

TOWN OF BRIDGEWATER, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2016

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, and each major fund and the aggregate remaining fund information of the Town as of June 30, 2016 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.

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 the 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 April 12, 2017, 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
April 12, 2017

Management's Discussion and Analysis

As the management of the Town of Bridgewater, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$21.5 million (*total net position*). Approximately \$8.0 million represented net position of governmental activities and approximately \$13.5 million represented net position of the business-type activities.
- The government's total net position increased by nearly \$1.4 million or 6.7% year to year. The governmental activities increased net position by nearly \$0.3 million (3.5%) while the business-type activities increased net position by nearly \$1.1 million (8.8%).
- The Town's unassigned fund balance reported in the General Fund was approximately \$5.1 million (10.1% of General Fund expenditures). Total fund balance in the General Fund was over \$5.7 million (11.4% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$3.1 million in the Community Preservation Fund, a restricted fund balance of nearly \$1.3 million in the Title V Program Fund, a restricted fund balance of nearly \$2.1 million in the Capital Project Fund and reported total fund balances of nearly \$2.5 million in the combined Nonmajor Governmental Funds.
- Regular scheduled maturities of debt were approximately \$2.2 million. Of this amount, \$1.1 million related to governmental activities and \$1.1 million to business-type activities. General obligation bonds of approximately \$8.9 million were issued during the fiscal year, all relating to governmental activities projects.

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 of resources, liabilities and deferred inflows of resources, with the difference between the two reported net 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 help the reader understand the differences, as indicated with the table of contents.

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

The Town adopts an annual appropriated budget for its general fund and its enterprise funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

This schedule has been prepared as required supplementary information and can be found after the notes to the financial statements.

Proprietary Funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, transfer station and municipal golf course activities.

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.

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, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<u>Assets</u>						
Current and other assets	\$ 23,245,510	\$ 18,598,432	\$ 10,113,944	\$ 10,028,010	\$ 33,359,454	\$ 28,626,442
Capital assets, net	40,452,939	33,769,977	17,110,834	16,446,928	57,563,773	50,216,905
Total Assets	63,698,449	52,368,409	27,224,778	26,474,938	90,923,227	78,843,347
Deferred outflows of resources	3,208,073	1,157,792	443,396	160,021	3,651,469	1,317,813
<u>Liabilities</u>						
Long-term liabilities	55,550,038	43,166,177	12,593,277	13,278,335	68,143,315	56,444,512
Other liabilities	3,263,328	2,652,912	1,564,806	952,644	4,828,134	3,605,556
Total Liabilities	58,813,366	45,819,089	14,158,083	14,230,979	72,971,449	60,050,068
Deferred inflows of resources	118,480	-	16,376	-	134,856	-
<u>Net Position</u>						
Net investment in capital assets	28,545,993	27,819,334	9,882,895	8,935,698	38,428,888	36,755,032
Restricted	8,409,042	5,520,459	-	-	8,409,042	5,520,459
Unrestricted	(28,980,359)	(25,632,681)	3,610,820	3,468,282	(25,369,539)	(22,164,399)
Net Position	\$ 7,974,676	\$ 7,707,112	\$ 13,493,715	\$ 12,403,980	\$ 21,468,391	\$ 20,111,092

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$21.5 million (*total net position*). This was an increase of nearly \$1.4 million over the preceding year from strong revenue results in the sewer business-type activity of over \$0.6 million and water business-type activity of over \$0.4 million.

By far the largest portion (approximately \$38.4 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 are 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 \$8.4 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position, a deficit of approximately \$25.4 million. This is due to the recognition of other postemployment benefits (net OPEB obligation) of approximately \$14.5 million since the implementation of Governmental Accounting Standards Board Statement ("GASB") No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2009, and the implementation of GASB 68 in 2015, which, resulted in the recognition of almost \$31.0 million in net pension liability.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,234,917	\$ 3,475,211	\$ 6,986,467	\$ 6,433,072	\$ 11,221,384	\$ 9,908,283
Operating grants and contributions	1,618,710	662,528	-	-	1,618,710	662,528
Capital grants and contributions	1,473,755	1,939,715	44,849	44,771	1,518,604	1,984,486
General revenues:						
Property taxes	39,429,868	39,229,218	-	-	39,429,868	39,229,218
Intergovernmental	3,624,307	3,510,062	-	-	3,624,307	3,510,062
Other	3,998,788	3,810,867	3,120	1,862	4,001,908	3,812,729
Total Revenues	54,380,345	52,627,601	7,034,436	6,479,705	61,414,781	59,107,306
<u>Expenses</u>						
General government	4,144,586	2,286,283	-	-	4,144,586	2,286,283
Public safety	16,748,499	15,020,596	-	-	16,748,499	15,020,596
Education	28,388,913	27,974,645	-	-	28,388,913	27,974,645
Public works	2,990,521	3,069,997	-	-	2,990,521	3,069,997
Health and human services	760,087	770,674	-	-	760,087	770,674
Culture and recreation	1,309,904	2,455,879	-	-	1,309,904	2,455,879
Debt service	106,449	119,433	-	-	106,449	119,433
Water	-	-	2,555,163	2,592,844	2,555,163	2,592,844
Sewer	-	-	1,485,937	1,426,076	1,485,937	1,426,076
Transfer station	-	-	322,176	289,851	322,176	289,851
Golf	-	-	1,245,247	1,308,246	1,245,247	1,308,246
Total Expenses	54,448,959	51,697,507	5,608,523	5,617,017	60,057,482	57,314,524
Excess (deficiency) in net position before transfers	(68,614)	930,094	1,425,913	862,688	1,357,299	1,792,782
Transfers	336,178	174,642	(336,178)	(174,642)	-	-
Change in net position	267,564	1,104,736	1,089,735	688,046	1,357,299	1,792,782
Net position, beginning of year	7,707,112	6,602,376	12,403,980	11,715,934	20,111,092	18,318,310
Net position, end of year	\$ 7,974,676	\$ 7,707,112	\$ 13,493,715	\$ 12,403,980	\$ 21,468,391	\$ 20,111,092

Governmental Activities - The town relies significantly on property taxes, which, during 2016, made up approximately 72.5% of total revenues, down slightly from 74.5% in the prior year. Property taxes were reasonably consistent with the prior year but the percentage decreased due to an increase in operating grants from state highway reimbursements. No other revenues were greater than 10% of total revenues in 2016 or 2015.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 52.1% of total expenses, down slightly from the prior year of 54.1%. Public safety expenses represented 30.8% of total expenses, up slightly from the prior year of 29.1%. No other expense types were greater than 10% of total expenses in 2016 or 2015.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.3% and 99.3% of total fiscal year 2016 and 2015 revenues, respectively. Water, sewer, transfer station and golf expenses represented 45.6%, 26.5%, 5.7% and 22.2% of total fiscal year 2016 business-type activities expenses, respectively, and 46.2%, 25.4%, 5.2% and 23.2% of total fiscal year 2015 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 \$14.7 million. This represents an increase of approximately \$4.6 million over the previous year. The increase is primarily attributable to the proceeds from long-term debt issuance of approximately \$8.4 million offset by an increase in various capital projects spending from prior year. Of the ending fund balance approximately \$5.0 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 \$5.1 million, while total fund balance reached approximately \$5.7 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 10.1% of total general fund expenditures, while total fund balance represents approximately 11.4% of that same amount.

The Community Preservation fund was used as a funding source for building remodeling and other capital spending. This fund was increased by approximately \$0.7 million to over \$3.1 million during the year as a result of decreased project 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 increased by approximately \$2.2 million to a fund balance of approximately \$2.1 million, as increased capital spending of \$7.4 million was offset state revenues of approximately \$1.3 million and general obligation debt issuance of \$8.4 million. .

The combined Nonmajor funds increased from prior year by approximately \$0.9 million. Fund balances at year end were approximately \$2.5 million. This was mainly due to increase in department revenue from revolving funds and increased contributions and donations from outside sources to the Town specified for specific uses.

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, 2016, net position of the water and sewer enterprise funds were approximately \$5.3 million and \$7.1 million, respectively. The transfer station and golf course enterprise funds had fund balances (deficits) of approximately (\$0.1 million) and \$1.2 million, respectively, at June 30, 2016. The Town's proprietary fund's net position increased by approximately \$1.1 million, primarily due to the positive operating results in the sewer and water fund.

General Fund Budgetary Highlights

The final amended budget was approximately \$0.3 million higher than the original budget, primarily due to increases in general government spending. 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, 2016, amounts to approximately \$57.6 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 \$7.3 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 \$19.7 million. Of this amount approximately \$12.8 million represents debt of the governmental activities and approximately \$6.9 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a net increase over \$6.7 million during the fiscal year. This was primarily due to regular scheduled pay downs of approximately \$2.2 million exceeding by new issuances of approximately \$8.4 million and unamortized premiums of approximately \$0.5 million.

As of June 30, 2016, the Town is entitled to receive over \$0.2 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 \$134 million, which is significantly in excess of the Town's outstanding general obligation debt.

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 2017. 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 86.2% 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 10.2% 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 2017, the Town anticipated receiving local aid of approximately \$4.2 million from the Commonwealth of Massachusetts, which is approximately \$0.3 million greater than the amount received in fiscal year 2016.

The above items were considered when the Town developed its budget for fiscal year 2017. The Town anticipates setting its tax rate for fiscal 2017 before December 31, 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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,611,931	\$ 6,600,467	\$ 23,212,398
Investments	48,686	-	48,686
Receivables (net):			
Property taxes	1,187,224	-	1,187,224
Excise taxes	455,141	-	455,141
User fees	-	2,689,924	2,689,924
Unapportioned assessments	-	751,941	751,941
Departmental and other	2,940,622	55,910	2,996,532
Intergovernmental	1,188,489	-	1,188,489
Tax foreclosures	591,277	-	591,277
Other assets	222,140	-	222,140
Inventory	-	15,702	15,702
Capital assets, not being depreciated	17,488,722	-	17,488,722
Capital assets, net of accumulated depreciation	22,964,217	17,110,834	40,075,051
Total Assets	63,698,449	27,224,778	90,923,227
Deferred Outflows of Resources	3,208,073	443,396	3,651,469
Liabilities			
Warrants and accounts payable	2,718,568	78,295	2,796,863
Accrued payroll and withholdings	222,144	40,486	262,630
Retainage payable	287,055	-	287,055
Accrued interest expense	-	64,862	64,862
Unearned revenue	-	4,180	4,180
Other liabilities	35,561	68,902	104,463
Bond anticipation notes payable	-	1,308,081	1,308,081
Long-term liabilities:			
Due within one year	1,449,461	1,305,289	2,754,750
Due in more than one year	54,100,577	11,287,988	65,388,565
Total Liabilities	58,813,366	14,158,083	72,971,449
Deferred Inflows of Resources	118,480	16,376	134,856
Net Position			
Net investment in capital assets	28,545,993	9,882,895	38,428,888
Restricted:			
Nonexpendable permanent funds	136,518	-	136,518
Expendable permanent funds	524,623	-	524,623
Community preservation	3,138,543	-	3,138,543
Title V	443,030	-	443,030
Capital projects	2,055,405	-	2,055,405
Other purposes	2,110,923	-	2,110,923
Unrestricted	(28,980,359)	3,610,820	(25,369,539)
Total Net Position	\$ 7,974,676	\$ 13,493,715	\$ 21,468,391

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

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	\$ 4,144,586	\$ 827,003	\$ 609,179	\$ -	\$ (2,708,404)		\$ (2,708,404)
Public safety	16,748,499	2,759,481	617,504	-	(13,371,514)		(13,371,514)
Education	28,388,913	323,374	50,426	-	(28,015,113)		(28,015,113)
Public works	2,990,521	-	43,334	1,322,640	(1,624,547)		(1,624,547)
Health and human services	760,087	205,818	218,829	-	(335,440)		(335,440)
Culture and recreation	1,309,904	119,241	53,040	151,115	(986,508)		(986,508)
Debt service	106,449	-	26,398	-	(80,051)		(80,051)
Total Governmental Activities	54,448,959	4,234,917	1,618,710	1,473,755	(47,121,577)		(47,121,577)
<i>Business-Type Activities:</i>							
Water	2,555,163	3,089,635	-	-		\$ 534,472	534,472
Sewer	1,485,937	2,125,944	-	44,849		684,856	684,856
Transfer Station	322,176	270,752	-	-		(51,424)	(51,424)
Golf	1,245,247	1,500,136	-	-		254,889	254,889
Total Business-Type Activities	5,608,523	6,986,467	-	44,849		1,422,793	1,422,793
Total Primary Government	<u>\$ 60,057,482</u>	<u>\$ 11,221,384</u>	<u>\$ 1,618,710</u>	<u>\$ 1,518,604</u>	<u>(47,121,577)</u>	<u>1,422,793</u>	<u>(45,698,784)</u>
<u>General Revenues:</u>							
					39,429,868	-	39,429,868
					3,646,015	-	3,646,015
					332,249	-	332,249
					3,624,307	-	3,624,307
					20,524	3,120	23,644
<u>Transfers (net):</u>							
					336,178	(336,178)	-
					47,389,141	(333,058)	47,056,083
					267,564	1,089,735	1,357,299
<u>Net Position:</u>							
					7,707,112	12,403,980	20,111,092
					\$ 7,974,676	\$ 13,493,715	\$ 21,468,391

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 7,989,128	\$ 3,152,534	\$ 1,286,286	\$ 1,786,737	\$ 2,397,246	\$ 16,611,931
Investments	-	-	-	-	48,686	48,686
Receivables, net of allowance for uncollectibles:						
Property taxes	1,184,864	2,360	-	-	-	1,187,224
Excise taxes	455,141	-	-	-	-	455,141
Departmental and other	1,961,802	13,079	718,468	-	247,273	2,940,622
Intergovernmental	162,235	-	-	974,696	51,558	1,188,489
Tax foreclosures	591,277	-	-	-	-	591,277
Other assets	222,140	-	-	-	-	222,140
Total Assets	<u>12,566,587</u>	<u>3,167,973</u>	<u>2,004,754</u>	<u>2,761,433</u>	<u>2,744,763</u>	<u>23,245,510</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 12,566,587</u>	<u>\$ 3,167,973</u>	<u>\$ 2,004,754</u>	<u>\$ 2,761,433</u>	<u>\$ 2,744,763</u>	<u>\$ 23,245,510</u>
Liabilities:						
Warrants and accounts payable	\$ 2,284,592	\$ 93	\$ -	\$ 418,973	\$ 14,910	\$ 2,718,568
Accrued payroll and withholdings	182,775	-	-	-	39,369	222,144
Retainage payable	-	-	-	287,055	-	287,055
Other liabilities	-	29,337	6,224	-	-	35,561
Total Liabilities	<u>2,467,367</u>	<u>29,430</u>	<u>6,224</u>	<u>706,028</u>	<u>54,279</u>	<u>3,263,328</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	1,184,864	2,360	-	-	-	1,187,224
Unavailable revenues - excise taxes	455,141	-	-	-	-	455,141
Unavailable revenues - other	2,553,079	13,079	718,468	-	221,129	3,505,755
Unavailable revenues - intergovernmental	162,235	-	-	-	-	162,235
Total Deferred Inflows of Resources	<u>4,355,319</u>	<u>15,439</u>	<u>718,468</u>	<u>-</u>	<u>221,129</u>	<u>5,310,355</u>
Fund Balances:						
Nonspendable	-	-	-	-	136,518	136,518
Restricted	384,921	3,123,104	1,280,062	2,055,405	2,414,417	9,257,909
Committed	106,806	-	-	-	-	106,806
Assigned	183,374	-	-	-	-	183,374
Unassigned	5,068,800	-	-	-	(81,580)	4,987,220
Total Fund Balances	<u>5,743,901</u>	<u>3,123,104</u>	<u>1,280,062</u>	<u>2,055,405</u>	<u>2,469,355</u>	<u>14,671,827</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 12,566,587</u>	<u>\$ 3,167,973</u>	<u>\$ 2,004,754</u>	<u>\$ 2,761,433</u>	<u>\$ 2,744,763</u>	<u>\$ 23,245,510</u>

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, 2016**

Total Governmental Fund Balances **\$ 14,671,827**

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. 40,452,939

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are reported as unavailable revenue in the governmental funds. 5,310,355

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 3,208,073
 Changes in proportion differences (118,480)

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 (12,817,500)
 Less: Unamortized bond premiums (552,800)
 Capital leases (198,952)
 Compensated absences (1,954,289)
 Net pension liability (27,241,765)
 Other postemployment benefits (12,784,732)

Net Position of Governmental Activities **\$ 7,974,676**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 38,610,263	\$ 539,345	\$ -	\$ -	\$ -	\$ 39,149,608
Intergovernmental	4,922,461	151,115	-	1,281,111	849,449	7,204,136
Motor vehicle and other excises	3,598,521	-	-	-	-	3,598,521
Departmental and other revenue	2,000,153	11,962	162,998	-	1,314,191	3,489,304
Licenses and permits	663,166	-	-	-	-	663,166
Penalties and interest on taxes	332,249	-	-	-	-	332,249
Fines and forfeitures	55,151	-	-	-	112,052	167,203
Investment income	17,645	4,309	-	4,226	(5,656)	20,524
Contributions and donations	-	102	-	-	299,871	299,973
Total Revenues	<u>50,199,609</u>	<u>706,833</u>	<u>162,998</u>	<u>1,285,337</u>	<u>2,569,907</u>	<u>54,924,684</u>
Expenditures:						
Current:						
General government	2,581,908	-	-	5,881,938	396,545	8,860,391
Public safety	9,878,632	-	-	-	1,125,257	11,003,889
Education	28,309,272	-	-	-	120	28,309,392
Public works	1,709,463	-	-	1,533,561	57,366	3,300,390
Health and human services	413,792	-	69,538	964	54,301	538,595
Culture and recreation	629,834	86,413	-	-	232,735	948,982
Pensions and other fringes	5,322,203	-	-	-	-	5,322,203
State and county tax assessments	406,558	-	-	-	-	406,558
Debt service:						
Principal	1,031,262	37,000	-	-	-	1,068,262
Interest	76,974	29,475	-	-	-	106,449
Total Expenditures	<u>50,359,898</u>	<u>152,888</u>	<u>69,538</u>	<u>7,416,463</u>	<u>1,866,324</u>	<u>59,865,111</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(160,289)</u>	<u>553,945</u>	<u>93,460</u>	<u>(6,131,126)</u>	<u>703,583</u>	<u>(4,940,427)</u>
Other Financing Sources (Uses):						
Issuance of long-term debt	-	-	-	8,380,000	-	8,380,000
Premiums from issuance of bonds	447,710	105,090	-	-	-	552,800
Issuance of capital leases	-	-	-	252,450	-	252,450
Transfers in	566,178	-	-	-	220,678	786,856
Transfers out	-	-	(100,000)	(290,678)	(60,000)	(450,678)
Total Other Financing Sources (Uses)	<u>1,013,888</u>	<u>105,090</u>	<u>(100,000)</u>	<u>8,341,772</u>	<u>160,678</u>	<u>9,521,428</u>
Net Change in Fund Balances	<u>853,599</u>	<u>659,035</u>	<u>(6,540)</u>	<u>2,210,646</u>	<u>864,261</u>	<u>4,581,001</u>
Fund Balances - Beginning	<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>
Fund Balances - Ending	<u>\$ 5,743,901</u>	<u>\$ 3,123,104</u>	<u>\$ 1,280,062</u>	<u>\$ 2,055,405</u>	<u>\$ 2,469,355</u>	<u>\$ 14,671,827</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, 2016**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 4,581,001**

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	8,268,719	
Depreciation expense	<u>(1,585,757)</u>	
Net effect of reporting capital assets		6,682,962

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	1,068,262	
Repayments of capital lease obligations	53,498	
Issuance of capital lease obligations	(252,450)	
Premiums from issuance of bonds and notes	(552,800)	
Issuance of bonds and notes	<u>(8,380,000)</u>	
Net effect of reporting long-term debt		(8,063,490)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenues for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

(544,339)

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	(29,674)	
Pension benefits	(272,459)	
Other postemployment benefits	<u>(2,086,437)</u>	
Net effect of reporting long-term liabilities		<u>(2,388,570)</u>

Change in Net Position of Governmental Activities **\$ 267,564**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 2,398,311	\$ 4,168,291	\$ 17,707	\$ 16,158	\$ 6,600,467
Receivables, net of allowance for uncollectibles:					
User charges	1,848,308	841,616	-	-	2,689,924
Other	34,424	18,403	-	3,083	55,910
Inventory	-	-	-	15,702	15,702
Total Current Assets	4,281,043	5,028,310	17,707	34,943	9,362,003
Noncurrent assets:					
Receivables - unapportioned assessments	-	751,941	-	-	751,941
Capital assets, net of accumulated depreciation	7,427,997	6,030,912	47,719	3,604,206	17,110,834
Total Noncurrent Assets	7,427,997	6,782,853	47,719	3,604,206	17,862,775
Total Assets	11,709,040	11,811,163	65,426	3,639,149	27,224,778
Total Deferred Outflows of Resources	173,051	170,576	21,334	78,435	443,396
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	40,257	17,301	14,354	6,383	78,295
Accrued payroll and withholdings	14,006	12,313	1,525	12,642	40,486
Accrued interest	37,609	4,775	-	22,478	64,862
Unearned revenue	-	-	-	68,902	68,902
Other liabilities	-	4,139	-	41	4,180
Bond anticipation notes payable	20,147	1,287,934	-	-	1,308,081
Bonds and notes payable	543,396	243,000	-	441,000	1,227,396
Capital lease obligations	-	-	-	58,305	58,305
Compensated absences	6,885	4,544	-	8,159	19,588
Total Current Liabilities	662,300	1,574,006	15,879	617,910	2,870,095
Noncurrent Liabilities:					
Bonds and notes payable	3,676,143	1,151,000	-	822,000	5,649,143
Capital lease obligations	-	-	-	2,418	2,418
Compensated absences	61,967	40,896	-	73,431	176,294
Other postemployment benefits	678,435	620,169	30,674	365,700	1,694,978
Net pension liability	1,469,494	1,448,464	181,160	666,037	3,765,155
Total Noncurrent Liabilities	5,886,039	3,260,529	211,834	1,929,586	11,287,988
Total Liabilities	6,548,339	4,834,535	227,713	2,547,496	14,158,083
Deferred Inflows of Resources	6,390	6,301	788	2,897	16,376
Net Position:					
Net investment in capital assets	4,202,447	3,352,246	47,719	2,280,483	9,882,895
Unrestricted	1,124,915	3,788,657	(189,460)	(1,113,292)	3,610,820
Total Net Position	\$ 5,327,362	\$ 7,140,903	\$ (141,741)	\$ 1,167,191	\$ 13,493,715

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Transfer Station</u>	<u>Golf Course</u>	<u>Totals</u>
Operating Revenues:					
Charges for services	\$ 3,041,517	\$ 2,086,961	\$ 270,752	\$ 1,500,136	\$ 6,899,366
Other operating income	<u>48,118</u>	<u>38,983</u>	<u>-</u>	<u>-</u>	<u>87,101</u>
Total Operating Revenues	<u>3,089,635</u>	<u>2,125,944</u>	<u>270,752</u>	<u>1,500,136</u>	<u>6,986,467</u>
Operating Expenses:					
Operating costs	2,075,729	1,194,243	320,531	882,791	4,473,294
Depreciation	<u>344,390</u>	<u>253,988</u>	<u>1,645</u>	<u>286,305</u>	<u>886,328</u>
Total Operating Expenses	<u>2,420,119</u>	<u>1,448,231</u>	<u>322,176</u>	<u>1,169,096</u>	<u>5,359,622</u>
Operating Income (Loss)	<u>669,516</u>	<u>677,713</u>	<u>(51,424)</u>	<u>331,040</u>	<u>1,626,845</u>
Nonoperating Revenues (Expenses):					
Betterments	-	44,849	-	-	44,849
Interest income	-	-	-	3,120	3,120
Interest expense	<u>(135,044)</u>	<u>(37,706)</u>	<u>-</u>	<u>(76,151)</u>	<u>(248,901)</u>
Total Nonoperating Revenues (Expenses), net	<u>(135,044)</u>	<u>7,143</u>	<u>-</u>	<u>(73,031)</u>	<u>(200,932)</u>
Income (Loss) Before Transfers	<u>534,472</u>	<u>684,856</u>	<u>(51,424)</u>	<u>258,009</u>	<u>1,425,913</u>
Transfers out	<u>(116,617)</u>	<u>(85,492)</u>	<u>(40,252)</u>	<u>(93,817)</u>	<u>(336,178)</u>
Transfers, net	<u>(116,617)</u>	<u>(85,492)</u>	<u>(40,252)</u>	<u>(93,817)</u>	<u>(336,178)</u>
Change in Net Position	<u>417,855</u>	<u>599,364</u>	<u>(91,676)</u>	<u>164,192</u>	<u>1,089,735</u>
Net Position - Beginning	<u>4,909,507</u>	<u>6,541,539</u>	<u>(50,065)</u>	<u>1,002,999</u>	<u>12,403,980</u>
Net Position - Ending	<u>\$ 5,327,362</u>	<u>\$ 7,140,903</u>	<u>\$ (141,741)</u>	<u>\$ 1,167,191</u>	<u>\$ 13,493,715</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Cash Flows from Operating Activities:					
Receipts from users	\$ 2,951,532	\$ 2,176,982	\$ 270,752	\$ 1,499,363	\$ 6,898,629
Other receipts	48,118	38,983	-	-	87,101
Payments to employees	(601,616)	(418,790)	(64,171)	(417,596)	(1,502,173)
Payments to vendors	(1,371,362)	(676,115)	(228,787)	(407,448)	(2,683,712)
Net Cash Provided by (Used For) Operating Activities	1,026,672	1,121,060	(22,206)	674,319	2,799,845
Cash Flows from Noncapital Related Financing Activities:					
Transfers out	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(116,617)	(85,492)	(40,252)	(93,817)	(336,178)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from betterment principal	-	187,729	-	-	187,729
Proceeds from issuance of bond and note debt	20,147	1,287,934	-	-	1,308,081
Acquisition and construction of capital assets	-	(1,550,233)	-	-	(1,550,233)
Principal payments on bonds and notes	(508,427)	(946,000)	-	(426,000)	(1,880,427)
Principal payments on capital leases	-	-	-	(56,097)	(56,097)
Interest expense	(139,751)	(38,663)	-	(85,367)	(263,781)
Net Cash (Used For) Capital and Related Financing Activities	(628,031)	(1,059,233)	-	(567,464)	(2,254,728)
Cash Flows from Investing Activities:					
Investment income	-	-	-	3,120	3,120
Net Cash Provided by Investing Activities	-	-	-	3,120	3,120
Net Change in Cash and Cash Equivalents	282,024	(23,665)	(62,458)	16,158	212,059
Cash and Cash Equivalents:					
Beginning of year	2,116,287	4,191,956	80,165	-	6,388,408
End of year	\$ 2,398,311	\$ 4,168,291	\$ 17,707	\$ 16,158	\$ 6,600,467
Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:					
Operating income (loss)	\$ 669,516	\$ 677,713	\$ (51,424)	\$ 331,040	\$ 1,626,845
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	344,390	253,988	1,645	286,305	886,328
Changes in assets and liabilities:					
Receivables	(89,985)	90,021	-	(3,083)	(3,047)
Inventory	-	-	-	(2,545)	(2,545)
Deferred outflows	(110,597)	(109,015)	(13,635)	(50,128)	(283,375)
Accounts payable and accrued expenses	1,659	(183)	14,082	952	16,510
Unearned income	-	-	-	2,310	2,310
Compensated absences	9,108	2,897	-	6,054	18,059
Other postemployment benefits	77,287	82,037	11,678	57,749	228,751
Net pension liability	118,904	117,201	14,660	53,891	304,656
Deferred inflows	6,390	6,301	788	2,897	16,376
Other liabilities	-	100	-	(11,123)	(11,023)
Net Cash Provided By (Used For) Operating Activities	\$ 1,026,672	\$ 1,121,060	\$ (22,206)	\$ 674,319	\$ 2,799,845

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 126,565	\$ 84,479	\$ 1,750,072
Investments	-	25,039	-
	<u>126,565</u>	<u>109,518</u>	<u>1,750,072</u>
Total Assets			
	<u>126,565</u>	<u>109,518</u>	<u>1,750,072</u>
Liabilities:			
Warrants and accounts payable	-	-	1,266
Planning and performance bonds	-	-	1,676,111
Other liabilities	-	-	72,695
	<u>-</u>	<u>-</u>	<u>72,695</u>
Total Liabilities			
	<u>-</u>	<u>-</u>	<u>\$ 1,750,072</u>
Net Position:			
Held in trust for other post employment benefits	126,565	-	
Held in trust for other purposes	-	109,518	
	<u>-</u>	<u>109,518</u>	
Total Net Position			
	<u>\$ 126,565</u>	<u>\$ 109,518</u>	

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Investment income (loss)	\$ -	\$ (3,892)
Contributions	<u>-</u>	<u>100</u>
Total Additions	<u>-</u>	<u>(3,792)</u>
Deductions:		
Scholarships	<u>-</u>	<u>2,200</u>
Total Deductions	<u>-</u>	<u>2,200</u>
Change in Net Position	-	(5,992)
Net Position - Beginning	<u>126,565</u>	<u>115,510</u>
Net Position - Ending	<u>\$ 126,565</u>	<u>\$ 109,518</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

I. Summary of Significant Accounting Policies

The 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 2016, the Town's share of the operating and debt service expenses was \$26,983,989. 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, regardless of the timing of related cash flows. 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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

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 Act Fund – is used to account for funds received in accordance with the Massachusetts 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 Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

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

Transfer Station Enterprise Fund – 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 Enterprise Fund – 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 of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. 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. Departmental and other 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 two types of items, which qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, excise taxes, other and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The second type of item that qualifies for reporting as a deferred outflow is reported on the government-wide statement of net position. This relates to outflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III subsection A.

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 represent 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 associated with the Massachusetts Community Preservation Act.

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 represent 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 – nonspendable, 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 \$1,667,888 at June 30, 2016 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 \$153,131 at June 30, 2016 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 \$183,374 of encumbrances from normal purchasing activity in the general fund as assigned and \$106,806 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	\$ -	\$ -	\$ -	\$ -	\$ 136,518	\$ 136,518
Restricted:						
General government	-	-	-	-	541,635	541,635
Public safety	-	-	-	-	1,175,616	1,175,616
Education	-	-	-	-	3,730	3,730
Public works	-	-	-	-	157,717	157,717
Health and human services	-	-	1,280,062	-	123,247	1,403,309
Culture and recreation	-	-	-	-	412,472	412,472
Community preservation	-	3,123,104	-	-	-	3,123,104
Unemployment benefits	566	-	-	-	-	566
Capital outlay	300,000	-	-	2,055,405	-	2,355,405
Debt service	84,355	-	-	-	-	84,355
Committed:						
Capital outlay	106,806	-	-	-	-	106,806
Assigned:						
Purchase orders	183,374	-	-	-	-	183,374
Unassigned	5,068,800	-	-	-	(81,580)	4,987,220
	<u>\$ 5,743,901</u>	<u>\$ 3,123,104</u>	<u>\$ 1,280,062</u>	<u>\$ 2,055,405</u>	<u>\$ 2,469,355</u>	<u>\$ 14,671,827</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 \$1,066,933. This over-expenditure will be funded through available funds during fiscal year 2017.

The Town incurred individual fund deficits totaling \$81,580 in the special revenue funds, which are reported in the nonmajor governmental funds. These deficits will be funded through grants and available funds during fiscal year 2017.

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 \$25,173,514 and the bank balance was \$26,478,625. Of the Town's bank balance, \$11,356,606 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 \$73,725 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.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2016:

	<u>6/30/16</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Equity securities:				
Common stock	\$ 73,725	\$ 73,725	\$ -	\$ -
Total equity securities	<u>73,725</u>	<u>73,725</u>	<u>-</u>	<u>-</u>
 Total investments by fair value level	 <u>\$ 73,725</u>	 <u>\$ 73,725</u>	 <u>\$ -</u>	 <u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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	\$ 1,184,864	\$ -	\$ 1,184,864
Community preservation surcharges	2,360	-	2,360
Excise	455,141	-	455,141
Tax liens and deferrals	1,974,881	-	1,974,881
Title V loans	718,468	-	718,468
Ambulance fees	315,899	(94,770)	221,129
Other	26,144	-	26,144
Intergovernmental	1,188,489	-	1,188,489
Total	<u>\$ 5,866,246</u>	<u>\$ (94,770)</u>	<u>\$ 5,771,476</u>

Receivables as of year-end for the Town's propriety fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 1,848,308	\$ -	\$ 1,848,308
Water - liens	34,424	-	34,424
Sewer - user fees	841,616	-	841,616
Sewer - liens	18,403	-	18,403
Sewer - betterments	751,941	-	751,941
Golf - other	3,083	-	3,083
Total	<u>\$ 3,497,775</u>	<u>\$ -</u>	<u>\$ 3,497,775</u>

Massachusetts School Building Authority – As of June 30, 2016, the Town expects to receive as the balance of grants from the Commonwealth of Massachusetts \$166,745 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, \$162,235 of this amount is included as an intergovernmental receivable in the Governmental funds.

Betterments – The Town reports betterment receivables of \$718,468 and \$751,941 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 that the Town has funded through bond and note issuances.

C. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 10,558,665	\$ -	\$ -	\$ 10,558,665
Construction in process	1,048,118	5,881,939	-	6,930,057
Total capital assets not being depreciated	11,606,783	5,881,939	-	17,488,722
Capital assets being depreciated:				
Buildings and improvements	21,023,490	120,460	-	21,143,950
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	31,785,235	1,195,367	-	32,980,602
Machinery, equipment and vehicles	13,566,700	1,070,953	-	14,637,653
Total capital assets being depreciated	67,973,663	2,386,780	-	70,360,443
Less accumulated depreciation for:				
Buildings and improvements	(15,354,861)	(247,076)	-	(15,601,937)
Improvements other than buildings	(742,801)	(36,627)	-	(779,428)
Infrastructure	(17,710,941)	(753,005)	-	(18,463,946)
Machinery, equipment and vehicles	(12,001,866)	(549,049)	-	(12,550,915)
Total accumulated depreciation	(45,810,469)	(1,585,757)	-	(47,396,226)
Total capital assets being depreciated, net	22,163,194	801,023	-	22,964,217
Total governmental activities capital assets, net	<u>\$ 33,769,977</u>	<u>\$ 6,682,962</u>	<u>\$ -</u>	<u>\$ 40,452,939</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 6,185,600	\$ -	\$ -	\$ 6,185,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	31,628,234	1,550,233	-	33,178,467
Machinery, equipment and vehicles	6,641,072	-	-	6,641,072
Total capital assets being depreciated	45,255,906	1,550,233	-	46,806,139
Less accumulated depreciation for:				
Buildings and improvements	(3,843,771)	(131,591)	-	(3,975,362)
Improvements other than buildings	(760,950)	(20,025)	-	(780,975)
Infrastructure	(17,910,073)	(594,885)	-	(18,504,958)
Machinery, equipment and vehicles	(6,294,183)	(139,827)	-	(6,434,010)
Total accumulated depreciation	(28,808,977)	(886,328)	-	(29,695,305)
Total capital assets being depreciated, net	16,446,929	663,905	-	17,110,834
Total business-type activities capital assets, net	<u>\$ 16,446,929</u>	<u>\$ 663,905</u>	<u>\$ -</u>	<u>\$ 17,110,834</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Water</i></u>				
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	(1,209,631)	(16,383)	-	(1,226,014)
Infrastructure	(13,070,991)	(305,375)	-	(13,376,366)
Machinery, equipment and vehicles	(1,263,399)	(22,632)	-	(1,286,031)
Total accumulated depreciation	(15,544,021)	(344,390)	-	(15,888,411)
Total capital assets being depreciated, net	7,772,387	(344,390)	-	7,427,997
Total Water capital assets, net	<u>\$ 7,772,387</u>	<u>\$ (344,390)</u>	<u>\$ -</u>	<u>\$ 7,427,997</u>
<u><i>Business-type Activities: Sewer</i></u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,387,900	\$ -	\$ -	\$ 3,387,900
Infrastructure	6,128,768	1,550,233	-	7,679,001
Machinery, equipment and vehicles	3,638,182	-	-	3,638,182
Total capital assets being depreciated	13,154,850	1,550,233	-	14,705,083
Less accumulated depreciation for:				
Buildings and improvements	(2,264,129)	(84,698)	-	(2,348,827)
Infrastructure	(2,547,906)	(162,490)	-	(2,710,396)
Machinery, equipment and vehicles	(3,608,148)	(6,800)	-	(3,614,948)
Total accumulated depreciation	(8,420,183)	(253,988)	-	(8,674,171)
Total Sewer capital assets being depreciated, net	\$ 4,734,667	\$ 1,296,245	\$ -	\$ 6,030,912
Total Sewer capital assets, net	<u>\$ 4,734,667</u>	<u>\$ 1,296,245</u>	<u>\$ -</u>	<u>\$ 6,030,912</u>
<u><i>Business-type Activities: Transfer Station</i></u>				
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	(16,455)	(1,645)	-	(18,100)
Machinery, equipment and vehicles	(104,600)	-	-	(104,600)
Total accumulated depreciation	(128,955)	(1,645)	-	(130,600)
Total Transfer Station capital assets being depreciated, net	<u>\$ 49,364</u>	<u>\$ (1,645)</u>	<u>\$ -</u>	<u>\$ 47,719</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<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	(362,111)	(30,510)	-	(392,621)
Improvements other than buildings	(760,950)	(20,025)	-	(780,975)
Infrastructure	(2,274,721)	(125,375)	-	(2,400,096)
Machinery, equipment and vehicles	(1,318,036)	(110,395)	-	(1,428,431)
Total accumulated depreciation	(4,715,818)	(286,305)	-	(5,002,123)
Total Golf capital assets being depreciated, net	<u>\$ 3,890,511</u>	<u>\$ (286,305)</u>	<u>\$ -</u>	<u>\$ 3,604,206</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 45,293	Water	\$ 344,390
Public safety	588,764	Sewer	253,988
Education	61,165	Transfer station	1,645
Public works	820,896	Golf	286,305
Health and human services	19,780		<u>\$ 886,328</u>
Culture and recreation	49,859		
	<u>\$ 1,585,757</u>		

D. Interfund Receivables, Payables and Transfers

Intrafund transfers for the fiscal year ended June 30, 2016, are as follows:

Transfers Out	Transfers In			
	General Fund	Nonmajor Governmental Funds	Total	
Title V Program Fund	\$ 100,000	\$ -	\$ 100,000	(1)
Capital Project Fund	70,000	220,678	290,678	(2)
Nonmajor Governmental Funds	60,000	-	60,000	(1)
Water Enterprise Fund	116,617	-	116,617	(3)
Sewer Enterprise Fund	85,492	-	85,492	(3)
Transfer Station Enterprise Fund	40,252	-	40,252	(3)
Golf Enterprise Fund	93,817	-	93,817	(3)
Total	<u>\$566,178</u>	<u>\$ 220,678</u>	<u>\$786,856</u>	

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

E. Capital Leases

The Town has entered into non-cancelable leases for the purchase of a fire vehicle, lawn mowers, sweeper 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
Sweeper	252,450
Less: accumulated depreciation	(261,921)
Total	<u>\$ 273,242</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2016, are as follows:

Fiscal Year Ended June 30,	Amount
2017	\$ 113,629
2018	55,931
2019	53,497
2020	53,498
Total minimum lease payments	276,555
Less: amounts representing interest	(16,880)
Present value of minimum lease payments	<u>\$ 259,675</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, 2016, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	0.45%	Matured	\$ 1,310,000	\$ -	\$ (1,310,000)	\$ -
BAN	0.55%	Matured	890,000	-	(890,000)	-
BAN	0.50%	Matured	-	2,500,000	(2,500,000)	-
BAN	0.50%	Matured	-	3,075,000	(3,075,000)	-
Total Governmental Notes			<u>2,200,000</u>	<u>5,575,000</u>	<u>(7,775,000)</u>	<u>-</u>
BAN	1.00%	Matured	700,000	-	(700,000)	-
MCWT	0.00%	12/31/16	-	1,277,860	-	1,277,860
MCWT	0.00%	12/31/16	-	30,221	-	30,221
Total Business-Type Notes			<u>700,000</u>	<u>1,308,081</u>	<u>(700,000)</u>	<u>1,308,081</u>
Total Temporary Notes Payable			<u>\$ 2,900,000</u>	<u>\$ 6,883,081</u>	<u>\$ (8,475,000)</u>	<u>\$ 1,308,081</u>

The Town is eligible for interim loan financing from Massachusetts Clean Water Trust (MCWT) in anticipation of permanent financing through MCWT for costs related to the Town's sewer and wastewater programs. The interim loans must be converted to permanent long-term debt no later than December 31, 2016. Short-term MCWT loans totaling \$1,287,934 and \$20,147 are reported in the Sewer Enterprise Fund and Water Enterprise Fund respectively.

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
<u>Governmental Activities:</u>					
Bond and note indebtedness	\$ 5,505,762	\$ 8,380,000	\$ (1,068,262)	\$ 12,817,500	\$ 1,142,291
Unamortized bond premium	-	552,800	-	552,800	64,172
Capital lease obligations	-	252,450	(53,498)	198,952	47,569
Compensated absences	1,924,615	971,484	(941,810)	1,954,289	195,429
Net pension liability	25,037,505	6,335,212	(4,130,952)	27,241,765	-
Other postemployment benefits	10,698,295	3,226,215	(1,139,778)	12,784,732	-
Total Governmental Activities	\$ 43,166,177	\$ 19,718,161	\$ (7,334,300)	\$ 55,550,038	\$ 1,449,461
<u>Business-type Activities: Water</u>					
Bond and note debt	\$ 4,727,966	\$ -	\$ (508,427)	\$ 4,219,539	\$ 543,396
Compensated absences	59,744	22,995	(13,887)	68,852	6,885
Net pension liability	1,350,590	341,737	(222,833)	1,469,494	-
Other postemployment benefits	601,148	168,018	(90,731)	678,435	-
Total Business-type Activities: Water	6,739,448	532,750	(835,878)	6,436,320	550,281
<u>Business-type Activities: Sewer</u>					
Bond and note debt	1,640,000	-	(246,000)	1,394,000	243,000
Compensated absences	42,543	22,607	(19,710)	45,440	4,544
Net pension liability	1,331,263	336,848	(219,647)	1,448,464	-
Other postemployment benefits	538,132	113,447	(31,410)	620,169	-
Total Business-type Activities: Sewer	3,551,938	472,902	(516,767)	3,508,073	247,544
<u>Business-type Activities: Transfer Station</u>					
Net pension liability	166,500	42,130	(27,470)	181,160	-
Other postemployment benefits	18,996	16,121	(4,443)	30,674	-
Total Business-type Activities: Transfer	185,496	58,251	(31,913)	211,834	-
<u>Business-type Activities: Golf</u>					
Bond and note debt	1,689,000	-	(426,000)	1,263,000	441,000
Capital lease obligations	116,820	-	(56,097)	60,723	58,305
Compensated absences	75,536	43,383	(37,329)	81,590	8,159
Net pension liability	612,146	154,891	(101,000)	666,037	-
Other postemployment benefits	307,951	67,283	(9,534)	365,700	-
Total Business-type Activities: Golf	2,801,453	265,557	(629,960)	2,437,050	507,464
Total Business-type Activities	\$ 13,278,335	\$ 1,329,460	\$ (2,014,518)	\$ 12,593,277	\$ 1,305,289

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.

Authorized and Unissued Debt - At June 30, 2016, the Town had authorized and unissued debt as follows:

Project	Amount
Golf clubhouse	\$ 1,401,000
Water mains	8,006
Water resource plan	68,810
Septic repair	8,182
Sewer reline	2,615,850
Total authorized and unissued	\$ 4,101,848

The following is a summary of outstanding long-term debt obligations as of June 30, 2016:

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds	2.00 - 5.00%	\$ 1,218,000	\$ 8,380,000	\$ (132,000)	\$ 9,466,000
Refunding Bonds	2.00 - 3.00%	2,611,000	-	(815,000)	1,796,000
MCWT Notes (Title V)	0.00%	1,676,762	-	(121,262)	1,555,500
Total Governmental Activities		5,505,762	8,380,000	(1,068,262)	12,817,500
Add: Unamortized bond premium		-	552,800	-	552,800
Total Governmental Activities net		\$ 5,505,762	\$ 8,932,800	\$ (1,068,262)	\$ 13,370,300
<i><u>Business-Type Activities - Water</u></i>					
General Obligation Bonds	2.00 - 5.00%	\$ 2,829,000	\$ -	\$ (289,000)	\$ 2,540,000
Refunding Bonds	2.00 - 3.00%	970,000	-	(173,000)	797,000
MCWT Note	2.00%	928,966	-	(46,427)	882,539
Total Water		4,727,966	-	(508,427)	4,219,539
<i><u>Business-Type Activities - Sewer</u></i>					
General Obligation Bonds	2.00 - 3.00%	266,000	-	(34,000)	232,000
Refunding Bonds	2.00 - 3.00%	1,374,000	-	(212,000)	1,162,000
Total Sewer		1,640,000	-	(246,000)	1,394,000
<i><u>Business-Type Activities - Golf</u></i>					
General Obligation Bonds	2.00 - 2.30%	282,000	-	(35,000)	247,000
Refunding Bond	2.25 - 5.00%	1,095,000	-	(365,000)	730,000
State House Note	6.50%	312,000	-	(26,000)	286,000
Total Golf		1,689,000	-	(426,000)	1,263,000
Total Business-Type Activities		\$ 8,056,966	\$ -	\$ (1,180,427)	\$ 6,876,539

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	
2017	\$ 1,142,291	\$ -	\$ 1,142,291	\$ 396,727	\$ (4,496)	\$ 392,231	\$ 1,534,522
2018	1,136,321	-	1,136,321	333,466	(3,468)	329,998	1,466,319
2019	1,108,351	-	1,108,351	303,271	(2,447)	300,824	1,409,175
2020	1,083,513	-	1,083,513	269,061	(1,696)	267,365	1,350,878
2021	649,542	-	649,542	234,394	(1,217)	233,177	882,719
2022-2026	3,121,906	-	3,121,906	861,494	(979)	860,515	3,982,421
2027-2031	2,405,034	-	2,405,034	494,400	-	494,400	2,899,434
2032-2036	2,170,542	-	2,170,542	183,300	-	183,300	2,353,842
Total	<u>\$ 12,817,500</u>	<u>\$ -</u>	<u>\$ 12,817,500</u>	<u>\$ 3,076,113</u>	<u>\$ (14,303)</u>	<u>\$ 3,061,810</u>	<u>\$ 15,879,310</u>
<i>Business-type Activities: Water - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	339,473	-	339,473	64,988	-	64,988	404,461
2022-2026	1,372,918	-	1,372,918	166,218	-	166,218	1,539,136
2027-2031	303,694	-	303,694	21,222	-	21,222	324,916
2032-2036	57,860	-	57,860	1,161	-	1,161	59,021
Total	<u>\$ 4,219,539</u>	<u>\$ -</u>	<u>\$ 4,219,539</u>	<u>\$ 658,010</u>	<u>\$ -</u>	<u>\$ 658,010</u>	<u>\$ 4,877,549</u>

Business-type Activities: Sewer - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	153,000	-	153,000	12,705	-	12,705	165,705
2022-2026	296,000	-	296,000	13,320	-	13,320	309,320
Total	<u>\$ 1,394,000</u>	<u>\$ -</u>	<u>\$ 1,394,000</u>	<u>\$ 124,609</u>	<u>\$ -</u>	<u>\$ 124,609</u>	<u>\$ 1,518,609</u>

Business-type Activities: Golf - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	61,000	-	61,000	14,602	-	14,602	75,602
2022-2026	203,000	-	203,000	37,102	-	37,102	240,102
2027-2031	26,000	-	26,000	1,690	-	1,690	27,690
Total	<u>\$ 1,263,000</u>	<u>\$ -</u>	<u>\$ 1,263,000</u>	<u>\$ 164,574</u>	<u>\$ -</u>	<u>\$ 164,574</u>	<u>\$ 1,427,574</u>

Business-type Activities - Total Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	553,473	-	553,473	92,295	-	92,295	645,768
2022-2026	1,871,918	-	1,871,918	216,640	-	216,640	2,088,558
2027-2031	329,694	-	329,694	22,912	-	22,912	352,606
2032-2036	57,860	-	57,860	1,161	-	1,161	59,021
Total	<u>\$ 6,876,539</u>	<u>\$ -</u>	<u>\$ 6,876,539</u>	<u>\$ 947,193</u>	<u>\$ -</u>	<u>\$ 947,193</u>	<u>\$ 7,823,732</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 \$14,303 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 \$1,555,500 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.

III. Other Information

A. Retirement System

Pension Plan 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 Massachusetts General Laws. The System is administered by the Plymouth County Retirement Association Board of Directors (the “Retirement Board”). Stand-alone audited financial statements for the year ended December 31, 2015 were issued and are available by submitting a request to the System at 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Current membership in the System for all employers as of December 31, 2015 was as follows:

Active and inactive employees	8,403
Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them and disabled participants	<u>3,850</u>
	<u>12,253</u>

Benefit Terms – Membership in the 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. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. 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 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 \$3,115,204 to the System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 30.3% in fiscal year 2016.

Net Pension Liability – At June 30, 2016, the Town reported a liability of \$31,006,920 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 4.89% at December 31, 2015.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2015, which can be obtained by contacting the Retirement Board.

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 the Massachusetts Public Employee Retirement Administration Commission, or 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 \$3,425,320 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 3,651,469	\$ -
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	134,856
Total	<u>\$ 3,651,469</u>	<u>\$ 134,856</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$ 961,767
2018	961,767
2019	961,767
2020	631,312
Total	<u>\$ 3,516,613</u>

Actuarial Valuation – The measurement of the 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:

Actuarial cost method:	Entry age normal
Amortization method:	Level percent, open group
Remaining amortization period:	17 years
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 System's target allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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 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:

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
Town's proportionate share of the net pension liability	38,469,693	\$ 31,006,920	\$ 24,607,087

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, 2016.

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)	\$ 3,132,277
Interest on net OPEB obligation	425,758
Adjustment to ARC	<u>33,049</u>
Annual OPEB cost	3,591,084
Contributions made	<u>(1,275,896)</u>
Increase in net OPEB obligation	2,315,188
Net OPEB obligation at beginning of year	<u>12,164,522</u>
Net OPEB obligation at end of year	<u><u>\$ 14,479,710</u></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, 2016	\$ 3,591,084*	35.5%	\$ 14,479,710
June 30, 2015	\$ 3,479,910	36.7%	\$ 12,164,522
June 30, 2014	\$ 3,132,819	43.8%	\$ 9,963,396

* Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2016 was charged to the following functional programs: General Government \$456,083; Public Safety \$2,278,075; Education \$34,648; Public Works \$215,939; Health and Human Services \$50,230; Culture and Recreation \$191,240; Water \$168,018; Sewer \$113,447; Transfer Station \$16,121 and Golf \$67,283.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2016 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, 2016, 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, 2016.

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

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

F. Implement of GASB pronouncements

Current Year Implementations

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addressed 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 became effective for the Town in fiscal year 2016 and did not have a material effect on its 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 was 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 established requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it established requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement were 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, 2016 (fiscal year 2017). The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its 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 was to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted principles, or GAAP. This Statement reduced 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 became effective in

fiscal year 2016 and did not have a material effect on the Town's financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 established criteria for which an external investment pool may qualify to measure its investment value at amortized cost versus fair value. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

Future Year Implementations

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 establishes 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 August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the Town's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest*

Agreements. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**
YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*(dollar amounts are in thousands)*

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	4.89%	5.12%
Town's proportionate share of the net pension liability (asset)	\$ 31,007	\$ 28,498
Town's covered-employee payroll	\$ 10,272	\$ 9,900
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	301.9%	287.9%
Plan fiduciary net position as a percentage of the total pension liability	56.8%	58.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN*(dollar amounts are in thousands)*

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,115	\$ 2,940
Contributions in relation to the actuarially determined contribution	<u>3,115</u>	<u>2,940</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 10,272	\$ 9,900
Contributions as a percentage of covered-employee payroll	30.3%	29.7%

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, 2016**

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
2016	\$ 3,591,084	\$ 1,275,896	35.5%
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

TOWN OF BRIDGEWATER, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Postive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 38,707,795	\$ 38,707,795	\$ 38,610,263	\$ -	\$ 38,610,263	\$ (97,532)
Intergovernmental	4,661,062	4,661,062	4,922,461	-	4,922,461	261,399
Motor vehicle and other excises	3,058,185	3,058,185	3,598,521	-	3,598,521	540,336
Departmental and other revenue	1,548,720	1,548,720	2,000,153	-	2,000,153	451,433
Licenses and permits	601,724	601,724	663,166	-	663,166	61,442
Penalties and interest on taxes	295,254	295,254	332,249	-	332,249	36,995
Fines and forfeitures	29,158	29,158	55,151	-	55,151	25,993
Investment income	8,578	8,578	12,225	-	12,225	3,647
Total Revenues	48,910,476	48,910,476	50,194,189	-	50,194,189	1,283,713
Expenditures						
General government	2,555,471	2,832,312	2,518,553	204,710	2,723,263	109,049
Public safety	9,774,075	9,908,075	9,878,632	25,262	9,903,894	4,181
Education	28,366,571	28,344,891	28,309,272	157	28,309,429	35,462
Public works	1,225,070	1,225,070	1,709,463	1,907	1,711,370	(486,300)
Health and human services	513,922	513,922	413,792	55,500	469,292	44,630
Culture and recreation	612,127	638,751	629,834	2,644	632,478	6,273
Pensions and fringe benefits	5,381,146	5,417,146	5,302,498	-	5,302,498	114,648
State and county tax assessments	406,572	406,572	406,558	-	406,558	14
Debt service	1,390,500	1,198,201	1,108,236	-	1,108,236	89,965
Total Expenditures	50,225,454	50,484,940	50,276,838	\$ 290,180	50,567,018	(82,078)
Other Financing Sources (Uses)						
Premiums on bonds and notes	-	-	384,355		384,355	384,355
Transfers in	496,178	743,664	743,664		743,664	-
Total Other Financing Sources (Uses)	496,178	743,664	1,128,019		1,128,019	384,355
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	(818,800)	(830,800)	\$ 1,045,370		\$ 755,190	\$ 1,585,990
Other Budgetary Items						
Use of free cash (unassigned fund balance)	-	12,000				
Use of overlay surplus	185,000	185,000				
Prior year encumbrances	920,521	920,521				
Prior year appropriation deficits	(286,721)	(286,721)				
	\$ -	\$ -				

See notes to the required supplementary information of this schedule.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

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 2016, Town Council approved approximately \$260,000 in additional general government appropriations from the original approved budget. 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, 2016, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 50,194,189
Stabilization investment income	\$ -	\$ 5,353	5,353
Unemployment investment income	-	67	67
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 5,420</u>	<u>\$ 50,199,609</u>
Expenditures on a budgetary basis			\$ 50,276,838
Unemployment fund activity	\$ -	\$ 19,705	19,705
Gross up of bond premium	63,355	-	63,355
Expenditures on a GAAP basis	<u>\$ 63,355</u>	<u>\$ 19,705</u>	<u>\$ 50,359,898</u>
Net other financing sources (uses) on a budgetary basis			\$ 1,128,019
Stabilization transfers	\$ -	\$ (177,486)	(177,486)
Gross up of bond premium	63,355	-	63,355
Net other financing sources (uses) on a GAAP basis	<u>\$ 63,355</u>	<u>\$ (177,486)</u>	<u>\$ 1,013,888</u>

Excess of Expenditures Over Appropriations – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$1,066,933. This over-expenditure will be funded through available funds during fiscal year 2017.



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**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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. 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
April 12, 2017