

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, 2019

Report on Internal Control Over
Financial Reporting and on
Compliance and Other Matters
Year Ended June 30, 2019



TOWN OF BRIDGEWATER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bridgewater, Massachusetts, (the "Town") as of and for the year ended June 30, 2019, 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, 2019 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.

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 dated January 8, 2020, 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
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 8, 2020

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, 2019. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$12.0 million (*total net position*). Approximately \$13.7 million represented net position of the business-type activities and the net position of the governmental activities was in a deficit of approximately \$1.7 million.
- The government's total net position increased by approximately \$2.3 million. The governmental activities increased net position by approximately \$1.7 million (49.7%) while the business-type activities increased net position by nearly \$0.6 million (4.5%). As more fully described in Note IV of this report, as a result of restatements, the governmental activities beginning net position increased nearly \$5.2 million and the business-type activities beginning net position decreased over \$0.3 million.
- The Town's unassigned fund balance reported in the General Fund was approximately \$9.4 million (16.2% of General Fund expenditures). Total fund balance in the General Fund was approximately \$11.8 million (20.3% of General Fund expenditures). The Town reported a restricted fund balance of over \$3.6 million in the Community Preservation Fund, a restricted fund balance of nearly \$1.1 million in the Title V Program Fund, a restricted fund balance of over \$0.7 million in the Capital Project Fund and reported total fund balances of nearly \$3.9 million in the combined Nonmajor Governmental Funds.
- Regular scheduled maturities of debt were approximately \$2.0 million. Of this amount, \$1.1 million related to governmental activities and \$0.9 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, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<u>Assets</u>						
Current and other assets	\$ 30,235,909	\$ 24,450,359	\$ 11,024,704	\$ 14,118,621	\$ 41,260,613	\$ 38,568,980
Capital assets, net	42,114,755	40,714,886	22,208,062	19,134,751	64,322,817	59,849,637
Total Assets	72,350,664	65,165,245	33,232,766	33,253,372	105,583,430	98,418,617
Deferred outflows of resources	8,199,507	654,661	1,139,417	90,990	9,338,924	745,651
<u>Liabilities</u>						
Long-term liabilities	74,333,326	71,682,311	14,782,638	15,309,937	89,115,964	86,992,248
Other liabilities	5,201,807	833,275	5,479,960	4,315,061	10,681,767	5,148,336
Total Liabilities	79,535,133	72,515,586	20,262,598	19,624,998	99,797,731	92,140,584
Deferred inflows of resources	2,740,838	1,873,732	390,532	258,974	3,131,370	2,132,706
<u>Net Position</u>						
Net investment in capital assets	33,130,343	31,172,993	11,930,128	12,319,633	45,060,471	43,492,626
Restricted	8,302,761	7,829,710	-	-	8,302,761	7,829,710
Unrestricted	(43,158,904)	(47,572,115)	1,788,925	1,140,757	(41,369,979)	(46,431,358)
Net Position	\$ (1,725,800)	\$ (8,569,412)	\$ 13,719,053	\$ 13,460,390	\$ 11,993,253	\$ 4,890,978

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 \$12.0 million (*total net position*). This was an increase of over \$2.3 million over the preceding year, net of beginning net position restatements. This was primarily the result of revenue in excess of budget in the general fund of \$2.1 million and positive water business-type operations of nearly \$0.6 million.

By far the largest portion (approximately \$45.1 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$8.3 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 \$41.4 million. This is due to the recognition of the other postemployment benefits liability of approximately \$34.4 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 \$35.9 million in net pension liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,573,763	\$ 3,910,818	\$ 7,321,022	\$ 7,953,743	\$ 11,894,785	\$ 11,864,561
Operating grants and contributions	830,609	1,890,059	-	-	830,609	1,890,059
Capital grants and contributions	1,465,227	874,044	22,991	27,175	1,488,218	901,219
General revenues:						
Property taxes	45,615,379	43,607,810	-	-	45,615,379	43,607,810
Intergovernmental	4,316,110	3,903,386	-	-	4,316,110	3,903,386
Other	5,665,330	5,683,268	-	-	5,665,330	5,683,268
Total Revenues	62,466,418	59,869,385	7,344,013	7,980,918	69,810,431	67,850,303
<u>Expenses</u>						
General government	5,012,225	4,730,765	-	-	5,012,225	4,730,765
Public safety	18,769,523	16,625,674	-	-	18,769,523	16,625,674
Education	31,193,359	30,011,437	-	-	31,193,359	30,011,437
Public works	3,590,582	3,661,622	-	-	3,590,582	3,661,622
Health and human services	996,531	809,547	-	-	996,531	809,547
Culture and recreation	1,292,151	1,104,782	-	-	1,292,151	1,104,782
Debt service	249,682	275,562	-	-	249,682	275,562
Water	-	-	2,824,637	2,634,184	2,824,637	2,634,184
Sewer	-	-	1,908,865	1,940,282	1,908,865	1,940,282
Transfer station	-	-	311,803	302,321	311,803	302,321
Golf	-	-	1,360,399	1,337,964	1,360,399	1,337,964
Total Expenses	61,104,053	57,219,389	6,405,704	6,214,751	67,509,757	63,434,140
Excess (deficiency) in net position before transfers	1,362,365	2,649,996	938,309	1,766,167	2,300,674	4,416,163
Transfers	343,167	211,482	(343,167)	(211,482)	-	-
Change in net position	1,705,532	2,861,478	595,142	1,554,685	2,300,674	4,416,163
Net position, beginning of year	(8,569,412)	8,196,069	13,460,390	14,860,990	4,890,978	23,057,059
Restatement for net OPEB liability	5,138,080	(19,626,959)	738,717	(2,955,285)	5,876,797	(22,582,244)
Restatement for unbilled receivables	-	-	(1,075,196)	-	(1,075,196)	-
Net position, beginning of year, as restated	(3,431,332)	(11,430,890)	13,123,911	11,905,705	9,692,579	474,815
Net position, end of year	\$ (1,725,800)	\$ (8,569,412)	\$ 13,719,053	\$ 13,460,390	\$ 11,993,253	\$ 4,890,978

Governmental Activities - The town relies significantly on property taxes, which, during 2019, made up approximately 73.0% of total revenues, up slightly from 72.8% in the prior year. No other revenues were greater than 10% of total revenues in 2019 or 2018.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 51.0% of total expenses, down slightly from the prior year of 52.4%, but up in total due to rising regional school assessments. Public safety expenses represented 30.7% of total expenses, up slightly from the prior year of 29.1%. No other expense types were greater than 10% of total expenses in 2019 or 2018.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.7% and 99.7% of total fiscal year 2019 and 2018 revenues, respectively. Water, sewer, transfer station and golf expenses represented 44.1%, 29.8%, 4.9% and 21.2% of total fiscal year 2019 business-type activities expenses, respectively, and 42.4%, 31.2%, 4.9% and 21.5% of total fiscal year 2018 business-type activities expenses, respectively. These were all consistent and within expectations and comparable to the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$20.8 million. This represents an increase of nearly \$1.9 million over the previous year from revenues in excess of budget in the general fund. Of the ending fund balance approximately \$9.1 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 \$9.4 million, while total fund balance reached approximately \$11.8 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 16.2% of total general fund expenditures, while total fund balance represents approximately 20.3% of that same amount.

The Community Preservation fund was used as a funding source for debt service and other capital spending. The balance of this fund increased over \$0.3 million as the Town builds reserves for future projects.

The Capital Project fund was used as a funding source for building remodeling projects as well as roadway improvements during the year. As a result, this fund was decreased by approximately \$0.4 million to a fund balance of approximately \$0.5 million.

The combined Nonmajor funds increased from prior year by approximately \$0.3 million. Fund balances at year end were approximately \$3.9 million. This was mainly due to increase in departmental revenue from ambulance operations and other 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, 2019, net position of the water and sewer enterprise funds were approximately \$5.5 million and \$7.1 million, respectively. The transfer station and golf course enterprise funds had fund balances (deficits) of approximately (\$0.2 million) and \$1.3 million, respectively, at June 30, 2019. The Town's proprietary fund's net position increased by approximately \$0.6 million, primarily due to the positive operating results in the water fund.

General Fund Budgetary Highlights

The final amended budget was approximately \$2.4 million higher than the original budget, primarily due to increases in general governmental, public safety and public works spending. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to approximately \$64.3 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 \$4.5 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 \$15.3 million. Of this amount approximately \$9.4 million represents debt of the governmental activities and approximately \$5.9 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a decrease over \$2.0 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 2020, the Town anticipated receiving local aid of approximately \$4.5 million from the Commonwealth of Massachusetts, which is approximately \$0.2 million greater than the amount received in fiscal year 2019.

The above items were considered when the Town developed its budget for fiscal year 2020. The Town expects to set its tax rate for fiscal 2020 in December 2019.

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, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 22,771,680	\$ 8,411,539	\$ 31,183,219
Investments	2,128,871	-	2,128,871
Receivables (net):			
Property taxes	948,399	-	948,399
Excise taxes	466,573	-	466,573
User fees	-	2,140,633	2,140,633
Unapportioned assessments	-	388,715	388,715
Departmental and other	2,393,191	62,760	2,455,951
Intergovernmental	780,445	-	780,445
Tax foreclosures	620,520	-	620,520
Inventory	-	21,057	21,057
Prepaid items	126,230	-	126,230
Capital assets, not being depreciated	11,086,818	611,231	11,698,049
Capital assets, net of accumulated depreciation	31,027,937	21,596,831	52,624,768
Total Assets	72,350,664	33,232,766	105,583,430
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	1,105,825	158,981	1,264,806
Related to net pension liability	7,093,682	980,436	8,074,118
Total Deferred Outflows of Resources	8,199,507	1,139,417	9,338,924
Liabilities			
Warrants and accounts payable	429,208	102,276	531,484
Accrued payroll and withholdings	496,416	54,136	550,552
Accrued interest expense	-	111,782	111,782
Unearned revenue	-	80,843	80,843
Other liabilities	26,183	5,923	32,106
Bond anticipation notes payable	4,250,000	5,125,000	9,375,000
Long-term liabilities:			
Due within one year	1,588,315	942,829	2,531,144
Due in more than one year	72,745,011	13,839,809	86,584,820
Total Liabilities	79,535,133	20,262,598	99,797,731
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	2,108,989	303,203	2,412,192
Related to net pension liability	631,849	87,329	719,178
Total Deferred Inflows of Resources	2,740,838	390,532	3,131,370
Net Position			
Net investment in capital assets	33,130,343	11,930,128	45,060,471
Restricted:			
Nonexpendable permanent funds	113,385	-	113,385
Expendable permanent funds	594,018	-	594,018
Community preservation	3,661,629	-	3,661,629
Title V	495,068	-	495,068
Other purposes	3,438,661	-	3,438,661
Unrestricted	(43,158,904)	1,788,925	(41,369,979)
Total Net Position	\$ (1,725,800)	\$ 13,719,053	\$ 11,993,253

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

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	\$ 5,012,225	\$ 772,881	\$ 131,619	\$ 21,600	\$ (4,086,125)		\$ (4,086,125)
Public safety	18,769,523	3,260,789	387,526	-	(15,121,208)		(15,121,208)
Education	31,193,359	101,791	76,038	-	(31,015,530)		(31,015,530)
Public works	3,590,582	4,250	-	1,326,435	(2,259,897)		(2,259,897)
Health and human services	996,531	266,875	198,313	-	(531,343)		(531,343)
Culture and recreation	1,292,151	167,177	37,113	117,192	(970,669)		(970,669)
Debt service	249,682	-	-	-	(249,682)		(249,682)
Total Governmental Activities	61,104,053	4,573,763	830,609	1,465,227	(54,234,454)		(54,234,454)
<i>Business-Type Activities:</i>							
Water	2,824,637	3,543,562	-	-		\$ 718,925	718,925
Sewer	1,908,865	2,135,914	-	22,991		250,040	250,040
Transfer Station	311,803	265,045	-	-		(46,758)	(46,758)
Golf	1,360,399	1,376,501	-	-		16,102	16,102
Total Business-Type Activities	6,405,704	7,321,022	-	22,991		938,309	938,309
Total Primary Government	\$ 67,509,757	\$ 11,894,785	\$ 830,609	\$ 1,488,218	(54,234,454)	938,309	(53,296,145)
<u>General Revenues:</u>							
					45,615,379	-	45,615,379
					4,367,020	-	4,367,020
					413,521	-	413,521
					4,316,110	-	4,316,110
					229,239	-	229,239
					655,550	-	655,550
<u>Transfers (net):</u>							
					343,167	(343,167)	-
Total General Revenues and Transfers					55,939,986	(343,167)	55,596,819
Change in Net Position					1,705,532	595,142	2,300,674
<u>Net Position:</u>							
Beginning of year, as restated (see Note IV)					(3,431,332)	13,123,911	9,692,579
End of year					\$ (1,725,800)	\$ 13,719,053	\$ 11,993,253

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 9,832,798	\$ 3,644,991	\$ 1,070,846	\$ 4,499,075	\$ 3,723,970	\$ 22,771,680
Investments	2,031,431	-	-	-	97,440	2,128,871
Receivables, net of allowance for uncollectibles:						
Property taxes	941,573	6,826	-	-	-	948,399
Excise taxes	466,573	-	-	-	-	466,573
Departmental and other	1,378,460	10,472	615,759	-	388,500	2,393,191
Intergovernmental	404,607	-	-	375,838	-	780,445
Tax foreclosures	620,520	-	-	-	-	620,520
Other assets	-	-	-	-	126,230	126,230
Total Assets	<u>15,675,962</u>	<u>3,662,289</u>	<u>1,686,605</u>	<u>4,874,913</u>	<u>4,336,140</u>	<u>30,235,909</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>\$ 15,675,962</u>	<u>\$ 3,662,289</u>	<u>\$ 1,686,605</u>	<u>\$ 4,874,913</u>	<u>\$ 4,336,140</u>	<u>\$ 30,235,909</u>
Liabilities:						
Warrants and accounts payable	\$ 194,644	\$ 64	\$ -	\$ 177,770	\$ 56,730	\$ 429,208
Accrued payroll and withholdings	489,202	98	-	-	7,116	496,416
Other liabilities	25,685	498	-	-	-	26,183
Bond anticipation notes payable	-	-	-	4,250,000	-	4,250,000
Total Liabilities	<u>709,531</u>	<u>660</u>	<u>-</u>	<u>4,427,770</u>	<u>63,846</u>	<u>5,201,807</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	723,977	6,826	-	-	-	730,803
Unavailable revenues - excise taxes	466,573	-	-	-	-	466,573
Unavailable revenues - other	1,998,980	10,472	615,759	-	388,500	3,013,711
Total Deferred Inflows of Resources	<u>3,189,530</u>	<u>17,298</u>	<u>615,759</u>	<u>-</u>	<u>388,500</u>	<u>4,211,087</u>
Fund Balances:						
Nonspendable	-	-	-	-	239,615	239,615
Restricted	58,289	3,644,331	1,070,846	723,845	3,644,179	9,141,490
Committed	1,730,924	-	-	-	-	1,730,924
Assigned	578,481	-	-	-	-	578,481
Unassigned	9,409,207	-	-	(276,702)	-	9,132,505
Total Fund Balances	<u>11,776,901</u>	<u>3,644,331</u>	<u>1,070,846</u>	<u>447,143</u>	<u>3,883,794</u>	<u>20,823,015</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 15,675,962</u>	<u>\$ 3,662,289</u>	<u>\$ 1,686,605</u>	<u>\$ 4,874,913</u>	<u>\$ 4,336,140</u>	<u>\$ 30,235,909</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, 2019**

Total Governmental Fund Balances	\$ 20,823,015
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,114,755
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	4,211,087
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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 other postemployment benefits	1,105,825
Deferred outflows related to pensions	7,093,682
Deferred inflows related to other postemployment benefits	(2,108,989)
Deferred inflows related to pensions	(631,849)

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	(9,430,537)
Less: Unamortized bond premiums	(383,053)
Capital leases	(693,724)
Compensated absences	(2,162,831)
Net pension liability	(31,554,785)
Net other postemployment benefits liability	<u>(30,108,396)</u>

Net Position of Governmental Activities	<u>\$ (1,725,800)</u>
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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, 2019**

	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	\$ 45,154,402	\$ 656,781	\$ -	\$ -	\$ -	\$ 45,811,183
Intergovernmental	4,528,180	117,192	-	1,260,981	524,162	6,430,515
Motor vehicle and other excises	4,616,126	-	-	-	-	4,616,126
Departmental and other revenue	1,318,268	2,768	124,211	39,554	2,607,376	4,092,177
Licenses and permits	1,031,507	-	-	-	-	1,031,507
Penalties and interest on taxes	413,521	-	-	-	-	413,521
Fines and forfeitures	39,599	-	-	-	91,904	131,503
Investment income	191,525	26,551	-	2,146	9,017	229,239
Contributions and donations	-	-	-	-	141,877	141,877
Total Revenues	<u>57,293,128</u>	<u>803,292</u>	<u>124,211</u>	<u>1,302,681</u>	<u>3,374,336</u>	<u>62,897,648</u>
Expenditures:						
Current:						
General government	3,668,028	13,667	-	43,293	146,474	3,871,462
Public safety	11,989,024	-	-	311,175	557,945	12,858,144
Education	31,085,227	-	-	-	-	31,085,227
Public works	2,537,421	-	-	1,935,108	40,486	4,513,015
Health and human services	439,133	-	148,053	-	75,427	662,613
Culture and recreation	635,616	-	-	-	221,100	856,716
Pensions and other fringes	6,412,461	-	-	-	-	6,412,461
State and county tax assessments	405,755	-	-	-	-	405,755
Debt service:						
Principal	830,351	278,000	-	-	-	1,108,351
Interest	143,884	156,940	-	-	-	300,824
Total Expenditures	<u>58,146,900</u>	<u>448,607</u>	<u>148,053</u>	<u>2,289,576</u>	<u>1,041,432</u>	<u>62,074,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(853,772)</u>	<u>354,685</u>	<u>(23,842)</u>	<u>(986,895)</u>	<u>2,332,904</u>	<u>823,080</u>
Other Financing Sources (Uses):						
Premiums from issuance of bonds and notes	-	-	-	18,550	-	18,550
Issuance of capital leases	-	-	-	682,001	-	682,001
Transfers in	3,027,197	-	-	-	227,217	3,254,414
Transfers out	(341,922)	-	(121,351)	(160,046)	(2,287,928)	(2,911,247)
Total Other Financing Sources (Uses)	<u>2,685,275</u>	<u>-</u>	<u>(121,351)</u>	<u>540,505</u>	<u>(2,060,711)</u>	<u>1,043,718</u>
Net Change in Fund Balances	1,831,503	354,685	(145,193)	(446,390)	272,193	1,866,798
Fund Balances - Beginning	<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>
Fund Balances - Ending	<u>\$ 11,776,901</u>	<u>\$ 3,644,331</u>	<u>\$ 1,070,846</u>	<u>\$ 447,143</u>	<u>\$ 3,883,794</u>	<u>\$ 20,823,015</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, 2019**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 1,866,798**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:

Capital outlays	3,234,895	
Depreciation expense	<u>(1,835,026)</u>	
Net effect of reporting capital assets		1,399,869

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	1,108,351	
Repayments of capital lease obligations	297,981	
Issuance of capital lease obligations	(682,001)	
Amortization of premiums from issuance of bonds and notes	<u>51,142</u>	
Net effect of reporting long-term debt		775,473

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.

(449,780)

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	(148,049)	
Pension benefits	(957,276)	
Other postemployment benefits	<u>(781,503)</u>	
Net effect of reporting long-term liabilities		<u>(1,886,828)</u>

Change in Net Position of Governmental Activities **\$ 1,705,532**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 3,842,753	\$ 4,458,590	\$ 44,581	\$ 65,615	\$ 8,411,539
Receivables, net of allowance for uncollectibles:					
User charges	1,430,190	710,443	-	-	2,140,633
Other	49,464	13,296	-	-	62,760
Inventory	-	-	-	21,057	21,057
Total Current Assets	5,322,407	5,182,329	44,581	86,672	10,635,989
Noncurrent assets:					
Receivables - unapportioned assessments	-	388,715	-	-	388,715
Capital assets, not being depreciated	611,231	-	-	-	611,231
Capital assets, net of accumulated depreciation	11,162,087	7,373,141	42,783	3,018,820	21,596,831
Total Noncurrent Assets	11,773,318	7,761,856	42,783	3,018,820	22,596,777
Total Assets	17,095,725	12,944,185	87,364	3,105,492	33,232,766
Deferred Outflows of Resources:					
Related to net other postemployment benefits liability	79,815	51,481	4,883	22,802	158,981
Related to net pension liability	382,652	377,176	47,173	173,435	980,436
Total Deferred Outflows of Resources	462,467	428,657	52,056	196,237	1,139,417
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	71,775	11,756	18,036	709	102,276
Accrued payroll and withholdings	17,680	14,657	1,627	20,172	54,136
Accrued interest	83,050	22,141	-	6,591	111,782
Unearned revenue	-	-	-	80,843	80,843
Other liabilities	-	-	-	5,923	5,923
Bond anticipation notes payable	5,125,000	-	-	-	5,125,000
Bonds and notes payable	529,422	331,656	-	61,000	922,078
Compensated absences	4,886	4,997	-	10,868	20,751
Total Current Liabilities	5,831,813	385,207	19,663	186,106	6,422,789
Noncurrent Liabilities:					
Bonds and notes payable	2,073,945	2,599,251	-	290,000	4,963,196
Compensated absences	43,969	44,977	-	97,808	186,754
Net other postemployment benefits liability	2,173,145	1,401,673	132,945	620,828	4,328,591
Net pension liability	1,702,150	1,677,791	209,840	771,487	4,361,268
Total Noncurrent Liabilities	5,993,209	5,723,692	342,785	1,780,123	13,839,809
Total Liabilities	11,825,022	6,108,899	362,448	1,966,229	20,262,598
Deferred Inflows of Resources:					
Related to net other postemployment benefits liability	152,222	98,182	9,312	43,487	303,203
Related to net pension liability	34,083	33,596	4,202	15,448	87,329
Total Deferred Inflows of Resources	186,305	131,778	13,514	58,935	390,532
Net Position:					
Net investment in capital assets	4,777,291	4,442,234	42,783	2,667,820	11,930,128
Unrestricted	769,574	2,689,931	(279,325)	(1,391,255)	1,788,925
Total Net Position	\$ 5,546,865	\$ 7,132,165	\$ (236,542)	\$ 1,276,565	\$ 13,719,053

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, 2019**

	Business-type Activities - Enterprise Funds				Totals
	Water	Sewer	Transfer Station	Golf Course	
Operating Revenues:					
Charges for services	\$ 3,433,538	\$ 2,080,026	\$ 265,045	\$ 1,376,501	\$ 7,155,110
Other operating income	110,024	55,888	-	-	165,912
Total Operating Revenues	3,543,562	2,135,914	265,045	1,376,501	7,321,022
Operating Expenses:					
Operating costs	2,124,523	1,358,682	310,158	1,169,486	4,962,849
Depreciation	495,440	482,815	1,645	172,292	1,152,192
Total Operating Expenses	2,619,963	1,841,497	311,803	1,341,778	6,115,041
Operating Income (Loss)	923,599	294,417	(46,758)	34,723	1,205,981
Nonoperating Revenues (Expenses):					
Betterments	-	22,991	-	-	22,991
Interest expense	(204,674)	(67,368)	-	(18,621)	(290,663)
Total Nonoperating Revenues (Expenses), net	(204,674)	(44,377)	-	(18,621)	(267,672)
Income (Loss) Before Transfers	718,925	250,040	(46,758)	16,102	938,309
Transfers in	-	-	114,705	-	114,705
Transfers out	(136,464)	(105,339)	(40,252)	(175,817)	(457,872)
Change in Net Position	582,461	144,701	27,695	(159,715)	595,142
Net Position - Beginning, as restated (see Note IV)	4,964,404	6,987,464	(264,237)	1,436,280	13,123,911
Net Position - Ending	<u>\$ 5,546,865</u>	<u>\$ 7,132,165</u>	<u>\$ (236,542)</u>	<u>\$ 1,276,565</u>	<u>\$ 13,719,053</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Cash Flows from Operating Activities:					
Receipts from users	\$ 3,442,394	\$ 2,076,281	\$ 265,045	\$ 1,380,219	\$ 7,163,939
Other receipts	110,024	55,888	-	-	165,912
Payments to employees	(688,061)	(504,233)	(60,219)	(547,031)	(1,799,544)
Payments to vendors	(1,334,166)	(1,060,670)	(249,863)	(575,329)	(3,220,028)
Net Cash Provided by (Used For) Operating Activities	1,530,191	567,266	(45,037)	257,859	2,310,279
Cash Flows from Noncapital Related Financing Activities:					
Transfers in	-	-	114,705	-	114,705
Transfers out	(136,464)	(105,339)	(40,252)	(175,817)	(457,872)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(136,464)	(105,339)	74,453	(175,817)	(343,167)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from betterment principal	-	102,102	-	-	102,102
Proceeds from issuance of bond and note debt	5,125,000	3,421	-	-	5,128,421
Acquisition and construction of capital assets	(3,764,577)	(460,926)	-	-	(4,225,503)
Principal payments on bonds and notes	(4,231,970)	(372,240)	-	(61,000)	(4,665,210)
Interest expense	(150,265)	(69,301)	-	(19,458)	(239,024)
Net Cash (Used For) Capital and Related Financing Activities	(3,021,812)	(796,944)	-	(80,458)	(3,899,214)
Net Change in Cash and Cash Equivalents	(1,628,085)	(335,017)	29,416	1,584	(1,932,102)
Cash and Cash Equivalents:					
Beginning of year	5,470,838	4,793,607	15,165	64,031	10,343,641
End of year	\$ 3,842,753	\$ 4,458,590	\$ 44,581	\$ 65,615	\$ 8,411,539
Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:					
Operating income (loss)	\$ 923,599	\$ 294,417	\$ (46,758)	\$ 34,723	\$ 1,205,981
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	495,440	482,815	1,645	172,292	1,152,192
Changes in assets and liabilities:					
Receivables	8,856	(3,745)	-	-	5,111
Inventory	-	-	-	(1,024)	(1,024)
Deferred outflows	(425,432)	(394,539)	(47,902)	(180,554)	(1,048,427)
Accounts payable and accrued expenses	24,190	(289,427)	(9,740)	(8,978)	(283,955)
Unearned income	-	-	-	3,718	3,718
Compensated absences	(29,944)	(4,076)	-	13,745	(20,275)
Net other postemployment benefits liability	(22,889)	(14,727)	(1,417)	(6,590)	(45,623)
Net pension liability	471,140	464,398	58,082	213,540	1,207,160
Deferred inflows	85,231	32,150	1,053	13,124	131,558
Other liabilities	-	-	-	3,863	3,863
Net Cash Provided By (Used For) Operating Activities	\$ 1,530,191	\$ 567,266	\$ (45,037)	\$ 257,859	\$ 2,310,279

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 1,807	\$ 96,592	\$ 1,935,656
Investments:			
Common stock	-	50,112	-
Equity mutual funds	308,211	-	-
Bond mutual funds	156,360	-	-
Other	-	-	84,884
Total Assets	466,378	146,704	2,020,540
Liabilities:			
Warrants and accounts payable	-	-	5,549
Accrued payroll and withholdings	-	-	25,039
Planning and performance bonds	-	-	1,812,613
Other liabilities	-	-	177,339
Total Liabilities	-	-	\$ 2,020,540
Net Position:			
Restricted for other postemployment benefits	466,378	-	
Held in trust for other purposes	-	146,704	
Total Net Position	\$ 466,378	\$ 146,704	

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Investment income	\$ 23,616	\$ 2,949
Employer contributions	1,346,077	-
Total Additions	1,369,693	2,949
Deductions:		
Retiree benefits	1,231,077	-
Scholarships	-	1,700
Total Deductions	1,231,077	1,700
Change in Net Position	138,616	1,249
Net Position - Beginning	327,762	145,455
Net Position - Ending	\$ 466,378	\$ 146,704

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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 2019, the Town's share of the operating and debt service expenses was \$29,591,531. 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 three 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 other types of items that qualify for reporting as a deferred inflow are 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 and inflows from the changes in the net other postemployment benefits liability which will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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 Council. The balance of the fund general and one-time stabilization funds total \$5,304,866 and \$162,475, respectively, at June 30, 2019 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 Council. The balance of the fund totals \$552,838 at June 30, 2019 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 \$578,481 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,730,924 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	-	-	-	-	126,230	126,230
Restricted:						
General government	-	-	-	-	442,910	442,910
Ambulance	-	-	-	-	2,372,957	2,372,957
Other public safety	-	-	-	-	66,772	66,772
Public works	-	-	-	-	158,542	158,542
Health and human services	-	-	1,070,846	-	154,736	1,225,582
Culture and recreation	-	-	-	-	233,510	233,510
Community preservation	-	3,644,331	-	-	-	3,644,331
Capital outlay	-	-	-	723,845	-	723,845
Debt service	58,289	-	-	-	-	58,289
Other purposes	-	-	-	-	214,752	214,752
Committed:						
Capital outlay	1,730,924	-	-	-	-	1,730,924
Assigned:						
Purchase orders	578,481	-	-	-	-	578,481
Unassigned	9,409,207	-	-	(276,702)	-	9,132,505
	<u>\$11,776,901</u>	<u>\$3,644,331</u>	<u>\$1,070,846</u>	<u>\$ 447,143</u>	<u>\$ 3,883,794</u>	<u>\$20,823,015</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 \$382,941. This over-expenditure will be funded through available funds during fiscal year 2020.

The Town incurred an individual fund deficit totaling \$276,702 in the Capital Project major fund. This deficit will be funded through grants, bond proceeds and available funds in future fiscal years.

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 \$33,217,274 and the bank balance was \$33,668,352. Of the Town's bank balance, \$12,163,095 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, 2019:

		Fair Value Measurements Using		
	6/30/19	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 835,507	\$ 351,502	\$ 484,005	\$ -
Corporate fixed income securities	772,228	-	772,228	-
Negotiable certificates of deposit	423,696	-	423,696	-
Bond mutual funds	156,360	-	156,360	-
Total debt securities	2,187,791	351,502	1,836,289	-
Equity securities:				
Common stock	147,552	147,552	-	-
Equity mutual funds	308,211	-	308,211	-
Total equity securities	455,763	147,552	308,211	-
Total investments by fair value level	\$ 2,643,554	\$ 499,054	\$ 2,144,500	\$ -

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, 2019, the Town had the following investments with maturities:

Investments	6/30/19	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. Government obligations	\$ 835,507	\$ 453,017	\$ 382,490	\$ -
Corporate fixed income securities	772,228	284,947	487,281	-
Negotiable certificates of deposit	423,696	201,532	222,164	-
Bond mutual funds	156,360	156,360	-	-
Total investments with maturities	<u>\$ 2,187,791</u>	<u>\$ 1,095,856</u>	<u>\$ 1,091,935</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, 2019 the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	U.S. Government Obligations	Corporate Fixed Income	Totals
AAA	\$ 835,506	\$ -	\$ 835,506
AA3	-	175,716	175,716
A1	-	52,725	52,725
A2	-	100,005	100,005
BAA1	-	287,715	287,715
BAA2	-	156,068	156,068
Totals - All	<u>\$ 835,506</u>	<u>\$ 772,229</u>	<u>\$ 1,607,735</u>

The Town's investments in negotiable certificates of deposit and bond mutual funds are not rated.

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	\$ 941,573	\$ -	\$ 941,573
Community preservation surcharges	6,826	-	6,826
Excise	466,573	-	466,573
Tax liens and deferrals	1,388,932	-	1,388,932
Title V loans	615,759	-	615,759
Ambulance fees	1,088,888	(700,388)	388,500
Intergovernmental	780,445	-	780,445
Total	<u>\$ 5,288,996</u>	<u>\$ (700,388)</u>	<u>\$ 4,588,608</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 1,430,190	\$ -	\$ 1,430,190
Water - liens	49,464	-	49,464
Sewer - user fees	710,443	-	710,443
Sewer - liens	13,296	-	13,296
Sewer - betterments	388,715	-	388,715
Total	<u>\$ 2,592,108</u>	<u>\$ -</u>	<u>\$ 2,592,108</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	\$ 723,977	\$ -	\$ 723,977
Community preservation surcharges	-	6,826	6,826
Excise	466,573	-	466,573
Tax liens and deferrals	1,378,460	10,472	1,388,932
Title V loans	-	615,759	615,759
Ambulance fees	-	388,500	388,500
Foreclosures	620,520	-	620,520
Total	<u>\$ 3,189,530</u>	<u>\$ 1,021,557</u>	<u>\$ 4,211,087</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2019, 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	478,119	-	528,153
Total capital assets not being depreciated	10,608,699	478,119	-	11,086,818
Capital assets being depreciated:				
Buildings and improvements	29,330,033	38,987	-	29,369,020
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	34,368,252	1,256,987	-	35,625,239
Machinery, equipment and vehicles	15,733,625	1,460,802	-	17,194,427
Total capital assets being depreciated	81,030,148	2,756,776	-	83,786,924
Less accumulated depreciation for:				
Buildings and improvements	(16,412,375)	(459,004)	-	(16,871,379)
Improvements other than buildings	(844,948)	(32,760)	-	(877,708)
Infrastructure	(19,999,855)	(779,702)	-	(20,779,557)
Machinery, equipment and vehicles	(13,666,783)	(563,560)	-	(14,230,343)
Total accumulated depreciation	(50,923,961)	(1,835,026)	-	(52,758,987)
Total capital assets being depreciated, net	30,106,187	921,750	-	31,027,937
Total governmental activities capital assets, net	<u>\$ 40,714,886</u>	<u>\$ 1,399,869</u>	<u>\$ -</u>	<u>\$ 42,114,755</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 212,328	\$ 398,903	\$ -	\$ 611,231
Total capital assets not being depreciated	212,328	398,903	-	611,231
Capital assets being depreciated:				
Buildings and improvements	\$ 6,185,600	\$ 55,000	\$ -	\$ 6,240,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	34,990,907	1,408,751	-	36,399,658
Machinery, equipment and vehicles	8,586,452	2,362,849	-	10,949,301
Total capital assets being depreciated	50,563,959	3,826,600	-	54,390,559
Less accumulated depreciation for:				
Buildings and improvements	(4,238,544)	(132,964)	-	(4,371,508)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(19,917,923)	(805,260)	-	(20,723,183)
Machinery, equipment and vehicles	(6,684,069)	(213,968)	-	(6,898,037)
Total accumulated depreciation	(31,641,536)	(1,152,192)	-	(32,793,728)
Total capital assets being depreciated, net	18,922,423	2,674,408	-	21,596,831
Total business-type activities capital assets, net	<u>\$ 19,134,751</u>	<u>\$ 3,073,311</u>	<u>\$ -</u>	<u>\$ 22,208,062</u>

Capital asset activity for the year ended June 30, 2019, 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	\$ 398,903	\$ -	\$ 611,231
Total capital assets not being depreciated	<u>212,328</u>	<u>398,903</u>	<u>-</u>	<u>611,231</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,569,400	\$ 55,000	\$ -	\$ 1,624,400
Infrastructure	20,398,425	947,825	-	21,346,250
Machinery, equipment and vehicles	<u>2,965,664</u>	<u>2,362,849</u>	<u>-</u>	<u>5,328,513</u>
Total capital assets being depreciated	<u>24,933,489</u>	<u>3,365,674</u>	<u>-</u>	<u>28,299,163</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,258,780)	(17,757)	-	(1,276,537)
Infrastructure	(13,987,116)	(317,223)	-	(14,304,339)
Machinery, equipment and vehicles	<u>(1,395,740)</u>	<u>(160,460)</u>	<u>-</u>	<u>(1,556,200)</u>
Total accumulated depreciation	<u>(16,641,636)</u>	<u>(495,440)</u>	<u>-</u>	<u>(17,137,076)</u>
Total capital assets being depreciated, net	<u>8,291,853</u>	<u>2,870,234</u>	<u>-</u>	<u>11,162,087</u>
Total Water capital assets, net	<u>\$ 8,504,181</u>	<u>\$ 3,269,137</u>	<u>\$ -</u>	<u>\$ 11,773,318</u>
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,387,900	\$ -	\$ -	\$ 3,387,900
Infrastructure	9,491,441	460,926	-	9,952,367
Machinery, equipment and vehicles	<u>3,966,481</u>	<u>-</u>	<u>-</u>	<u>3,966,481</u>
Total capital assets being depreciated	<u>16,845,822</u>	<u>460,926</u>	<u>-</u>	<u>17,306,748</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,518,223)	(84,697)	-	(2,602,920)
Infrastructure	(3,258,570)	(361,017)	-	(3,619,587)
Machinery, equipment and vehicles	<u>(3,673,999)</u>	<u>(37,101)</u>	<u>-</u>	<u>(3,711,100)</u>
Total accumulated depreciation	<u>(9,450,792)</u>	<u>(482,815)</u>	<u>-</u>	<u>(9,933,607)</u>
Total Sewer capital assets being depreciated, net	<u>\$ 7,395,030</u>	<u>\$ (21,889)</u>	<u>\$ -</u>	<u>\$ 7,373,141</u>
Total Sewer capital assets, net	<u>\$ 7,395,030</u>	<u>\$ (21,889)</u>	<u>\$ -</u>	<u>\$ 7,373,141</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	<u>178,319</u>	<u>-</u>	<u>-</u>	<u>178,319</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,900)	-	-	(7,900)
Infrastructure	(21,391)	(1,645)	-	(23,036)
Machinery, equipment and vehicles	(104,600)	-	-	(104,600)
Total accumulated depreciation	<u>(133,891)</u>	<u>(1,645)</u>	<u>-</u>	<u>(135,536)</u>
Total Transfer Station capital assets being depreciated, net	<u>\$ 44,428</u>	<u>\$ (1,645)</u>	<u>\$ -</u>	<u>\$ 42,783</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	<u>8,606,329</u>	<u>-</u>	<u>-</u>	<u>8,606,329</u>
Less accumulated depreciation for:				
Buildings and improvements	(453,641)	(30,510)	-	(484,151)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(2,650,846)	(125,375)	-	(2,776,221)
Machinery, equipment and vehicles	(1,509,730)	(16,407)	-	(1,526,137)
Total accumulated depreciation	<u>(5,415,217)</u>	<u>(172,292)</u>	<u>-</u>	<u>(5,587,509)</u>
Total Golf capital assets being depreciated, net	<u>\$ 3,191,112</u>	<u>\$ (172,292)</u>	<u>\$ -</u>	<u>\$ 3,018,820</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 271,467
Public safety	505,834
Education	61,341
Public works	906,666
Health and human services	28,546
Culture and recreation	61,172
	<u>\$ 1,835,026</u>

Business-Type Activities:

Water	\$ 495,440
Sewer	482,815
Transfer station	1,645
Golf	172,292
	<u>\$ 1,152,192</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2019, are as follows:

Transfers Out	Transfers In			Total	
	General Fund	Nonmajor Governmental Funds	Transfer Station Enterprise Fund		
General Fund	\$ -	\$ 227,217	\$ 114,705	\$ 341,922	(1)
Title V Program Fund	121,351	-	-	121,351	(2)
Capital Project Fund	160,046	-	-	160,046	(2)
Nonmajor Governmental Funds	2,287,928	-	-	2,287,928	(2)
Water Enterprise Fund	136,464	-	-	136,464	(3)
Sewer Enterprise Fund	105,339	-	-	105,339	(3)
Transfer Station Enterprise Fund	40,252	-	-	40,252	(3)
Golf Enterprise Fund	175,817	-	-	175,817	(3)
Total	<u>\$ 3,027,197</u>	<u>\$ 227,217</u>	<u>\$ 114,705</u>	<u>\$3,369,119</u>	

- (1) Transfers to nonmajor funds for reserves and fund deficits and to transfer station enterprise fund to supplement operating budget.
(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>	
Sweeper	252,450
Freightliner (2)	321,101
Ambulance (2)	596,403
Sidewalk Tractor	154,546
Less: accumulated depreciation	(577,879)
Total	<u>\$ 746,621</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2019, are as follows:

Fiscal Year Ended June 30,	Amount
2020	\$ 270,697
2021	217,197
2022	156,173
2023	114,954
Total minimum lease payments	759,021
Less: amounts representing interest	(65,297)
Present value of minimum lease payments	<u>\$ 693,724</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, 2019, 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	2.25%	06/26/20	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000
BAN	2.80%	06/26/20	-	750,000	-	750,000
Total Governmental Notes			-	4,250,000	-	4,250,000
BAN	1.55%	Matured	3,625,000	-	(3,625,000)	-
BAN	2.33%	09/18/19	-	1,200,000	-	1,200,000
BAN	2.39%	01/24/20	-	3,625,000	-	3,625,000
BAN	2.16%	01/24/20	-	300,000	-	300,000
MCWT	0.00%	Matured	110,366	-	(110,366)	-
Total Business-Type Notes			3,735,366	5,125,000	(3,735,366)	5,125,000
Total Temporary Notes Payable			<u>\$ 3,735,366</u>	<u>\$ 9,375,000</u>	<u>\$ (3,735,366)</u>	<u>\$ 9,375,000</u>

Governmental activities BAN's outstanding at year-end were issued for roadway construction and business-type activities BAN's were issued for water meter replacement and water main projects.

G. Long-Term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds (a)	\$ 9,226,000	\$ -	\$ (987,000)	\$ 8,239,000	\$ 973,000
Unamortized bond premium	434,195	-	(51,142)	383,053	47,027
Notes from direct borrowings and placements (a)	1,312,888	-	(121,351)	1,191,537	110,513
Capital lease obligations	309,704	682,001	(297,981)	693,724	241,492
Compensated absences	2,014,782	349,527	(201,478)	2,162,831	216,283
Net pension liability	22,820,708	12,485,703	(3,751,626)	31,554,785	-
Net other postemployment benefits liability (b)	30,338,501	3,064,209	(3,294,314)	30,108,396	-
Total Governmental Activities	\$ 66,456,778	\$ 16,581,440	\$ (8,704,892)	\$ 74,333,326	\$ 1,588,315
<u>Business-type Activities: Water</u>					
General obligation bonds (a)	\$ 2,350,000	\$ -	\$ (484,000)	\$ 1,866,000	\$ 479,000
Notes from direct borrowings and placements (a)	786,760	-	(49,393)	737,367	50,422
Compensated absences	78,799	7,860	(37,804)	48,855	4,886
Net pension liability	1,231,010	673,512	(202,372)	1,702,150	-
Net other postemployment benefits liability (b)	2,189,753	221,167	(237,775)	2,173,145	-
Total Business-type Activities: Water	6,636,322	902,539	(1,011,344)	6,527,517	534,308
<u>Business-type Activities: Sewer</u>					
General obligation bonds (a)	911,000	-	(234,000)	677,000	228,000
Notes from direct borrowings and placements (a)	2,355,358	-	(101,451)	2,253,907	103,656
Compensated absences	54,050	1,329	(5,405)	49,974	4,997
Net pension liability	1,213,393	663,875	(199,477)	1,677,791	-
Net other postemployment benefits liability (b)	1,412,385	142,652	(153,364)	1,401,673	-
Total Business-type Activities: Sewer	5,946,186	807,856	(693,697)	6,060,345	336,653
<u>Business-type Activities: Transfer Station</u>					
Net pension liability	151,758	83,030	(24,948)	209,840	-
Net other postemployment benefits liability (b)	133,961	13,530	(14,546)	132,945	-
Total Business-type Activities: Transfer	285,719	96,560	(39,494)	342,785	-
<u>Business-type Activities: Golf</u>					
General obligation bonds (a)	178,000	-	(35,000)	143,000	35,000
Notes from direct borrowings and placements (a)	234,000	-	(26,000)	208,000	26,000
Compensated absences	94,931	23,238	(9,493)	108,676	10,868
Net pension liability	557,947	305,264	(91,724)	771,487	-
Net other postemployment benefits liability (b)	625,573	63,183	(67,928)	620,828	-
Total Business-type Activities: Golf	1,690,451	391,685	(230,145)	1,851,991	71,868
Total Business-type Activities	\$ 14,558,678	\$ 2,198,640	\$ (1,974,680)	\$ 14,782,638	\$ 942,829

(a) Reclassifications were made to beginning balances for the adoption of GASB Statement No. 88.

(b) 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.

H. Long-Term Debt

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.

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”.

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<u><i>Governmental Activities:</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 8,354,000	\$ -	\$ (544,000)	\$ 7,810,000
Refunding Bonds	2.00 - 3.00%	872,000	-	(443,000)	429,000
Total General Obligation Bonds		9,226,000	-	(987,000)	8,239,000
Add: Unamortized bond premium		434,195	-	(51,142)	383,053
Total General Obligation Bonds, net		9,660,195	-	(1,038,142)	8,622,053
Massachusetts Clean Water Trust	0.00%	1,312,888	-	(121,351)	1,191,537
Total notes from direct borrowings and placements		1,312,888	-	(121,351)	1,191,537
Total Governmental Activities debt		\$ 10,973,083	\$ -	\$ (1,159,493)	\$ 9,813,590
<u><i>Business-Type Activities - Water</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 1,963,000	\$ -	\$ (288,000)	\$ 1,675,000
Refunding Bonds	2.00 - 3.00%	387,000	-	(196,000)	191,000
Total General Obligation Bonds		2,350,000	-	(484,000)	1,866,000
Massachusetts Clean Water Trust	2.00%	786,760	-	(49,393)	737,367
Total notes from direct borrowings and placements		786,760	-	(49,393)	737,367
Total Water debt		\$ 3,136,760	\$ -	\$ (533,393)	\$ 2,603,367
<u><i>Business-Type Activities - Sewer</i></u>					
General Obligation Bonds	2.00 - 3.00%	\$ 165,000	\$ -	\$ (33,000)	\$ 132,000
Refunding Bonds	2.00 - 3.00%	746,000	-	(201,000)	545,000
Total General Obligation Bonds		911,000	-	(234,000)	677,000
Massachusetts Clean Water Trust	2.00%	2,355,358	-	(101,451)	2,253,907
Total notes from direct borrowings and placements		2,355,358	-	(101,451)	2,253,907
Total Sewer debt		\$ 3,266,358	\$ -	\$ (335,451)	\$ 2,930,907
<u><i>Business-Type Activities - Golf</i></u>					
General Obligation Bonds	2.00 - 2.30%	\$ 178,000	\$ -	\$ (35,000)	\$ 143,000
Total General Obligation Bonds		178,000	-	(35,000)	143,000
State House Note	6.50%	234,000	-	(26,000)	208,000
Total notes from direct borrowings and placements		234,000	-	(26,000)	208,000
Total Golf debt		\$ 412,000	\$ -	\$ (61,000)	\$ 351,000
Total Business-Type Activities		\$ 6,815,118	\$ -	\$ (929,844)	\$ 5,885,274

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

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i><u>Governmental Activities</u></i>				
2020	\$ 973,000	\$ 267,365	\$ 110,513	\$ 1,696
2021	539,000	233,177	110,542	1,217
2022	539,000	209,602	110,794	734
2023	526,000	190,353	110,824	245
2024	519,000	171,125	101,066	-
2025-2029	2,263,000	623,486	425,783	-
2030-2034	2,075,000	307,500	202,015	-
2035-2037	805,000	36,150	20,000	-
Total	<u>\$ 8,239,000</u>	<u>\$ 2,038,758</u>	<u>\$ 1,191,537</u>	<u>\$ 3,892</u>
<i><u>Business-Type Activities: Water</u></i>				
2020	\$ 479,000	\$ 64,671	\$ 50,422	\$ 14,242
2021	288,000	51,764	51,473	13,224
2022	288,000	41,938	52,547	12,184
2023	286,000	31,548	53,641	11,123
2024	175,000	21,218	54,761	10,039
2025-2029	350,000	21,436	291,413	33,121
2030-2034	-	-	183,110	5,996
	<u>\$ 1,866,000</u>	<u>\$ 232,575</u>	<u>\$ 737,367</u>	<u>\$ 99,929</u>
<i><u>Business-Type Activities: Sewer</u></i>				
2020	\$ 228,000	\$ 17,135	\$ 103,656	\$ 45,078
2021	153,000	12,705	105,909	43,005
2022	148,000	8,880	108,211	40,887
2023	148,000	4,440	110,562	38,723
2024	-	-	112,965	36,511
2025-2029	-	-	602,739	147,669
2030-2034	-	-	671,146	84,718
2035-2037	-	-	438,719	17,675
	<u>\$ 677,000</u>	<u>\$ 43,160</u>	<u>\$ 2,253,907</u>	<u>\$ 454,265</u>
<i><u>Business-Type Activities: Golf</u></i>				
2020	\$ 35,000	\$ 3,548	\$ 26,000	\$ 13,520
2021	35,000	2,772	26,000	11,830
2022	30,000	1,922	26,000	10,140
2023	30,000	1,053	26,000	8,450
2024	6,000	225	26,000	6,760
2025-2029	7,000	102	78,000	10,140
	<u>\$ 143,000</u>	<u>\$ 9,622</u>	<u>208,000</u>	<u>60,840</u>
<i><u>All - Business Type Activities</u></i>				
2020	\$ 742,000	\$ 85,354	\$ 180,078	\$ 72,840
2021	476,000	67,241	183,382	68,059
2022	466,000	52,740	186,758	63,211
2023	464,000	37,041	190,203	58,296
2024	181,000	21,443	193,726	53,310
2025-2029	357,000	21,538	972,152	190,930
2030-2034	-	-	854,256	90,714
2035-2037	-	-	438,719	17,675
	<u>\$ 2,686,000</u>	<u>\$ 285,357</u>	<u>\$ 3,199,274</u>	<u>\$ 615,034</u>

Massachusetts Clean Water Trust (MCWT)

The Town has six outstanding notes from direct borrowings and placements issued to the MCWT reported in the governmental activities that are payable without interest in annual payments through January 15, 2035. These notes were issued for community septic loans. The Town has three outstanding notes from direct borrowings and placements issued to the MCWT reported in the business-type activities with interest payable at 2% and annual payments through January 15, 2037. These notes were issued for various water and sewer projects.

The financing agreements with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the Town. This provision also allows the MCWT to declare the entire outstanding principal amounts due immediately.

State House Notes

The Town has issued debt for Golf clubhouse construction costs through the Commonwealth's State House Notes program reported in the business-type activities with interest payable at 6.5% and semi-annual payments through January 25, 2027. State house notes are certified by the Director of Accounts of the state Department of Revenue's Division of Local Services. They are in the form of a series of notes that have the same date of issue with each note maturing in a consecutive year.

Authorized and Unissued Debt - At June 30, 2019, the Town had authorized and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
Water meter replacement	\$ 3,625,000
MA Clean Water Trust projects	10,400,000
Water Mains	1,700,000
Elm Street reconstruction	7,500,000
First Street reconstruction	1,200,000
Wastewater treatment facility	32,000,000
Total authorized and unissued	<u>\$ 56,425,000</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, 2018 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, 2018 was as follows:

Retirees and beneficiaries receiving benefits	4,104
Active plan members	5,747
Inactive plan members	1,808
Total	<u>11,659</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 \$3,550,969 to the System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$35,916,053 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

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 4.88% at December 31, 2018.

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, 2018, 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 \$4,640,553 in pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, 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
Differences between expected and actual experience	\$ 2,581,834	\$ -
Net differences between projected and actual earnings on pension plan investments	4,532,024	-
Changes of assumptions	741,767	366,671
Changes in proportion and differences between employers' contributions and proportionate share of contributions	218,493	352,507
Total	<u>\$ 8,074,118</u>	<u>\$ 719,178</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>		
2020	\$	2,277,373
2021		1,643,475
2022		1,631,222
2023		1,802,870
Total	\$	<u>7,354,940</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, 2019. The significant actuarial assumptions used in the January 1, 2019 actuarial valuation included:

Actuarial cost method	Individual entry age normal
Amortization method	Payments increase at 7.0% for the unfunded actuarial accrued liability, and level amortization of the 2003 and 2013 Early Retirement Incentives (ERI)
Remaining amortization period	Amortization of the unfunded actuarial accrued liability over 10 years, the 2003 ERI over one year and the 2013 ERI over 9 years
Asset valuation method	Market value
Investment rate of return	7.875% nominal rate, net of investment expenses
Projected salary increases	3.75% per year
Cost of living adjustments	3.0% of the first \$14,000 of retirement income
Mortality rates:	
Pre-retirement	RP-2014 Blue Collar Mortality Table with Scale MP-2016, fully generational
Post-retirement	For group 1 and 2, RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational For group 4, RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational
Disabled retiree	For group 1 and 2, RP-2000 Mortality Table set forward six years For group 4, 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	13.2%	22.0%
International developed equity	6.3%	14.0%
Emerging markets equity	8.0%	9.0%
Global equity	9.5%	10.0%
Domestic fixed income	3.4%	8.0%
Value-added fixed income	6.0%	11.0%
Hedge funds	3.1%	4.0%
Real estate	4.2%	11.0%
Private equity	9.2%	5.0%
Real assets	4.6%	5.0%
Cash	0.0%	1.0%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2019 actuarial valuation report was 7.875%, which represents a decrease from the 8% used in the prior actuarial valuation. 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 7.875% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.875%) or one percentage point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
Town's proportionate share of net pension liability	\$ 44,287,722	\$ 35,916,053	\$ 28,599,392

C. 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*. 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 measurement date used for GASB 75 is the same as the plan year-end date. When the measurement date and plan year-end date are different, differences in assumptions and calculations will result.

This footnote disclosure separately presents the required disclosures into two sections:

GASB Statement No. 75

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2019 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

Active employees	170
Inactive employees	<u>181</u>
Total	<u>351</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, 2019, the Town’s average contribution rate was approximately 9.9% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2019 using an actuarial valuation as of July 1, 2018. The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

Total OPEB Liability	\$	34,903,365
Plan fiduciary net position		<u>(466,378)</u>
Net OPEB liability	\$	<u>34,436,987</u>
Plan fiduciary net position as a percentage of the total OPEB liability		
		1.3%

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	6.82%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	2.79% as of June 30, 2019
Discount Rate	4.25%, net of OPEB plan investment expense including inflation.
Inflation	2.75% annually as of June 30, 2019 and for future periods
Health Care Trend Rate	4.50%
Salary Increases	3.00% annually as of June 30, 2019 and for future periods
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual Entry Age Normal

Changes in assumptions from the prior year include the discount rate:

- The discount rate changed from 4.50% to 4.25%
- Based on recommendations by PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- The method for developing expected medical claims has been updated

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	20.50%	4.00%
Domestic Equity - Small/Mid Cap	10.25%	6.00%
International Equity - Developed Market	13.75%	4.50%
International Equity - Emerging Market	7.00%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	6.25%	3.00%
Alternatives	16.75%	6.50%
Cash	0.50%	0.00%
	<u>100.00%</u>	
Real rate of return		4.32%
Inflation assumption		2.75%
Total nominal rate of return		7.07%
Investment expense		-0.25%
Net investment return		<u>6.82%</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 (3.25%)	Current (4.25%)	1% Increase (5.25%)
Net OPEB Liability	\$	39,788,396	\$ 34,436,987	\$ 30,146,570

		Health Care Rate		
		1% Decrease (3.5%)	Trend Rate (4.5%)	1% Increase (5.5%)
Net OPEB Liability	\$	29,696,602	\$ 34,436,987	\$ 40,426,483

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 35,027,935	\$ 327,762	\$ 34,700,173
Changes for the year:			
Service cost	960,320	-	960,320
Interest	1,592,077	-	1,592,077
Change in assumptions	1,569,350	-	1,569,350
Difference between expected and actual experience	(3,015,240)	-	(3,015,240)
Net investment income	-	23,616	(23,616)
Employer contributions	-	1,346,077	(1,346,077)
Benefit payments withdrawn from trust	-	(1,231,077)	1,231,077
Benefit payments	(1,231,077)	-	(1,231,077)
Net changes	(124,570)	138,616	(263,186)
Balances at June 30, 2019	\$ 34,903,365	\$ 466,378	\$ 34,436,987

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$2,239,935. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,255,488	\$ -
Differences between expected and actual earnings	9,318	
Differences between actual and expected experience	-	2,412,192
	\$ 1,264,806	\$ 2,412,192

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	
2020	\$ (286,244)
2021	(286,244)
2022	(286,246)
2023	(288,652)
	\$ (1,147,386)

GASB Statement No. 74

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2019 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 Rate of Return – For the year ended June 30, 2019 the annual money-weighted rate of return on investments, net of investment expense, was 5.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. 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, 2019.

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, 2019.

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 November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was 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 became effective in fiscal year 2019 and did not have a material impact on the Town's 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 was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town's financial statements.

Future Implementations –

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 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.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

The Town updated its beginning net OPEB liability which caused an increase in the Town's governmental and business-type activities net position reported at June 30, 2018. The Town also adjusted its estimated unbilled water and sewer receivables due to changes in billing cycles and frequency which caused a decrease in the Town's business-type activities net position reported at June 30, 2018.

The impact is illustrated in the table below:

	Governmental Activities	Business-type Activities	Water	Sewer	Transfer Station	Golf Course
Prior year as presented	\$ (8,569,412)	\$ 13,460,390	\$ 5,381,503	\$ 7,035,421	\$ (286,910)	\$ 1,330,376
Restate net OPEB liability	5,138,080	738,717	370,884	239,256	22,673	105,904
Restate unbilled receivable	-	(1,075,196)	(787,983)	(287,213)	-	-
As restated	<u>\$ (3,431,332)</u>	<u>\$ 13,123,911</u>	<u>\$ 4,964,404</u>	<u>\$ 6,987,464</u>	<u>\$ (264,237)</u>	<u>\$ 1,436,280</u>

TOWN OF BRIDGEWATER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019

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

(dollar amounts are in thousands)

	Year Ended June 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	4.88%	4.83%	4.94%	4.89%	5.12%
Town's proportionate share of the net pension liability (asset)	\$ 35,916	\$ 25,975	\$ 31,316	\$ 31,007	\$ 28,498
Town's covered payroll	\$ 13,506	\$ 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	265.9%	202.3%	253.6%	301.9%	287.9%
Plan fiduciary net position as a percentage of the total pension liability	56.1%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,551	\$ 3,301	\$ 3,187	\$ 3,115	\$ 2,940
Contributions in relation to the actuarially determined contribution	<u>3,551</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 13,506	\$ 12,843	\$ 12,349	\$ 10,272	\$ 9,900
Contributions as a percentage of covered payroll	26.3%	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, 2019**

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

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability:			
Service cost	\$ 960,320	\$ 956,016	\$ 1,336,757
Interest	1,592,077	1,858,273	1,304,934
Difference between expected and actual plan experience	(3,015,240)	-	-
Changes of assumptions	1,569,350	(7,548,219)	-
Benefit payments	(1,231,077)	(1,141,665)	(1,097,641)
Net change in total OPEB liability	(124,570)	(5,875,595)	1,544,050
Total OPEB liability - beginning of year	35,027,935	40,903,530	39,359,480
Total OPEB liability - end of year (a)	<u>\$ 34,903,365</u>	<u>\$ 35,027,935</u>	<u>\$ 40,903,530</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,346,077	\$ 1,241,665	\$ 1,197,641
Net investment income	23,616	1,197	-
Benefit payments	(1,231,077)	(1,141,665)	(1,097,641)
Net change in Plan fiduciary net position	138,616	101,197	100,000
Plan fiduciary net position - beginning of year	327,762	226,565	126,565
Plan fiduciary net position - end of year (b)	<u>\$ 466,378</u>	<u>\$ 327,762</u>	<u>\$ 226,565</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 34,436,987</u>	<u>\$ 34,700,173</u>	<u>\$ 40,676,965</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.34%	0.94%	0.55%
Covered payroll	\$ 13,574,182	\$ 13,334,197	\$ 12,945,822
Net OPEB liability as a percentage of covered payroll	253.69%	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, 2019**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially-determined contribution	\$ 2,929,034	\$ 3,345,700	\$ 3,338,554
Contributions in relation to the actuarially-determined contribution	(1,346,077)	(1,241,665)	(1,197,641)
Contribution deficiency (excess)	<u>\$ 1,582,957</u>	<u>\$ 2,104,035</u>	<u>\$ 2,140,913</u>
Covered payroll	\$ 13,574,182	\$ 13,334,197	\$ 12,945,822
Contribution as a percentage of covered payroll	9.9%	9.3%	9.3%
Valuation Date	July 1, 2018	July 1, 2016	July 1, 2016
Amortization Period	30 years	30 years	30 years
Investment rate of return	6.82%	6.87%	2.75%
Municipal Bond Rate	2.79%	3.45%	3.13%
Single Equivalent Discount Rate	4.25%	4.50%	3.25%
Inflation	2.75%	2.75%	2.75%
Healthcare cost trend rates	4.50%	5.00%	5.00%
Salary increases	3.00%	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, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	5.85%	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, 2019

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Postive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 44,926,588	\$ 44,926,588	\$ 45,205,440	\$ -	\$ 45,205,440	\$ 278,852
Intergovernmental	4,244,624	4,244,624	4,273,370	-	4,273,370	28,746
Motor vehicle and other excises	3,859,518	3,859,518	4,616,126	-	4,616,126	756,608
Departmental and other revenue	405,154	405,154	681,268	-	681,268	276,114
Licenses and permits	425,000	425,000	1,031,507	-	1,031,507	606,507
Penalties and interest on taxes	226,143	226,143	413,521	-	413,521	187,378
Fines and forfeitures	20,000	20,000	39,599	-	39,599	19,599
Investment income	20,000	20,000	78,326	-	78,326	58,326
Total Revenues	54,127,027	54,127,027	56,339,157	-	56,339,157	2,212,130
Expenditures						
General government	3,769,841	4,805,374	3,668,028	1,048,030	4,716,058	89,316
Public safety	12,166,047	12,836,067	11,989,024	789,538	12,778,562	57,505
Education	31,257,154	31,220,792	31,085,227	135,329	31,220,556	236
Public works	1,809,293	2,470,967	2,537,421	244,419	2,781,840	(310,873)
Health and human services	505,665	495,965	439,133	40,000	479,133	16,832
Culture and recreation	647,226	690,726	635,616	52,089	687,705	3,021
Pensions and fringe benefits	6,343,725	6,346,363	6,312,461	-	6,312,461	33,902
State and county tax assessments	406,348	406,348	405,755	-	405,755	593
Debt service	974,235	974,235	974,235	-	974,235	-
Total Expenditures	57,879,534	60,246,837	58,046,900	\$ 2,309,405	60,356,305	(109,468)
Other Financing Sources (Uses)						
Transfers in	2,798,668	5,242,971	5,242,971		5,242,971	-
Transfers out	(3,644,078)	(3,721,078)	(3,721,078)		(3,721,078)	-
Total Other Financing Sources (Uses)	(845,410)	1,521,893	1,521,893		1,521,893	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
Of Prior Year Budgetary Fund Balance	(4,597,917)	(4,597,917)	\$ (185,850)		\$ (2,495,255)	\$ 2,102,662
Other Budgetary Items						
Use of free cash (unassigned fund balance)	3,634,080	3,634,080				
Prior year encumbrances	1,468,997	1,468,997				
Prior year appropriation deficits	(505,160)	(505,160)				
	\$ -	\$ -				

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, 2019

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 2019, Town Council approved approximately \$2,400,000 in additional appropriations from the original approved budget, which were primarily for general government (\$1,035,000), public safety (\$670,000), public works (\$660,000) and culture and recreation (\$45,000) purposes. 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, 2019, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 56,339,157
Stabilization revenues	\$ -	\$ 1,005,009	1,005,009
60 day accrual	(51,038)	-	(51,038)
Revenues on a GAAP basis	<u>\$ (51,038)</u>	<u>\$ 1,005,009</u>	<u>\$ 57,293,128</u>
Expenditures on a budgetary basis			\$ 58,046,900
OPEB transfer	\$ -	\$ 100,000	100,000
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 58,146,900</u>
Net other financing sources (uses) on a budgetary basis			\$ 1,521,893
Stabilization transfers	\$ -	\$ 1,063,382	1,063,382
OPEB transfer	-	100,000	100,000
Net other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,163,382</u>	<u>\$ 2,685,275</u>

Excess of Expenditures Over Appropriations – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$382,941. This over-expenditure will be funded through available funds during fiscal year 2020.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Massachusetts (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 8, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 8, 2020