

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF BRIDGEWATER, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2018



TOWN OF BRIDGEWATER, MASSACHUSETTS

TABLE OF CONTENTS **YEAR ENDED JUNE 30, 2018**

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-10
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Position – Fiduciary Funds	20
Statement of Changes in Net Position – Fiduciary Funds	21
Notes to Basic Financial Statements	22-53
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Town's Proportionate Share of the Net Pension Liability	54
Schedule of the Town's Contribution to Pension Plan	54
Schedule of Changes in Net OPEB Liability and Related Ratios	55
Schedule of Contributions – OPEB Plan	56
Schedule of Investment Returns – OPEB Plan	56
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	57
Notes to Required Supplementary Information	58-59



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

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, 2018, 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, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As disclosed in the Note III to the financial statements, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year 2018. Our opinion was not modified with respect to this matter.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the Town's governmental activities, business-type activities and the Water, Sewer, Transfer Station and Golf Enterprise Funds. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying 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 November 21, 2018, 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.

Town of Bridgewater, Massachusetts
Page Three

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.

A handwritten signature in cursive script that reads "Roselli Clark & Associates".

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 21, 2018

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, 2018. 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

- As disclosed in the Note IV to the financial statements, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year 2018. The impact to the beginning balances as a result of this implementation was to reduce Governmental activities by \$19.6 million and Business-type activities by \$3.0 million.
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$4.9 million (*total net position*). Approximately \$13.5 million represented net position of the business-type activities and the net position of the governmental activities was in a deficit of approximately \$8.6 million.
- The government's total net position increased by nearly \$4.4 million. The governmental activities increased net position by nearly \$2.9 million (25.0%) while the business-type activities increased net position by over \$1.5 million (13.1%).
- The Town's unassigned fund balance reported in the General Fund was approximately \$8.4 million (15.6% of General Fund expenditures). Total fund balance in the General Fund was over \$9.9 million (18.4% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$3.3 million in the Community Preservation Fund, a restricted fund balance of over \$1.2 million in the Title V Program Fund, a restricted fund balance of nearly \$0.9 million in the Capital Project Fund and reported total fund balances of nearly \$3.6 million in the combined Nonmajor Governmental Funds.
- Regular scheduled maturities of debt were approximately \$2.4 million. Of this amount, \$1.1 million related to governmental activities and \$1.3 million to business-type activities. No long-term debt was issued during the fiscal year.

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, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Assets</u>						
Current and other assets	\$ 24,450,359	\$ 21,149,549	\$ 14,118,621	\$ 11,055,732	\$ 38,568,980	\$ 32,205,281
Capital assets, net	40,714,886	41,160,848	19,134,751	17,919,269	59,849,637	59,080,117
Total Assets	65,165,245	62,310,397	33,253,372	28,975,001	98,418,617	91,285,398
Deferred outflows of resources	654,661	3,461,419	90,990	478,413	745,651	3,939,832
<u>Liabilities</u>						
Long-term liabilities	71,682,311	56,255,574	15,309,937	14,092,044	86,992,248	70,347,618
Other liabilities	833,275	446,962	4,315,061	379,691	5,148,336	826,653
Total Liabilities	72,515,586	56,702,536	19,624,998	14,471,735	92,140,584	71,174,271
Deferred inflows of resources	1,873,732	873,211	258,974	120,689	2,132,706	993,900
<u>Net Position</u>						
Net investment in capital assets	31,172,993	30,785,293	12,319,633	9,815,476	43,492,626	40,600,769
Restricted	7,829,710	7,365,440	-	-	7,829,710	7,365,440
Unrestricted	(47,572,115)	(29,954,664)	1,140,757	5,045,514	(46,431,358)	(24,909,150)
Net Position	\$ (8,569,412)	\$ 8,196,069	\$ 13,460,390	\$ 14,860,990	\$ 4,890,978	\$ 23,057,059

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 nearly \$4.9 million (*total net position*). This was an increase of over \$4.4 million over the preceding year primarily the result of revenue in excess of budget in the general fund of \$2.6 million and positive water business-type operations of over \$1.1 million.

By far the largest portion (approximately \$43.5 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 \$7.8 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 \$46.4 million. This is due to the recognition of the other postemployment benefits liability of approximately \$40.7 million as a result of the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as previously discussed, and the implementation of GASB 68 in 2015, which has resulted in the recognition of almost \$26.0 million in net pension liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 3,910,818	\$ 4,020,670	\$ 7,953,743	\$ 7,238,175	\$ 11,864,561	\$ 11,258,845
Operating grants and contributions	1,890,059	1,815,372	-	-	1,890,059	1,815,372
Capital grants and contributions	874,044	1,145,458	27,175	48,801	901,219	1,194,259
General revenues:						
Property taxes	43,607,810	41,981,119	-	-	43,607,810	41,981,119
Intergovernmental	3,903,386	3,767,062	-	-	3,903,386	3,767,062
Other	5,683,268	4,418,758	-	2,770	5,683,268	4,421,528
Total Revenues	59,869,385	57,148,439	7,980,918	7,289,746	67,850,303	64,438,185
<u>Expenses</u>						
General government	4,730,765	4,420,750	-	-	4,730,765	4,420,750
Public safety	16,625,674	17,520,625	-	-	16,625,674	17,520,625
Education	30,011,437	29,345,979	-	-	30,011,437	29,345,979
Public works	3,661,622	3,134,351	-	-	3,661,622	3,134,351
Health and human services	809,547	829,281	-	-	809,547	829,281
Culture and recreation	1,104,782	1,295,073	-	-	1,104,782	1,295,073
Debt service	275,562	328,057	-	-	275,562	328,057
Water	-	-	2,634,184	2,443,307	2,634,184	2,443,307
Sewer	-	-	1,940,282	1,881,372	1,940,282	1,881,372
Transfer station	-	-	302,321	294,708	302,321	294,708
Golf	-	-	1,337,964	1,356,014	1,337,964	1,356,014
Total Expenses	57,219,389	56,874,116	6,214,751	5,975,401	63,434,140	62,849,517
Excess (deficiency) in net position before transfers	2,649,996	274,323	1,766,167	1,314,345	4,416,163	1,588,668
Transfers	211,482	(52,930)	(211,482)	52,930	-	-
Change in net position	2,861,478	221,393	1,554,685	1,367,275	4,416,163	1,588,668
Net position, beginning of year	8,196,069	7,974,676	14,860,990	13,493,715	23,057,059	21,468,391
Restatement for OPEB liability	(19,626,959)	-	(2,955,285)	-	(22,582,244)	-
Net position, beginning of year, as restated	(11,430,890)	7,974,676	11,905,705	13,493,715	474,815	21,468,391
Net position, end of year	\$ (8,569,412)	\$ 8,196,069	\$ 13,460,390	\$ 14,860,990	\$ 4,890,978	\$ 23,057,059

Governmental Activities - The town relies significantly on property taxes, which, during 2018, made up approximately 72.8% of total revenues, down slightly from 73.5% in the prior year. No other revenues were greater than 10% of total revenues in 2018 or 2017.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 52.4% of total expenses, up slightly from the prior year of 51.6% due to rising regional school assessments. Public safety expenses represented 29.1% of total expenses, down slightly from the prior year of 30.8%. No other expense types were greater than 10% of total expenses in 2018 or 2017.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.7% and 99.3% of total fiscal year 2018 and 2017 revenues, respectively. Water, sewer, transfer station and golf expenses represented 42.4%, 31.2%, 4.9% and 21.5% of total fiscal year 2018 business-type activities expenses, respectively, and 40.9%, 31.5%, 4.9% and 22.7% of total fiscal year 2017 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 \$19.0 million. This represents an increase of approximately \$3.6 million over the previous year from revenues in excess of budget in the general fund and higher ambulance reserves. Of the ending fund balance approximately \$8.3 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 \$8.4 million, while total fund balance reached approximately \$9.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 15.6% of total general fund expenditures, while total fund balance represents approximately 18.4% of that same amount.

The Community Preservation fund was used as a funding source for debt service and other capital spending. This balance of this fund was relatively unchanged.

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 \$0.1 million to a fund balance of approximately \$0.9 million, due to state reimbursements and funding from general fund reserves.

The combined Nonmajor funds increased from prior year by approximately \$0.8 million. Fund balances at year end were approximately \$3.6 million. This was mainly due to increase in department revenue from ambulance operations and solar related revenues.

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, 2018, net position of the water and sewer enterprise funds were approximately \$5.4 million and \$7.0 million, respectively. The transfer station and golf course enterprise funds had fund balances (deficits) of approximately (\$0.3 million) and \$1.3 million, respectively, at June 30, 2018. The Town's proprietary fund's net position increased by approximately \$1.6 million, primarily due to the positive operating results in the water and sewer funds from user rate increases.

General Fund Budgetary Highlights

The final amended budget was approximately \$3.8 million higher than the original budget, primarily due to increases in public safety spending and transfers to other funds. 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, 2018, amounts to approximately \$59.8 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 \$0.8 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 \$17.3 million. Of this amount approximately \$10.5 million represents debt of the governmental activities and approximately \$6.8 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a decrease over \$2.4 million during the fiscal year as the result of regular scheduled pay downs.

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 \$151 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 improved over the past twelve months, and this trend may continue into calendar 2019.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 87% 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% 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 2019, the Town anticipated receiving local aid of approximately \$4.3 million from the Commonwealth of Massachusetts, which is approximately \$0.2 million greater than the amount received in fiscal year 2018.

The above items were considered when the Town developed its budget for fiscal year 2019. The Town expects to set its tax rate for fiscal 2019 in December 2018.

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, 2018**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,022,608	\$ 10,343,641	\$ 27,366,249
Investments	2,085,277	-	2,085,277
Receivables (net):			
Property taxes	888,171	-	888,171
Excise taxes	715,679	-	715,679
User fees	-	3,260,769	3,260,769
Unapportioned assessments	-	467,826	467,826
Departmental and other	2,489,713	22,931	2,512,644
Intergovernmental	347,792	3,421	351,213
Tax foreclosures	835,938	-	835,938
Inventory	-	20,033	20,033
Prepaid items	65,181	-	65,181
Capital assets, not being depreciated	10,608,699	212,328	10,821,027
Capital assets, net of accumulated depreciation	30,106,187	18,922,423	49,028,610
Total Assets	65,165,245	33,253,372	98,418,617
Deferred Outflows of Resources	654,661	90,990	745,651
Liabilities			
Warrants and accounts payable	336,315	382,850	719,165
Accrued payroll and withholdings	457,426	57,517	514,943
Accrued interest expense	-	60,143	60,143
Unearned revenue	-	77,125	77,125
Other liabilities	39,534	2,060	41,594
Bond anticipation notes payable	-	3,735,366	3,735,366
Long-term liabilities:			
Due within one year	1,502,779	952,622	2,455,401
Due in more than one year	70,179,532	14,357,315	84,536,847
Total Liabilities	72,515,586	19,624,998	92,140,584
Deferred Inflows of Resources	1,873,732	258,974	2,132,706
Net Position			
Net investment in capital assets	31,172,993	12,319,633	43,492,626
Restricted:			
Nonexpendable permanent funds	113,385	-	113,385
Expendable permanent funds	680,958	-	680,958
Community preservation	3,306,048	-	3,306,048
Title V	492,723	-	492,723
Other purposes	3,236,596	-	3,236,596
Unrestricted	(47,572,115)	1,140,757	(46,431,358)
Total Net Position	\$ (8,569,412)	\$ 13,460,390	\$ 4,890,978

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

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	\$ 4,730,765	\$ 667,244	\$ 125,159	\$ 160,291	\$ (3,778,071)		\$ (3,778,071)
Public safety	16,625,674	2,709,576	1,434,450	-	(12,481,648)		(12,481,648)
Education	30,011,437	103,256	76,038	-	(29,832,143)		(29,832,143)
Public works	3,661,622	46,005	31,489	615,521	(2,968,607)		(2,968,607)
Health and human services	809,547	240,800	186,772	-	(381,975)		(381,975)
Culture and recreation	1,104,782	143,937	36,151	98,232	(826,462)		(826,462)
Debt service	275,562	-	-	-	(275,562)		(275,562)
Total Governmental Activities	57,219,389	3,910,818	1,890,059	874,044	(50,544,468)		(50,544,468)
<i>Business-Type Activities:</i>							
Water	2,634,184	3,883,338	-	-		\$ 1,249,154	1,249,154
Sewer	1,940,282	2,402,384	-	27,175		489,277	489,277
Transfer Station	302,321	269,853	-	-		(32,468)	(32,468)
Golf	1,337,964	1,398,168	-	-		60,204	60,204
Total Business-Type Activities	6,214,751	7,953,743	-	27,175		1,766,167	1,766,167
Total Primary Government	\$ 63,434,140	\$ 11,864,561	\$ 1,890,059	\$ 901,219	(50,544,468)	1,766,167	(48,778,301)
<u>General Revenues:</u>							
					43,607,810	-	43,607,810
					4,705,486	-	4,705,486
					701,054	-	701,054
					3,903,386	-	3,903,386
					84,928	-	84,928
					191,800	-	191,800
<u>Transfers (net):</u>							
					211,482	(211,482)	-
Total General Revenues and Transfers					53,405,946	(211,482)	53,194,464
Change in Net Position					2,861,478	1,554,685	4,416,163
<u>Net Position:</u>							
Beginning of year, as restated (see Note IV)					(11,430,890)	11,905,705	474,815
End of year					\$ (8,569,412)	\$ 13,460,390	\$ 4,890,978

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 8,314,004	\$ 3,290,366	\$ 1,216,039	\$ 693,034	\$ 3,509,165	\$ 17,022,608
Investments	1,990,558	-	-	-	94,719	2,085,277
Receivables, net of allowance for uncollectibles:						
Property taxes	878,748	9,423	-	-	-	888,171
Excise taxes	715,679	-	-	-	-	715,679
Departmental and other	1,473,605	6,979	589,572	-	419,557	2,489,713
Intergovernmental	-	-	-	318,042	29,750	347,792
Tax foreclosures	835,938	-	-	-	-	835,938
Other assets	-	-	-	-	65,181	65,181
Total Assets	<u>14,208,532</u>	<u>3,306,768</u>	<u>1,805,611</u>	<u>1,011,076</u>	<u>4,118,372</u>	<u>24,450,359</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,208,532</u>	<u>\$ 3,306,768</u>	<u>\$ 1,805,611</u>	<u>\$ 1,011,076</u>	<u>\$ 4,118,372</u>	<u>\$ 24,450,359</u>
Liabilities:						
Warrants and accounts payable	\$ 145,629	\$ -	\$ -	\$ 117,543	\$ 73,143	\$ 336,315
Accrued payroll and withholdings	443,355	-	-	-	14,071	457,426
Other liabilities	38,814	720	-	-	-	39,534
Total Liabilities	<u>627,798</u>	<u>720</u>	<u>-</u>	<u>117,543</u>	<u>87,214</u>	<u>833,275</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	610,114	9,423	-	-	-	619,537
Unavailable revenues - excise taxes	715,679	-	-	-	-	715,679
Unavailable revenues - other	2,309,543	6,979	589,572	-	419,557	3,325,651
Total Deferred Inflows of Resources	<u>3,635,336</u>	<u>16,402</u>	<u>589,572</u>	<u>-</u>	<u>419,557</u>	<u>4,660,867</u>
Fund Balances:						
Nonspendable	-	-	-	-	178,566	178,566
Restricted	66,136	3,289,646	1,216,039	893,533	3,497,997	8,963,351
Committed	670,802	-	-	-	-	670,802
Assigned	798,195	-	-	-	-	798,195
Unassigned	8,410,265	-	-	-	(64,962)	8,345,303
Total Fund Balances	<u>9,945,398</u>	<u>3,289,646</u>	<u>1,216,039</u>	<u>893,533</u>	<u>3,611,601</u>	<u>18,956,217</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,208,532</u>	<u>\$ 3,306,768</u>	<u>\$ 1,805,611</u>	<u>\$ 1,011,076</u>	<u>\$ 4,118,372</u>	<u>\$ 24,450,359</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, 2018**

Total Governmental Fund Balances	\$ 18,956,217
---	----------------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,714,886
---	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	4,660,867
--	-----------

Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to pensions	558,764
Deferred outflows related to other postemployment benefits	95,897
Deferred inflows related to pensions	(1,873,732)

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	(10,538,888)
Less: Unamortized bond premiums	(434,195)
Capital leases	(309,704)
Compensated absences	(2,014,782)
Net pension liability	(22,820,708)
Net other postemployment benefits liability	(35,564,034)

Net Position of Governmental Activities	<u><u>\$ (8,569,412)</u></u>
--	-------------------------------------

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, 2018**

	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	\$ 43,712,638	\$ 627,461	\$ -	\$ -	\$ -	\$ 44,340,099
Intergovernmental	4,372,217	98,232	-	565,538	1,387,660	6,423,647
Motor vehicle and other excises	4,530,737	-	-	-	-	4,530,737
Departmental and other revenue	663,933	8,412	149,287	-	2,394,180	3,215,812
Licenses and permits	879,541	-	-	-	-	879,541
Penalties and interest on taxes	701,054	-	-	-	-	701,054
Fines and forfeitures	35,183	-	-	-	97,710	132,893
Investment income	53,224	9,995	-	1,915	19,794	84,928
Contributions and donations	-	-	-	-	243,842	243,842
Total Revenues	<u>54,948,527</u>	<u>744,100</u>	<u>149,287</u>	<u>567,453</u>	<u>4,143,186</u>	<u>60,552,553</u>
Expenditures:						
Current:						
General government	3,192,940	-	-	70,321	335,324	3,598,585
Public safety	10,112,680	-	-	-	1,248,737	11,361,417
Education	29,910,233	-	-	-	-	29,910,233
Public works	2,069,350	-	-	891,961	62,772	3,024,083
Health and human services	441,509	-	80,538	-	56,237	578,284
Culture and recreation	842,633	5,377	-	-	201,323	1,049,333
Pensions and other fringes	6,073,346	-	-	-	-	6,073,346
State and county tax assessments	390,001	-	-	-	-	390,001
Debt service:						
Principal	859,321	277,000	-	-	-	1,136,321
Interest	162,705	167,290	-	-	-	329,995
Total Expenditures	<u>54,054,718</u>	<u>449,667</u>	<u>80,538</u>	<u>962,282</u>	<u>1,904,393</u>	<u>57,451,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>893,809</u>	<u>294,433</u>	<u>68,749</u>	<u>(394,829)</u>	<u>2,238,793</u>	<u>3,100,955</u>
Other Financing Sources (Uses):						
Issuance of capital leases	-	-	-	285,228	-	285,228
Transfers in	2,662,004	-	-	370,997	302,362	3,335,363
Transfers out	(836,783)	(257,000)	(121,321)	(182,357)	(1,726,420)	(3,123,881)
Total Other Financing Sources (Uses)	<u>1,825,221</u>	<u>(257,000)</u>	<u>(121,321)</u>	<u>473,868</u>	<u>(1,424,058)</u>	<u>496,710</u>
Net Change in Fund Balances	2,719,030	37,433	(52,572)	79,039	814,735	3,597,665
Fund Balances - Beginning	<u>7,226,368</u>	<u>3,252,213</u>	<u>1,268,611</u>	<u>814,494</u>	<u>2,796,866</u>	<u>15,358,552</u>
Fund Balances - Ending	<u>\$ 9,945,398</u>	<u>\$ 3,289,646</u>	<u>\$ 1,216,039</u>	<u>\$ 893,533</u>	<u>\$ 3,611,601</u>	<u>\$ 18,956,217</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, 2018**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 3,597,665**

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	1,305,067	
Depreciation expense	<u>(1,751,029)</u>	
Net effect of reporting capital assets		(445,962)

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	1,136,321	
Repayments of capital lease obligations	198,135	
Issuance of capital lease obligations	(285,228)	
Amortization of premiums from issuance of bonds and notes	<u>54,433</u>	
Net effect of reporting long-term debt		1,103,661

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. (683,168)

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	(237,406)	
Pension benefits	789,607	
Other postemployment benefits	<u>(1,262,919)</u>	
Net effect of reporting long-term liabilities		<u>(710,718)</u>

Change in Net Position of Governmental Activities **\$ 2,861,478**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Totals
	Water	Sewer	Transfer Station	Golf Course	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 5,470,838	\$ 4,793,607	\$ 15,165	\$ 64,031	\$ 10,343,641
Receivables, net of allowance for uncollectibles:					
User charges	2,263,697	997,072	-	-	3,260,769
Intergovernmental	-	3,421	-	-	3,421
Other	12,796	10,135	-	-	22,931
Inventory	-	-	-	20,033	20,033
Total Current Assets	7,747,331	5,804,235	15,165	84,064	13,650,795
Noncurrent assets:					
Receivables - unapportioned assessments	-	467,826	-	-	467,826
Capital assets, not being depreciated	212,328	-	-	-	212,328
Capital assets, net of accumulated depreciation	8,291,853	7,395,030	44,428	3,191,112	18,922,423
Total Noncurrent Assets	8,504,181	7,862,856	44,428	3,191,112	19,602,577
Total Assets	16,251,512	13,667,091	59,593	3,275,176	33,253,372
Total Deferred Outflows of Resources	37,035	34,118	4,154	15,683	90,990
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	45,798	300,248	27,775	9,029	382,850
Accrued payroll and withholdings	19,467	15,592	1,628	20,830	57,517
Accrued interest	28,641	24,074	-	7,428	60,143
Unearned revenue	-	-	-	77,125	77,125
Other liabilities	-	-	-	2,060	2,060
Bond anticipation notes payable	3,698,577	36,789	-	-	3,735,366
Bonds and notes payable	533,393	335,451	-	61,000	929,844
Compensated absences	7,880	5,405	-	9,493	22,778
Total Current Liabilities	4,333,756	717,559	29,403	186,965	5,267,683
Noncurrent Liabilities:					
Bonds and notes payable	2,603,367	2,930,907	-	351,000	5,885,274
Compensated absences	70,919	48,645	-	85,438	205,002
Net other postemployment benefits liability	2,566,918	1,655,656	157,035	733,322	5,112,931
Net pension liability	1,231,010	1,213,393	151,758	557,947	3,154,108
Total Noncurrent Liabilities	6,472,214	5,848,601	308,793	1,727,707	14,357,315
Total Liabilities	10,805,970	6,566,160	338,196	1,914,672	19,624,998
Deferred Inflows of Resources	101,074	99,628	12,461	45,811	258,974
Net Position:					
Net investment in capital assets	5,367,421	4,128,672	44,428	2,779,112	12,319,633
Unrestricted	14,082	2,906,749	(331,338)	(1,448,736)	1,140,757
Total Net Position	\$ 5,381,503	\$ 7,035,421	\$ (286,910)	\$ 1,330,376	\$ 13,460,390

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, 2018**

	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	\$ 3,739,926	\$ 2,340,038	\$ 269,853	\$ 1,398,168	\$ 7,747,985
Other operating income	143,412	62,346	-	-	205,758
Total Operating Revenues	<u>3,883,338</u>	<u>2,402,384</u>	<u>269,853</u>	<u>1,398,168</u>	<u>7,953,743</u>
Operating Expenses:					
Operating costs	2,132,666	1,431,920	300,676	1,144,451	5,009,713
Depreciation	396,664	434,911	1,645	174,339	1,007,559
Total Operating Expenses	<u>2,529,330</u>	<u>1,866,831</u>	<u>302,321</u>	<u>1,318,790</u>	<u>6,017,272</u>
Operating Income (Loss)	<u>1,354,008</u>	<u>535,553</u>	<u>(32,468)</u>	<u>79,378</u>	<u>1,936,471</u>
Nonoperating Revenues (Expenses):					
Betterments	-	27,175	-	-	27,175
Interest expense	(104,854)	(73,451)	-	(19,174)	(197,479)
Total Nonoperating Revenues (Expenses), net	<u>(104,854)</u>	<u>(46,276)</u>	<u>-</u>	<u>(19,174)</u>	<u>(170,304)</u>
Income (Loss) Before Transfers	<u>1,249,154</u>	<u>489,277</u>	<u>(32,468)</u>	<u>60,204</u>	<u>1,766,167</u>
Transfers in	-	-	103,424	60,000	163,424
Transfers out	(135,981)	(104,856)	(40,252)	(93,817)	(374,906)
Change in Net Position	<u>1,113,173</u>	<u>384,421</u>	<u>30,704</u>	<u>26,387</u>	<u>1,554,685</u>
Net Position - Beginning, as restated (see Note IV)	<u>4,268,330</u>	<u>6,651,000</u>	<u>(317,614)</u>	<u>1,303,989</u>	<u>11,905,705</u>
Net Position - Ending	<u>\$ 5,381,503</u>	<u>\$ 7,035,421</u>	<u>\$ (286,910)</u>	<u>\$ 1,330,376</u>	<u>\$ 13,460,390</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Cash Flows from Operating Activities:					
Receipts from users	\$ 3,579,947	\$ 2,259,069	\$ 269,853	\$ 1,400,707	\$ 7,509,576
Other receipts	143,412	62,346	-	-	205,758
Payments to employees	(663,689)	(535,911)	(60,219)	(555,989)	(1,815,808)
Payments to vendors	(1,390,660)	(612,482)	(230,147)	(547,707)	(2,818,930)
Net Cash Provided by (Used For) Operating Activities	1,669,010	1,173,022	(20,513)	297,011	3,118,530
Cash Flows from Noncapital Related Financing Activities:					
Advance from other funds	-	-	(27,494)	-	(27,494)
Transfers in	-	-	103,424	60,000	163,424
Transfers out	(135,981)	(104,856)	(40,252)	(93,817)	(374,906)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(135,981)	(104,856)	35,678	(33,817)	(238,976)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from betterment principal	-	120,235	-	-	120,235
Proceeds from issuance of bond and note debt	3,634,440	209,346	-	-	3,843,786
Acquisition and construction of capital assets	(1,474,479)	(748,562)	-	-	(2,223,041)
Principal payments on bonds and notes	(539,383)	(339,292)	-	(410,000)	(1,288,675)
Principal payments on capital leases	-	-	-	(2,418)	(2,418)
Interest expense	(108,754)	(64,289)	-	(26,420)	(199,463)
Net Cash (Used For) Capital and Related Financing Activities	1,511,824	(822,562)	-	(438,838)	250,424
Net Change in Cash and Cash Equivalents	3,044,853	245,604	15,165	(175,644)	3,129,978
Cash and Cash Equivalents:					
Beginning of year	2,425,985	4,548,003	-	239,675	7,213,663
End of year	<u>\$ 5,470,838</u>	<u>\$ 4,793,607</u>	<u>\$ 15,165</u>	<u>\$ 64,031</u>	<u>\$ 10,343,641</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:					
Operating income (loss)	\$ 1,354,008	\$ 535,553	\$ (32,468)	\$ 79,378	\$ 1,936,471
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	396,664	434,911	1,645	174,339	1,007,559
Changes in assets and liabilities:					
Receivables	(159,979)	(80,969)	-	-	(240,948)
Inventory	-	-	-	(89)	(89)
Prepaid items	17,765	13,400	879	5,890	37,934
Deferred outflows	149,683	149,928	18,866	68,946	387,423
Accounts payable and accrued expenses	3,784	281,293	3,235	7,547	295,859
Unearned income	-	-	-	2,539	2,539
Compensated absences	7,422	5,933	-	3,715	17,070
Net other postemployment benefits liability	92,553	25,277	11,485	43,377	172,692
Net pension liability	(253,142)	(249,519)	(31,208)	(114,734)	(648,603)
Deferred inflows	60,252	57,215	7,053	26,307	150,827
Other liabilities	-	-	-	(204)	(204)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,669,010</u>	<u>\$ 1,173,022</u>	<u>\$ (20,513)</u>	<u>\$ 297,011</u>	<u>\$ 3,118,530</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 1,611	\$ 96,743	\$ 2,326,030
Investments:			
Common stock	-	48,712	-
Equity mutual funds	204,301	-	-
Bond mutual funds	121,850	-	-
Other	-	-	39,110
	<u>327,762</u>	<u>145,455</u>	<u>2,365,140</u>
Total Assets			
	<u>327,762</u>	<u>145,455</u>	<u>2,365,140</u>
Liabilities:			
Warrants and accounts payable	-	-	1,042
Accrued payroll and withholdings	-	-	41,778
Planning and performance bonds	-	-	2,244,509
Other liabilities	-	-	77,811
	<u>-</u>	<u>-</u>	<u>77,811</u>
Total Liabilities			
	<u>-</u>	<u>-</u>	<u>\$ 2,365,140</u>
Net Position:			
Restricted for other postemployment benefits	327,762	-	
Held in trust for other purposes	-	145,455	
	<u>-</u>	<u>145,455</u>	
Total Net Position			
	<u>\$ 327,762</u>	<u>\$ 145,455</u>	

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Investment income	\$ 1,197	\$ 8,091
Employer contributions	<u>1,241,665</u>	<u>-</u>
Total Additions	<u>1,242,862</u>	<u>8,091</u>
Deductions:		
Retiree benefits	1,141,665	-
Scholarships	<u>-</u>	<u>3,200</u>
Total Deductions	<u>1,141,665</u>	<u>3,200</u>
Change in Net Position	101,197	4,891
Net Position - Beginning	<u>226,565</u>	<u>140,564</u>
Net Position - Ending	<u><u>\$ 327,762</u></u>	<u><u>\$ 145,455</u></u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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 2018, the Town's share of the operating and debt service expenses was \$28,513,386. 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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 two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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 three sources: property taxes, excise taxes and other. 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 inflow is reported on the government-wide statement of net position. This relates to inflows 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.

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 and a one-time revenue stabilization fund under MGL Chapter 40, Section 5B which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund general and one-time stabilization funds total \$3,294,066 and \$191,936, respectively, at June 30, 2018 and are reported as unassigned fund balance in the General Fund.

The Town maintains a capital stabilization fund under MGL Chapter 40, Section 5B which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$465,786 at June 30, 2018 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 \$798,195 of encumbrances from normal purchasing activity in the general fund as assigned and \$670,802 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	\$ -	\$ -	\$ -	\$ -	\$ 113,385	\$ 113,385
Prepaid items	-	-	-	-	65,181	65,181
Restricted:						
General government	-	-	-	-	641,422	641,422
Ambulance	-	-	-	-	1,898,454	1,898,454
Other public safety	-	-	-	-	242,581	242,581
Public works	-	-	-	-	206,335	206,335
Health and human services	-	-	1,216,039	-	152,094	1,368,133
Culture and recreation	-	-	-	-	233,553	233,553
Community preservation	-	3,289,646	-	-	-	3,289,646
Capital outlay	-	-	-	893,533	-	893,533
Debt service	66,136	-	-	-	-	66,136
Other purposes	-	-	-	-	123,558	123,558
Committed:						
Capital outlay	670,802	-	-	-	-	670,802
Assigned:						
Purchase orders	798,195	-	-	-	-	798,195
Unassigned	8,410,265	-	-	-	(64,962)	8,345,303
	<u>\$ 9,945,398</u>	<u>\$3,289,646</u>	<u>\$1,216,039</u>	<u>\$ 893,533</u>	<u>\$ 3,611,601</u>	<u>\$18,956,217</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 \$505,160. This over-expenditure will be funded through available funds during fiscal year 2019.

The Town incurred individual fund deficits totaling \$64,962 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 2019.

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 \$29,790,633 and the bank balance was \$30,152,011. Of the Town's bank balance, \$12,066,941 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 investments in U.S. governmental obligations, corporate fixed income securities and mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town's common stock investments totaling are not exposed to custodial credit risk because they are held with the Town. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance. 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, 2018:

		Fair Value Measurements Using		
	6/30/18	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 888,127	\$ 499,077	\$ 389,050	\$ -
Corporate fixed income securities	703,191	-	703,191	-
Negotiable certificates of deposit	399,240	-	399,240	-
Bond mutual funds	121,850	-	121,850	-
Total debt securities	2,112,408	499,077	1,613,331	-
Equity securities:				
Common stock	143,431	143,431	-	-
Equity mutual funds	204,301	-	204,301	-
Total equity securities	347,732	143,431	204,301	-
Total investments by fair value level	\$ 2,460,140	\$ 642,508	\$ 1,817,632	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. governmental obligations, corporate fixed income securities, negotiable certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

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.

At June 30, 2018, the Town had the following investments with maturities:

Investments	6/30/18	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. Government obligations	\$ 888,127	\$ 488,887	\$ 399,240	\$ -
Corporate fixed income securities	703,191	199,441	503,750	-
Negotiable certificates of deposit	399,240	399,240	-	-
Total investments with maturities	<u>\$ 1,990,558</u>	<u>\$ 1,087,568</u>	<u>\$ 902,990</u>	<u>\$ -</u>

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer.

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

At June 30, 2018 the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	U.S. Government Obligations	Corporate Fixed Income	Negotiable Certificates of Deposit	Totals
AAA	\$ 888,127	\$ -	\$ -	\$ 888,127
AA3	-	99,307	-	99,307
A1	-	99,109	-	99,109
A3	-	98,008	-	98,008
BAA1	-	182,376	-	182,376
BAA2	-	224,391	-	224,391
Not rated	-	-	399,240	399,240
Totals - All	<u>\$ 888,127</u>	<u>\$ 703,191</u>	<u>\$ 399,240</u>	<u>\$ 1,990,558</u>

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	\$ 878,748	\$ -	\$ 878,748
Community preservation surcharges	9,423	-	9,423
Excise	715,679	-	715,679
Tax liens and deferrals	1,480,584	-	1,480,584
Title V loans	589,572	-	589,572
Ambulance fees	599,367	(179,810)	419,557
Intergovernmental	347,792	-	347,792
Total	<u>\$ 4,621,165</u>	<u>\$ (179,810)</u>	<u>\$ 4,441,355</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 2,263,697	\$ -	\$ 2,263,697
Water - liens	12,796	-	12,796
Sewer - user fees	997,072	-	997,072
Sewer - liens	10,135	-	10,135
Sewer - betterments	467,826	-	467,826
Sewer - intergovernmental	3,421	-	3,421
Total	<u>\$ 3,754,947</u>	<u>\$ -</u>	<u>\$ 3,754,947</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 610,114	\$ -	\$ 610,114
Community preservation surcharges	-	9,423	9,423
Excise	715,679	-	715,679
Tax liens and deferrals	1,473,605	6,979	1,480,584
Title V loans	-	589,572	589,572
Ambulance fees	-	419,557	419,557
Foreclosures	835,938	-	835,938
Total	<u>\$ 3,635,336</u>	<u>\$ 1,025,531</u>	<u>\$ 4,660,867</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	50,034	-	-	50,034
Total capital assets not being depreciated	10,608,699	-	-	10,608,699
Capital assets being depreciated:				
Buildings and improvements	29,297,043	32,990	-	29,330,033
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	33,799,263	568,989	-	34,368,252
Machinery, equipment and vehicles	15,030,537	703,088	-	15,733,625
Total capital assets being depreciated	79,725,081	1,305,067	-	81,030,148
Less accumulated depreciation for:				
Buildings and improvements	(15,955,171)	(457,204)	-	(16,412,375)
Improvements other than buildings	(812,188)	(32,760)	-	(844,948)
Infrastructure	(19,229,480)	(770,375)	-	(19,999,855)
Machinery, equipment and vehicles	(13,176,093)	(490,690)	-	(13,666,783)
Total accumulated depreciation	(49,172,932)	(1,751,029)	-	(50,923,961)
Total capital assets being depreciated, net	30,552,149	(445,962)	-	30,106,187
Total governmental activities capital assets, net	<u>\$ 41,160,848</u>	<u>\$ (445,962)</u>	<u>\$ -</u>	<u>\$ 40,714,886</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 212,328	\$ -	\$ 212,328
Total capital assets not being depreciated	-	212,328	-	212,328
Capital assets being depreciated:				
Buildings and improvements	\$ 6,185,600	\$ -	\$ -	\$ 6,185,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	34,242,345	748,562	-	34,990,907
Machinery, equipment and vehicles	7,324,301	1,262,151	-	8,586,452
Total capital assets being depreciated	48,553,246	2,010,713	-	50,563,959
Less accumulated depreciation for:				
Buildings and improvements	(4,106,953)	(131,591)	-	(4,238,544)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(19,172,416)	(745,507)	-	(19,917,923)
Machinery, equipment and vehicles	(6,553,608)	(130,461)	-	(6,684,069)
Total accumulated depreciation	(30,633,977)	(1,007,559)	-	(31,641,536)
Total capital assets being depreciated, net	17,919,269	1,003,154	-	18,922,423
Total business-type activities capital assets, net	<u>\$ 17,919,269</u>	<u>\$ 1,215,482</u>	<u>\$ -</u>	<u>\$ 19,134,751</u>

Capital asset activity for the year ended June 30, 2018, for the Town's Enterprise Funds was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 212,328	\$ -	\$ 212,328
Total capital assets not being depreciated	-	212,328	-	212,328
Capital assets being depreciated:				
Buildings and improvements	\$ 1,569,400	\$ -	\$ -	\$ 1,569,400
Infrastructure	20,398,425	-	-	20,398,425
Machinery, equipment and vehicles	1,703,513	1,262,151	-	2,965,664
Total capital assets being depreciated	23,671,338	1,262,151	-	24,933,489
Less accumulated depreciation for:				
Buildings and improvements	(1,242,397)	(16,383)	-	(1,258,780)
Infrastructure	(13,681,741)	(305,375)	-	(13,987,116)
Machinery, equipment and vehicles	(1,320,834)	(74,906)	-	(1,395,740)
Total accumulated depreciation	(16,244,972)	(396,664)	-	(16,641,636)
Total capital assets being depreciated, net	7,426,366	865,487	-	8,291,853
Total Water capital assets, net	<u>\$ 7,426,366</u>	<u>\$ 1,077,815</u>	<u>\$ -</u>	<u>\$ 8,504,181</u>
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,387,900	\$ -	\$ -	\$ 3,387,900
Infrastructure	8,742,879	748,562	-	9,491,441
Machinery, equipment and vehicles	3,966,481	-	-	3,966,481
Total capital assets being depreciated	16,097,260	748,562	-	16,845,822
Less accumulated depreciation for:				
Buildings and improvements	(2,433,525)	(84,698)	-	(2,518,223)
Infrastructure	(2,945,458)	(313,112)	-	(3,258,570)
Machinery, equipment and vehicles	(3,636,898)	(37,101)	-	(3,673,999)
Total accumulated depreciation	(9,015,881)	(434,911)	-	(9,450,792)
Total Sewer capital assets being depreciated, net	<u>\$ 7,081,379</u>	<u>\$ 313,651</u>	<u>\$ -</u>	<u>\$ 7,395,030</u>
Total Sewer capital assets, net	<u>\$ 7,081,379</u>	<u>\$ 313,651</u>	<u>\$ -</u>	<u>\$ 7,395,030</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<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	(19,746)	(1,645)	-	(21,391)
Machinery, equipment and vehicles	(104,600)	-	-	(104,600)
Total accumulated depreciation	(132,246)	(1,645)	-	(133,891)
Total Transfer Station capital assets being depreciated, net	<u>\$ 46,073</u>	<u>\$ (1,645)</u>	<u>\$ -</u>	<u>\$ 44,428</u>
<u><i>Business-type Activities: Golf</i></u>				
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	(423,131)	(30,510)	-	(453,641)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(2,525,471)	(125,375)	-	(2,650,846)
Machinery, equipment and vehicles	(1,491,276)	(18,454)	-	(1,509,730)
Total accumulated depreciation	(5,240,878)	(174,339)	-	(5,415,217)
Total Golf capital assets being depreciated, net	<u>\$ 3,365,451</u>	<u>\$ (174,339)</u>	<u>\$ -</u>	<u>\$ 3,191,112</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 268,369	Water	\$ 396,664
Public safety	464,020	Sewer	434,911
Education	62,796	Transfer station	1,645
Public works	872,847	Golf	174,339
Health and human services	26,627		<u>\$ 1,007,559</u>
Culture and recreation	56,370		
	<u>\$ 1,751,029</u>		

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are as follows:

Transfers Out	Transfers In					Total	
	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Transfer Station Enterprise Fund	Golf Enterprise Fund		
General Fund	\$ -	\$ 370,997	\$ 302,362	\$ 103,424	\$ 60,000	\$ 836,783	(1)
Title V Program Fund	121,321	-	-	-	-	121,321	(2)
Community Preservation Act Fund	257,000	-	-	-	-	257,000	(2)
Capital Project Fund	182,357	-	-	-	-	182,357	(2)
Nonmajor Governmental Funds	1,726,420	-	-	-	-	1,726,420	(2)
Water Enterprise Fund	135,981	-	-	-	-	135,981	(3)
Sewer Enterprise Fund	104,856	-	-	-	-	104,856	(3)
Transfer Station Enterprise Fund	40,252	-	-	-	-	40,252	(3)
Golf Enterprise Fund	93,817	-	-	-	-	93,817	(3)
Total	<u>\$ 2,662,004</u>	<u>\$ 370,997</u>	<u>\$ 302,362</u>	<u>\$ 103,424</u>	<u>\$ 60,000</u>	<u>\$ 3,498,787</u>	

- (1) Transfers to capital project fund for building construction, nonmajor funds for reserves and fund deficits and to transfer station and golf enterprise funds to supplement operating budgets.
(2) Transfers to general fund to supplement operating budget and 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 an ambulance, sweeper and golf club cars and equipment. 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>	
Golf club cars	150,618
Golf equipment	27,588
Sweeper	252,450
Ambulance	285,228
Less: accumulated depreciation	(414,310)
Total	<u>\$ 301,574</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2018, are as follows:

Fiscal Year Ended June 30,	Amount
2019	\$ 152,265
2020	114,524
2021	61,025
Total minimum lease payments	327,814
Less: amounts representing interest	(18,110)
Present value of minimum lease payments	<u>\$ 309,704</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, 2018, 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	1.55%	01/25/19	\$ -	\$ 3,625,000	\$ -	\$ 3,625,000
MCWT	0.00%	12/31/18	96,206	14,160	-	110,366
Total Business-Type Notes			<u>\$ 96,206</u>	<u>\$ 3,639,160</u>	<u>\$ -</u>	<u>\$ 3,735,366</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, 2018. Short-term MCWT loans totaling \$36,789 and \$73,577 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	\$ 11,675,209	\$ -	\$ (1,136,321)	\$ 10,538,888	\$ 1,108,351
Unamortized bond premium	488,628	-	(54,433)	434,195	51,142
Capital lease obligations	222,611	285,228	(198,135)	309,704	141,808
Compensated absences	1,777,376	248,809	(11,403)	2,014,782	201,478
Net pension liability	27,513,491	2,670,107	(7,362,890)	22,820,708	-
Net other postemployment benefits liability *	34,292,676	2,343,148	(1,071,790)	35,564,034	-
Total Governmental Activities	\$ 75,969,991	\$ 5,547,292	\$ (9,834,972)	\$ 71,682,311	\$ 1,502,779
<u>Business-type Activities: Water</u>					
Bond and note debt	\$ 3,676,143	\$ -	\$ (539,383)	\$ 3,136,760	\$ 533,393
Compensated absences	71,377	14,560	(7,138)	78,799	7,880
Net pension liability	1,484,152	143,996	(397,138)	1,231,010	-
Net other postemployment benefits liability *	2,474,365	165,171	(72,618)	2,566,918	-
Total Business-type Activities: Water	7,706,037	323,727	(1,016,277)	7,013,487	541,273
<u>Business-type Activities: Sewer</u>					
Bond and note debt	3,605,650	-	(339,292)	3,266,358	335,451
Compensated absences	48,117	10,745	(4,812)	54,050	5,405
Net pension liability	1,462,912	141,936	(391,455)	1,213,393	-
Net other postemployment benefits liability *	1,630,379	61,495	(36,218)	1,655,656	-
Total Business-type Activities: Sewer	6,747,058	214,176	(771,777)	6,189,457	340,856
<u>Business-type Activities: Transfer Station</u>					
Net pension liability	182,966	17,751	(48,959)	151,758	-
Net other postemployment benefits liability *	145,550	15,845	(4,360)	157,035	-
Total Business-type Activities: Transfer	328,516	33,596	(53,319)	308,793	-
<u>Business-type Activities: Golf</u>					
Bond and note debt	822,000	-	(410,000)	412,000	61,000
Capital lease obligations	2,418	-	(2,418)	-	-
Compensated absences	91,216	12,837	(9,122)	94,931	9,493
Net pension liability	672,681	65,266	(180,000)	557,947	-
Net other postemployment benefits liability *	689,945	56,032	(12,655)	733,322	-
Total Business-type Activities: Golf	2,278,260	134,135	(614,195)	1,798,200	70,493
Total Business-type Activities	\$ 17,059,871	\$ 705,634	\$ (2,455,568)	\$ 15,309,937	\$ 952,622

* As restated (See Note IV)

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, 2018, the Town had authorized and unissued debt as follows:

Project	Amount
Golf clubhouse	\$ 1,401,000
Water mains	1,208,006
Water resource plan	68,810
Septic repair	8,182
MA Clean Water Trust projects	10,400,000
Total authorized and unissued	\$ 13,085,998

The following is a summary of outstanding long-term debt obligations as of June 30, 2018:

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<u><i>Governmental Activities:</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 8,909,000	\$ -	\$ (555,000)	\$ 8,354,000
Refunding Bonds	2.00 - 3.00%	1,332,000	-	(460,000)	872,000
MCWT Notes (Title V)	0.00%	1,434,209	-	(121,321)	1,312,888
Total Governmental Activities		11,675,209	-	(1,136,321)	10,538,888
Add: Unamortized bond premium		488,628	-	(54,433)	434,195
Total Governmental Activities net		\$ 12,163,837	\$ -	\$ (1,190,754)	\$ 10,973,083
<u><i>Business-Type Activities - Water</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 2,251,000	\$ -	\$ (288,000)	\$ 1,963,000
Refunding Bonds	2.00 - 3.00%	590,000	-	(203,000)	387,000
MCWT Note	2.00%	835,143	-	(48,383)	786,760
Total Water		3,676,143	-	(539,383)	3,136,760
<u><i>Business-Type Activities - Sewer</i></u>					
General Obligation Bonds	2.00 - 3.00%	198,000	-	(33,000)	165,000
Refunding Bonds	2.00 - 3.00%	953,000	-	(207,000)	746,000
MCWT Note	2.00%	2,454,650	-	(99,292)	2,355,358
Total Sewer		3,605,650	-	(339,292)	3,266,358
<u><i>Business-Type Activities - Golf</i></u>					
General Obligation Bonds	2.00 - 2.30%	212,000	-	(34,000)	178,000
Refunding Bond	2.25 - 5.00%	350,000	-	(350,000)	-
State House Note	6.50%	260,000	-	(26,000)	234,000
Total Golf		822,000	-	(410,000)	412,000
Total Business-Type Activities		\$ 8,103,793	\$ -	\$ (1,288,675)	\$ 6,815,118

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	Principal			Interest			Total
June 30	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	649,794	-	649,794	210,336	(734)	209,602	859,396
2023	636,824	-	636,824	190,598	(245)	190,353	827,177
2024-2028	2,832,632	-	2,832,632	695,761	-	695,761	3,528,393
2029-2033	2,318,232	-	2,318,232	369,750	-	369,750	2,687,982
2034-2036	1,260,000	-	1,260,000	72,750	-	72,750	1,332,750
Total	<u>\$ 10,538,888</u>	<u>\$ -</u>	<u>\$ 10,538,888</u>	<u>\$ 2,345,920</u>	<u>\$ (6,339)</u>	<u>\$ 2,339,581</u>	<u>\$ 12,878,469</u>
<i>Business-type Activities: Water - Bond and Note Indebtedness</i>							
Year Ending	Principal			Interest			Total
June 30	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	340,547	-	340,547	54,122	-	54,122	394,669
2023	339,641	-	339,641	42,671	-	42,671	382,312
2024-2028	810,461	-	810,461	81,545	-	81,545	892,006
2029-2033	243,823	-	243,823	10,265	-	10,265	254,088
Total	<u>\$ 3,136,760</u>	<u>\$ -</u>	<u>\$ 3,136,760</u>	<u>\$ 426,435</u>	<u>\$ -</u>	<u>\$ 426,435</u>	<u>\$ 3,563,195</u>

<i>Business-type Activities: Sewer - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2019	\$ 335,451	\$ -	\$ 335,451	\$ 69,227	\$ -	\$ 69,227	\$ 404,678
2020	331,656	-	331,656	62,213	-	62,213	393,869
2021	258,909	-	258,909	55,710	-	55,710	314,619
2022	256,211	-	256,211	49,767	-	49,767	305,978
2023	258,562	-	258,562	43,163	-	43,163	301,725
2024-2028	589,918	-	589,918	159,467	-	159,467	749,385
2029-2032	656,869	-	656,869	97,855	-	97,855	754,724
2033-2037	578,782	-	578,782	29,250	-	29,250	608,032
Total	<u>\$ 3,266,358</u>	<u>\$ -</u>	<u>\$ 3,266,358</u>	<u>\$ 566,653</u>	<u>\$ -</u>	<u>\$ 566,653</u>	<u>\$ 3,833,011</u>

<i>Business-type Activities: Golf - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
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	56,000	-	56,000	12,062	-	12,062	68,062
2023	56,000	-	56,000	9,503	-	9,503	65,503
2024-2027	117,000	-	117,000	17,227	-	17,227	134,227
Total	<u>\$ 412,000</u>	<u>\$ -</u>	<u>\$ 412,000</u>	<u>\$ 89,919</u>	<u>\$ -</u>	<u>\$ 89,919</u>	<u>\$ 501,919</u>

<i>Business-type Activities - Total Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2018	\$ 929,844	\$ -	\$ 929,844	\$ 182,616	\$ -	\$ 182,616	\$ 1,112,460
2019	922,078	-	922,078	158,194	-	158,194	1,080,272
2020	659,382	-	659,382	135,300	-	135,300	794,682
2021	652,758	-	652,758	115,951	-	115,951	768,709
2022	654,203	-	654,203	95,337	-	95,337	749,540
2023-2027	1,517,379	-	1,517,379	258,239	-	258,239	1,775,618
2028-2032	900,692	-	900,692	108,120	-	108,120	1,008,812
2033-2037	578,782	-	578,782	29,250	-	29,250	608,032
Total	<u>\$ 6,815,118</u>	<u>\$ -</u>	<u>\$ 6,815,118</u>	<u>\$ 1,083,007</u>	<u>\$ -</u>	<u>\$ 1,083,007</u>	<u>\$ 7,898,125</u>

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, 2017 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, 2017 was as follows:

Active and inactive employees	7,617
Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them and disabled participants	<u>4,012</u>
	<u>11,629</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 \$3,301,134 to the System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 25.7% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$25,974,816 for its proportionate share of the net pension liability. The net pension liability was measured as of

December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

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 4.83% at December 31, 2017.

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, 2017, 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 \$2,402,393 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 997,576
Differences between expected and actual experience	565,431	-
Changes in assumptions	-	617,739
Changes in proportion and differences between Town contributions and proportionate share of contributions	70,562	517,391
Total	<u>\$ 635,993</u>	<u>\$ 2,132,706</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>	
2019	\$ 186,304
2020	(139,582)
2021	(766,026)
2022	(777,409)
Total	<u>\$ (1,496,713)</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, 2017. The significant actuarial assumptions used in the January 1, 2017 actuarial valuation included:

Actuarial cost method:	Individual Entry Age Normal Cost Method
Amortization method:	Payments increase at 3.5% for the unfunded actuarial accrued liability, and level amortization of the 2002, 2003, and 2013 Early Retirement Incentives
Remaining amortization period:	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years
Salary increases:	3.75%
Investment rate of return:	8.00%
Mortality rates:	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

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 January 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US equity	26.50 %	7.50 %
Developed markets equity	16.00 %	7.30 %
Emerging markets equity	4.00 %	9.80 %
Core bonds	11.50 %	4.20 %
Foreign bonds	3.00 %	2.40 %
Emerging markets bonds	4.00 %	5.50 %
High yield bonds	4.00 %	6.00 %
Bank loans	3.00 %	5.50 %
Private equity	10.00 %	9.60 %
Real estate	10.00 %	6.90 %
Natural resources	1.00 %	7.00 %
Infrastructure	2.00 %	7.80 %
Hedge funds	4.00 %	5.30 %
Cash	1.00 %	2.80 %

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2017 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	33,697,965	\$ 25,974,816	\$ 19,287,940

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, 2018.

D. Other Postemployment Benefits (OPEB)

The Town administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of 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 premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.'s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 75. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the same measurement date is used for both GASB 74 and GASB 75. When different measurement dates are used, differences in assumptions and calculations will result.

This footnote disclosure separately presents the required disclosures into two sections as there are two different measurement dates used in the Town's fiscal 2018 reporting.

GASB Statement No. 75

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of July 1, 2017 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Active employees	186
Inactive employees	<u>161</u>
Total	<u><u>347</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 10 - 25% of the set premium for medical, dental and life insurance plans. The remainder of the cost is funded by general revenues of 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 OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town's average contribution rate was approximately 9.3% of covered payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of July 1, 2017 using an actuarial valuation as of July 1, 2016. The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$ 40,903,530
Plan fiduciary net position	<u>(226,565)</u>
Net OPEB liability	<u><u>\$ 40,676,965</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.6%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.87%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	3.13% as of July 1, 2017
Discount Rate	3.25%, net of OPEB plan investment expense including inflation.
Inflation	2.75% annually as of July 1, 2017 and for future periods
Health Care Trend Rate	5.00%
Salary Increases	3.00% annually as of July 1, 2017 and for future periods

Pre-Retirement Mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Actuarial Cost Method	Individual entry age normal

The investment rate of return was increased to 6.87% from 2.75% in the prior year.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.25%.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	19.25%	4.00%
Domestic Equity - Small/Mid Cap	9.75%	6.00%
International Equity - Developed Market	12.75%	4.50%
International Equity - Emerging Market	6.25%	7.00%
Domestic Fixed Income	26.00%	2.00%
International Fixed Income	6.00%	3.00%
Alternatives	20.00%	6.50%
Cash	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.37%
Inflation assumption		2.75%
Total nominal rate of return		7.12%
Investment expense		-0.25%
Net investment return		<u>6.87%</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate		
	1% Decrease (2.25%)	Current (3.25%)	1% Increase (4.25%)
Net OPEB Liability	\$ 48,364,693	\$ 40,676,965	\$ 34,667,535
Service Cost	1,820,317	1,336,757	994,461

	Health Care Rate		
	1% Decrease (4%)	Trend Rate (5%)	1% Increase (6%)
Net OPEB Liability	\$ 32,887,286	\$ 40,676,965	\$ 50,856,913
Service Cost	903,266	1,336,757	1,967,955

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2016	\$ 39,359,480		\$ 39,232,915
		\$ 126,565	
Changes for the year:			
Service cost	1,336,757	-	1,336,757
Interest	1,304,934	-	1,304,934
Employer contributions	-	1,197,641	(1,197,641)
Benefit payments withdrawn from trust	-	(1,097,641)	1,097,641
Benefit payments	(1,097,641)	-	(1,097,641)
Net changes	1,544,050	100,000	1,444,050
Balances at July 1, 2017	\$ 40,903,530	\$ 226,565	\$ 40,676,965

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$2,632,033. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 100,000	\$ -
Differences between expected and actual earnings	9,658	-
	\$ 109,658	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

June 30		
2019	\$	102,415
2020		2,415
2021		2,415
2022		2,413
	\$	109,658

GASB Statement No. 74

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2018 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan has a formal investment policy to invest in Domestic Equity, Domestic Fixed Income, International Equity, International Fixed Income and Alternative Investments with target allocations of 29%, 19%, 26%, 6% and 20% respectively.

Investment Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 0.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate		
	1% Decrease (3.5%)	Current (4.5%)	1% Increase (5.5%)
Net OPEB Liability	\$ 40,605,070	\$ 34,700,173	\$ 30,017,330
Service Cost	1,280,998	956,016	722,832
	Health Care Rate		
	1% Decrease (4%)	Trend Rate (5%)	1% Increase (6%)
Net OPEB Liability	\$ 28,628,867	\$ 34,700,173	\$ 42,485,638
Service Cost	660,473	956,016	1,373,158

Actuarial Assumptions – Actuarial assumptions are identical to those under GASB 75 except the Discount Rate is 4.5% and the Municipal Bond Rate is 3.45%.

Net OPEB Liability – The Town’s net OPEB liability was measured as of July 1, 2017 using an actuarial valuation as of July 1, 2016. The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$	35,027,935
Plan fiduciary net position		<u>(327,762)</u>
Net OPEB liability	\$	<u>34,700,173</u>

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, 2018, 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, 2018.

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. Implementation of GASB Pronouncements

Current Year Implementations –

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of approximately \$19.6 million and \$3.0 million in the Town’s governmental and business-type activities, respectively. Refer to Note IV.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was 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 became effective in fiscal year 2018 and did not have a material impact on the Town’s financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

Future Implementations –

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017.

The impact is illustrated in the table below:

	Governmental	Business Type	Proprietary Funds			
			Water	Sewer	Transfer Station	Golf Course
Net position at June 30, 2017, as reported	\$ 8,196,069	\$ 14,860,990	\$ 6,041,115	\$ 7,468,978	\$ (217,089)	\$ 1,567,986
Eliminate previously recorded OPEB obligation	14,578,259	1,972,412	695,299	808,385	44,625	424,103
Prior year additional contribution	87,458	12,542	6,281	4,016	400	1,845
Record net OPEB liability	<u>(34,292,676)</u>	<u>(4,940,239)</u>	<u>(2,474,365)</u>	<u>(1,630,379)</u>	<u>(145,550)</u>	<u>(689,945)</u>
Net position at June 30, 2017, as restated	<u>\$ (11,430,890)</u>	<u>\$ 11,905,705</u>	<u>\$ 4,268,330</u>	<u>\$ 6,651,000</u>	<u>\$ (317,614)</u>	<u>\$ 1,303,989</u>

TOWN OF BRIDGEWATER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

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

(dollar amounts are in thousands)

		Year Ended June 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	4.83%	4.94%	4.89%	5.12%
Town's proportionate share of the net pension liability (asset)	\$ 25,975	\$ 31,316	\$ 31,007	\$ 28,498
Town's covered payroll	\$ 12,843	\$ 12,349	\$ 10,272	\$ 9,900
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	202.3%	253.6%	301.9%	287.9%
Plan fiduciary net position as a percentage of the total pension liability	65.6%	58.3%	56.8%	58.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

		Year Ended June 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,301	\$ 3,187	\$ 3,115	\$ 2,940
Contributions in relation to the actuarially determined contribution	<u>3,301</u>	<u>3,187</u>	<u>3,115</u>	<u>2,940</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 12,843	\$ 12,349	\$ 10,272	\$ 9,900
Contributions as a percentage of covered payroll	25.7%	25.8%	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, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	June 30, 2018	June 30, 2017
Total OPEB liability:		
Service cost	\$ 956,016	\$ 1,336,757
Interest	1,858,273	1,304,934
Changes of assumptions	(7,548,219)	-
Benefit payments	(1,141,665)	(1,097,641)
Net change in total OPEB liability	(5,875,595)	1,544,050
Total OPEB liability - beginning of year	40,903,530	39,359,480
Total OPEB liability - end of year (a)	<u>\$ 35,027,935</u>	<u>\$ 40,903,530</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,241,665	\$ 1,197,641
Net investment income	1,197	-
Benefit payments	(1,141,665)	(1,097,641)
Net change in Plan fiduciary net position	101,197	100,000
Plan fiduciary net position - beginning of year	226,565	126,565
Plan fiduciary net position - end of year (b)	<u>\$ 327,762</u>	<u>\$ 226,565</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 34,700,173</u>	<u>\$ 40,676,965</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.94%	0.55%
Covered payroll	\$ 13,334,197	\$ 12,945,822
Net OPEB liability as a percentage of covered payroll	260.23%	314.21%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB 74.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30, 2018	June 30, 2017
Actuarially-determined contribution	\$ 3,345,700	\$ 3,338,554
Contributions in relation to the actuarially-determined contribution	(1,241,665)	(1,197,641)
Contribution deficiency (excess)	<u>\$ 2,104,035</u>	<u>\$ 2,140,913</u>
Covered payroll	\$ 13,334,197	\$ 12,945,822
Contribution as a percentage of covered payroll	9.3%	9.3%
Valuation Date	July 1, 2016	July 1, 2016
Amortization Period	30 years	30 years
Investment rate of return	6.87%	2.75%
Municipal Bond Rate	3.45%	3.13%
Single Equivalent Discount Rate	4.50%	3.25%
Inflation	2.75%	2.75%
Healthcare cost trend rates	5.00%	5.00%
Salary increases	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)	
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)	

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	0.43%	0.00%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 42,904,499	\$ 42,904,499	\$ 43,926,242	\$ -	\$ 43,926,242	\$ 1,021,743
Intergovernmental	4,085,981	4,354,545	4,372,217	-	4,372,217	17,672
Motor vehicle and other excises	3,621,104	3,621,104	4,530,737	-	4,530,737	909,633
Departmental and other revenue	448,335	448,335	472,133	-	472,133	23,798
Licenses and permits	638,692	638,692	879,541	-	879,541	240,849
Penalties and interest on taxes	299,023	299,023	701,054	-	701,054	402,031
Fines and forfeitures	33,598	33,598	35,183	-	35,183	1,585
Investment income	10,391	10,391	32,929	-	32,929	22,538
Total Revenues	<u>52,041,623</u>	<u>52,310,187</u>	<u>54,950,036</u>	<u>-</u>	<u>54,950,036</u>	<u>2,639,849</u>
Expenditures						
General government	3,239,979	3,805,346	3,192,940	514,940	3,707,880	97,466
Public safety	10,582,241	11,097,436	10,112,680	828,047	10,940,727	156,709
Education	30,011,764	29,998,829	29,910,233	-	29,910,233	88,596
Public works	1,419,627	1,728,343	2,069,350	89,207	2,158,557	(430,214)
Health and human services	469,589	516,650	441,509	20,437	461,946	54,704
Culture and recreation	630,643	858,999	842,633	16,366	858,999	-
Pensions and fringe benefits	6,180,436	6,117,254	5,972,778	-	5,972,778	144,476
State and county tax assessments	390,233	390,233	390,001	-	390,001	232
Debt service	1,022,026	1,022,026	1,022,026	-	1,022,026	-
Total Expenditures	<u>53,946,538</u>	<u>55,535,116</u>	<u>53,954,150</u>	<u>\$ 1,468,997</u>	<u>55,423,147</u>	<u>111,969</u>
Other Financing Sources (Uses)						
Transfers in	1,911,585	3,397,681	3,397,681		3,397,681	-
Transfers out	(127,021)	(2,301,807)	(2,301,807)		(2,301,807)	-
Total Other Financing Sources (Uses)	<u>1,784,564</u>	<u>1,095,874</u>	<u>1,095,874</u>		<u>1,095,874</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
Of Prior Year Budgetary Fund Balance	<u>(120,351)</u>	<u>(2,129,055)</u>	<u>\$ 2,091,760</u>		<u>\$ 622,763</u>	<u>\$ 2,751,818</u>
Other Budgetary Items						
Use of free cash (unassigned fund balance)	286,721	1,596,656				
Use of capital reserves	-	300,000				
Use of overlay surplus	-	400,000				
Prior year encumbrances	656,467	656,467				
Prior year appropriation deficits	(822,837)	(822,837)				
Other items	-	(1,231)				
	<u>\$ -</u>	<u>\$ -</u>				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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 2018, Town Council approved approximately \$3,800,000 in additional appropriations from the original approved budget, which were primarily for general government (\$565,000), public safety (\$515,000), public works (\$310,000), culture and recreation (\$230,000) and transfers to other funds (\$2,175,000). 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, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 54,950,036
Stabilization revenues	\$ -	\$ 212,095	212,095
60 day accrual	(213,604)	-	(213,604)
Revenues on a GAAP basis	<u>\$ (213,604)</u>	<u>\$ 212,095</u>	<u>\$ 54,948,527</u>
Expenditures on a budgetary basis			\$ 53,954,150
Unemployment expenditures	\$ -	\$ 568	568
OPEB transfer	-	100,000	100,000
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ 100,568</u>	<u>\$ 54,054,718</u>
Net other financing sources (uses) on a budgetary basis			\$ 1,095,874
Stabilization transfers	\$ -	\$ 629,347	629,347
OPEB transfer	-	100,000	100,000
Net other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 729,347</u>	<u>\$ 1,825,221</u>

Excess of Expenditures Over Appropriations – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$505,160. This over-expenditure will be funded through available funds during fiscal year 2019.