,425</u>

*Benefit Terms* – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the Federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$2,882,751 to the System in fiscal year 2015, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 29.7% in fiscal year 2015.

Net Pension Liability – At June 30, 2015, the Town reported a liability of \$28,498,004 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 5.12% at December 31, 2014, which was consistent with the proportion measured at January 1, 2014.

**Fiduciary Net Position** –The System’s fiduciary net position was determined using the accrual basis of accounting. The System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

**Pension Expense** – The Town recognized \$2,947,162 in pension expense in the statement of activities in fiscal year 2015.

**Deferred Outflows of Resources and Deferred Inflows of Resources** – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts are in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	1,318	—
Changes in proportion and differences between Town contributions and proportionate share of contributions	—	—
Town contributions subsequent to the measurement date	<u>—</u>	<u>—</u>
Total	<u>\$ 1,318</u>	<u>\$ —</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town’s pension expense as follows (dollar amounts are in thousands):

Year ended June 30,

2016	\$ ( 329)
2017	( 330)
2018	( 329)
2019	( 330)

**Actuarial Valuation** – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2015. The significant actuarial assumptions used in the January 1, 2015 actuarial valuation included:

Inflation:	3.00%
Salary increases:	3.75%
Investment rate of return:	8.00%

Mortality rates:

Based on the RP-2000 Mortality Table projected to 2015 with Scale AA.

Disabled life mortality:

For disabled retirees, the mortality rates were based on the RP-2000 Mortality Table set forward two years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	33.0 %	10.2 %
Foreign equity	16.0 %	11.0 %
Fixed income	25.5 %	7.9 %
Real estate	13.0 %	9.3 %
Private equity	7.5 %	14.6 %
Hedge funds	4.0 %	8.7 %
Cash	1.0 %	4.0 %

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount (8.0%)</u>	<u>1% Increase (9.0%)</u>
Town's proportionate share of the net pension liability	\$ 35,709,584	\$ 28,498,004	\$ 22,313,585

### **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, 2015.

### **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 145 active employees and 212 retired employees for a total of 357.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute between 10-25% of the calculated contributions for health plans and 50% of the calculated contributions for life insurance coverage 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)	\$ 3,098,142
Interest on net OPEB obligation	348,719
Adjustment to ARC	<u>33,049</u>
Annual OPEB cost	3,479,910
Contributions made	<u>(1,278,784)</u>
Increase in net OPEB obligation	2,201,126
Net OPEB obligation at beginning of year	<u>9,963,396</u>
Net OPEB obligation at end of year	<u>\$ 12,164,522</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, 2015	\$ 3,479,910*	36.7%	\$ 12,164,522
June 30, 2014	\$ 3,132,819	43.8%	\$ 9,963,396
June 30, 2013	\$ 3,042,221	42.0%	\$ 8,203,453

\* Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2015 was charged to the following functional programs: General Government \$441,963; Public Safety \$2,207,550; Education \$33,575; Public Works \$209,254; Health and Human Services \$48,675; Culture and Recreation \$185,320; Water \$162,816; Sewer \$109,935; Transfer Station \$15,622 and Golf \$65,200.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2015 for the most recent actuarial valuation performed as of July 1, 2014, 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)
\$ 126,565	\$ 41,320,511	\$ 41,193,946	0.31%	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, 2014
Actuarial cost method	Individual entry age
Amortization method	Level dollar (closed)
Remaining amortization period	24 years
Interest discount rate	3.5%
Inflation rate	2.75%
Salary increases	3%
Healthcare/Medical cost trend rate	5%

#### **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, 2015, 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, 2015.

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 arbitration 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.

#### **F. Implement of GASB pronouncements**

##### *Current Year Implementations –*

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 this Statement became effective for financial statements for periods beginning after June 15, 2013 and impact the financial reports of the pension systems that communities participate in and not the financial statements of the communities themselves.

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 GASB 68 became effective for the Town in fiscal year 2015 and had a material effect on its 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 GASB 69 became effective for the Town in fiscal 2015 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 2015 and did not have a material effect on its 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 relates 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 GASB 71 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements.

#### *Future Implementations —*

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provision of GASB Statement No. 67 and No. 68*. The objective of GASB 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) — except those provisions that address

employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2106 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

#### **IV. Subsequent Events**

On January 29, 2016, the Town issued bonds totaling \$8,380,000 paying interest at rates of 3.0% to 5.0% and maturing on March 15, 2036. The proceeds of the bonds in the amount of \$6,885,000 will be used to retire the same amount of bond anticipation notes that matured on February 2, 2016, with the remainder of \$1,495,000 used for additional funding for existing capital projects.

#### **V. Prior Period Restatements**

A prior period adjustment was made to decrease the Town's beginning net position to reflect the net Pension liability with the implementation of GASB 68. The Town also reclassified the beginning fund balances of several capital project funds from the nonmajor governmental funds to the Capital Project major fund.

A summary of the restatements is as follows:

	Governmental Activities	Business-type Activities	Water	Sewer	Transfer Station	Golf Course
Prior year as presented	\$ 30,425,499	\$ 15,008,591	\$ 6,215,318	\$ 7,164,638	\$ 109,753	\$ 1,518,882
Record net pension liability	(23,823,123)	(3,292,657)	(1,285,084)	(1,266,693)	(158,425)	(582,455)
As restated	<u>\$ 6,602,376</u>	<u>\$ 11,715,934</u>	<u>\$ 4,930,234</u>	<u>\$ 5,897,945</u>	<u>\$ (48,672)</u>	<u>\$ 936,427</u>
	Capital Projects	Nonmajor Governmental				
Prior year as presented	\$ 515,934	\$ 1,692,819				
Reclassify capital projects	299,587	(299,587)				
As restated	<u>\$ 815,521</u>	<u>\$ 1,393,232</u>				

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2015**

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**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

*(dollar amounts are in thousands)*

	Year Ended December 31, <u>2014</u>
Town's proportion of the net pension liability (asset)	5.12%
Town's proportionate share of the net pension liability (asset)	\$ 28,498
Town's covered-employee payroll	\$ 9,900
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	287.9%
Plan fiduciary net position as a percentage of the total pension liability	58.9%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN**

*(dollar amounts are in thousands)*

	Year Ended December 31, <u>2014</u>
Actuarially determined contribution	\$ 2,940
Contributions in relation to the actuarially determined contribution	<u>2,940</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 9,900
Contributions as a percentage of covered-employee payroll	29.7%

N/A - Information not currently available

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF FUNDING PROGRESS**

**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)
7/1/2014	\$ 126,565	\$ 41,320,511	\$ 41,193,946	0.3%	N/A	N/A
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

**SCHEDULE OF CONTRIBUTION FUNDING**

**Other Postemployment Benefits**

Year Ended June 30,	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed
2015	\$ 3,479,910	\$ 1,278,784	36.7%
2014	3,132,819	1,372,876	43.8%
2013	3,042,221	1,278,694	42.0%

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, 2015**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
<b>Revenues</b>						
Real estate and personal property taxes, net	\$ 38,058,260	\$ 38,058,260	\$ 38,321,641	\$ -	\$ 38,321,641	\$ 263,381
Intergovernmental	4,507,659	4,507,659	4,520,283	-	4,520,283	12,624
Motor vehicle and other excises	3,164,500	3,164,500	3,568,026	-	3,568,026	403,526
Departmental and other revenue	1,535,000	1,535,000	1,368,563	-	1,368,563	(166,437)
Licenses and permits	780,000	780,000	730,575	-	730,575	(49,425)
Penalties and interest on taxes	120,000	120,000	347,358	-	347,358	227,358
Fines and forfeitures	47,000	47,000	34,303	-	34,303	(12,697)
Investment income	10,000	10,000	10,012	-	10,012	12
<b>Total Revenues</b>	<b>48,222,419</b>	<b>48,222,419</b>	<b>48,900,761</b>	<b>-</b>	<b>48,900,761</b>	<b>678,342</b>
<b>Expenditures</b>						
General government	2,213,152	2,445,206	2,241,985	184,811	2,426,796	18,410
Public safety	8,452,152	9,077,832	8,436,416	584,661	9,021,077	56,755
Education	27,865,344	27,854,035	27,708,711	23,000	27,731,711	122,324
Public works	1,023,623	1,140,238	1,841,146	125,405	1,966,551	(826,313)
Health and human services	420,452	427,635	421,764	-	421,764	5,871
Culture and recreation	597,612	602,831	606,101	2,644	608,745	(5,914)
Pensions and fringe benefits	5,176,557	5,170,548	4,987,211	-	4,987,211	183,337
State and county tax assessments	400,174	400,174	400,174	-	400,174	-
Debt service	2,043,726	2,066,521	2,036,281	-	2,036,281	30,240
<b>Total Expenditures</b>	<b>48,192,792</b>	<b>49,185,020</b>	<b>48,679,789</b>	<b>\$ 920,521</b>	<b>49,600,310</b>	<b>(415,290)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	336,178	842,644	842,644		842,644	-
Transfers out	-	(112,000)	(112,000)		(112,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>336,178</b>	<b>730,644</b>	<b>730,644</b>		<b>730,644</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	365,805	(231,957)	\$ 951,616		\$ 31,095	\$ 263,052
<b>Other Budgetary Items</b>						
Use of free cash (unassigned fund balance)	-	496,742				
Use of overlay surplus	-	100,000				
Prior year encumbrances	34,256	34,256				
Prior year appropriation deficits	(400,061)	(400,061)				
Other items	-	1,020				
	\$ -	\$ -				

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, 2015

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#### 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 2015, Town Council approved approximately \$1,000,000 in supplemental budgetary increases which were primarily for public works (\$100,000), public safety (\$600,000) and general government (\$200,000) 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, 2015, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 48,900,761
Stabilization investment income	\$ -	\$ 1,402	1,402
Unemployment investment income	-	43	43
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 1,445</u>	<u>\$ 48,902,206</u>
Expenditures on a budgetary basis			\$ 48,679,789
	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,679,789</u>
Net transfers on a budgetary basis			\$ 730,644
Stabilization transfers	\$ -	\$ (92,221)	(92,221)
Transfers related to debt	-	(30,000)	(30,000)
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ (122,221)</u>	<u>\$ 608,423</u>

*Excess of Expenditures Over Appropriations* – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$860,163 and library costs by \$6,430. These over-expenditures will be funded through available funds during fiscal year 2016.



**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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 16, 2016.

**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 2015-1 and 2015-2 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 & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
August 16, 2016

**TOWN OF BRIDGEWATER, MASSACHUSETTS**

**SCHEDULE OF FINDINGS AND CORRECTIVE ACTION PLANS  
YEAR ENDED JUNE 30, 2015**

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**Findings**

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**2015-1**

**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 approximately nine months subsequent to year-end.

*Cause and Effect:* The Town is converting to a new financial software vendor and, although reconciliations of bank activity occurred throughout the year, the Town did not have the resources to devote to accomplishing reconciliations to the general ledger on a monthly basis. 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 monthly 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:* As of June 30, 2016, the Treasurer's cash has been reconciled to the bank and to the general ledger. A procedure has been established which has been implemented to ensure that this process is performed on a monthly basis.

## TOWN OF BRIDGEWATER, MASSACHUSETTS

### SCHEDULE OF FINDINGS AND CORRECTIVE ACTION PLANS YEAR ENDED JUNE 30, 2015

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#### Findings

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##### 2015-2

##### 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 were not always completed timely and reconciliations of payroll liability accounts were not completed during the fiscal year.

*Cause and Effect:* In the prior year, 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. The Town has since brought the preparation in-house using the Town's financial software provider's payroll module to address this condition. Furthermore, the Town's new chart of accounts placed withholding liability accounts in separate funds which compounded the problems. 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:* As of June 30, 2016, all payroll liability accounts have been reconciled and a process for reconciling the accounts monthly is in place.