



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF BRIDGEWATER
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2016**

**Town of Bridgewater
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June 30, 2016**

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Bridgewater, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bridgewater, Connecticut'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 from 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 the 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 purpose 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, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 12 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bridgewater, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Town of Bridgewater, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bridgewater, Connecticut's internal control over financial reporting and compliance.

Charles Huen AB, CPAS

December 7, 2016

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

INTRODUCTION

The June 30, 2016 Town of Bridgewater Basic Financial statements are presented using the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that the Management of the Town of Bridgewater focus on the most important or “major” funds, which always includes the General Fund.

The goal is to provide the reader with an objective and readable analysis of the financial performance of the Town for the year. Taken together, the following statements should present whether the Town of Bridgewater’s financial position has improved or deteriorated as a result of the year’s operations. Fund statements measure and report the operating results of many funds by measuring cash on hand and other assets that can easily be converted to cash. The Basic Financial Statements includes government-wide financial statements prepared on the accrual basis for all of the Town government’s activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter). Showing budgetary compliance has always been an important part of governmental accountability and therefore the financial statements include the original budget as well as the amended final budget.

Readers of the Town’s financial statements are offered this narrative overview and analysis of financial activities for the year ended June 30, 2016.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Town’s basic financial statements and an analytical overview of the government’s financial activities. The MD&A provides an objective and easily readable analysis of the Town’s financial activities based on currently known facts, decisions, or conditions.

The Basic Financial Statements are comprised of three main components:

- Government Wide Financial Statements
- Fund Financial statements
- Notes to the Financial Statements

Required Supplementary Information (RSI)

- Consists of MD&A
- Budgetary comparison schedules for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget.

Government Wide Financial Statements

The government wide financial statements are designed to provide information with a broad overview of the Town’s finances in a manner similar to a private sector business.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

They include a *statement of net position* which presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference between assets plus deferred outflows less liabilities and deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, deferred inflows/outflows, revenues, expenses, and gains and losses of the government. The government-wide financial statements present functions of the Town of Bridgewater that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town include general government, commissions and boards, highways and public works, public safety, health and welfare, education, and other.

Capital assets, including infrastructure acquired after July 1, 2003, are reported along with depreciation expense in the statement of activities. The Town has elected not to report the historical cost of its infrastructure prior to July 1, 2003, but to prospectively capitalize infrastructure assets. Net position is reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position is shown as either expendable or nonexpendable.

Expenses presented are reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

The government wide financial statements may be found on pages 13 and 14.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control and accountability of resources segregated for specific activities and objectives. In order to comply with financial related legal requirements, the Town employs fund accounting. All of the Town's funds are divided into two categories: governmental funds and fiduciary funds.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

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, government 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 used in evaluating the Town's near term financing decisions. Both governmental balance sheet and governmental statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains ten individual governmental funds. The four major funds – General Fund, Harris Fund, Town Aid Road Fund, and Capital Nonrecurring Fund are each presented separately in the governmental fund balance sheet and in the governmental fund statement revenues, expenditures and changes in fund balances. A major fund are funds whose revenues, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that are particularly important are also reported as a major fund. Data from the six other governmental funds are combined into a single, aggregated presentation under the caption of other governmental funds. Individual data for these non-major governmental funds is presented in the form of combining statements in this report.

At the Town's Annual Meeting, the Town adopts an annual budget for the General Fund. In order to demonstrate compliance with the approved budget, a budgetary comparison statement for the General Fund is provided.

The basic fund financial statements are found on pages 15 and 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of entities outside the Town. These funds are not reported in the government-wide financial statements because these resources are not available to support the Town's own programs. Bridgewater has two pension trusts, and three private purpose trusts. The assets of the two agency funds (Brooks Piggott and Library Growth) were returned to the Bridgewater Library, an independent entity, in accordance to the agency agreement. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

The basic fiduciary fund financial statements are found on pages 19 and 20 of this report, while the combining financial statements are presented on pages 41 to 44.

NOTES TO THE FINANCIAL STATEMENTS

Notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements are found on pages 21 - 33 of this report.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comparing the Town's budget to actual. This required supplementary information is found on pages 36 - 39 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the budgetary comparison. Combining and individual fund statements and schedules are found on pages 40-41 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Bridgewater exceed its liabilities as of June 30, 2016 by \$9,171,705 (net position). Of this amount, \$3,591,443 may be used to meet the Town's ongoing obligations to its residents and creditors. Restricted net position totaled \$726,917, Permanent Endowment \$561,952 and the remainder \$4,291,393 is invested in capital assets.
- Total net position increased by \$400,496 mainly due to a decrease in education expense.
- As of June 30, 2016, governmental funds reported combined ending fund balances of \$4,882,479; a decrease of \$86,915 from the previous fiscal year's ending fund balances of \$4,969,394. The fund balances were held for the following purposes:
 - Nonspendable:

Principal of Permanent Funds	\$ 408,537
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 - Restricted for:

Building and Recreational Improvements	497,808
Town Road Improvements	155,786
Burnham Library	203,415
Social Services	11,573
Records Preservation	11,750
 - Committed to:

Open Space and Land Acquisition	67,830
Capital and Non Recurring Projects	198,131
 - Assigned for:

Capital and Non Recurring Projects	1,821,851
------------------------------------	-----------
 - Unassigned:

	<u>1,505,798</u>
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 - Total Fund Balance

	<u>\$ 4,882,479</u>
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- At the end of the current Fiscal Year, fund balance for the general fund was \$3,327,649, or 47% of the total general fund expenditures of \$6,962,877 and net operating transfers out of \$144,591.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. As indicated on the next page, as of June 30, 2016, the Town's assets exceed liabilities by \$9,171,705.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)

Below is the summary Statement of Net Position comparing the Town's position with the previous year.

<u>Town of Bridgewater Net Position</u>		
	<u>2015</u>	<u>2016</u>
ASSETS		
Current Assets	\$ 5,116,850	\$ 5,165,481
Capital Assets	<u>3,785,573</u>	<u>4,291,393</u>
Total Assets	8,902,423	9,456,874
LIABILITIES		
Current Liabilities	108,004	258,139
Non Current Liabilities	<u>23,210</u>	<u>27,030</u>
Total Liabilities	131,214	285,169
NET POSITION		
Invested in Capital assets, net of related debt	3,785,573	4,291,393
Restricted	1,077,149	726,917
Permanent Endowments	564,860	561,952
Unrestricted	<u>3,343,627</u>	<u>3,591,443</u>
Total Net Position	<u>\$ 8,771,209</u>	<u>\$ 9,171,705</u>

The Largest Portion of the Town's net position reflects its investment in capital assets such as land, buildings, machinery and equipment, and infrastructure. The Town uses these capital assets to provide services to its residents; consequently these assets are not available for future spending. Of the Town's remaining net position as of June 30, 2016, \$3,591,443 or 39.16% is unrestricted and may be used to meet its ongoing financial obligations.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)

Town of Bridgewater Change in Net Position

	Governmental Activities			
	2015		2016	
	\$	% to Total	\$	% to Total
Program Revenues:				
Charges for Services	220,866	3.02%	282,758	3.78%
Operating Grants and Contributions	142,292	1.94%	140,604	1.88%
Capital Grants and Contributions	178,861	2.44%	232,778	3.11%
General Revenues:				
Property taxes, including interest & liens	6,711,047	91.67%	6,756,030	90.22%
Grants and Contributions, Not Restricted to Specific Programs	55,098	0.75%	30,502	0.41%
Investment Earnings	13,091	0.18%	45,548	0.61%
Total Revenues	7,321,255	100.00%	7,488,220	100.00%
Program Expenses:				
General Government	1,105,037	14.82%	1,247,053	17.59%
Boards and commissions	215,878	2.90%	239,508	3.38%
Public safety	395,637	5.31%	437,458	6.17%
Public works	967,591	12.98%	689,610	9.73%
Health and welfare	73,524	0.99%	63,544	0.90%
Education	4,686,690	62.87%	4,368,358	61.63%
Other	10,192	0.14%	42,193	0.60%
Total Program Expenses	7,454,549	100.00%	7,087,724	100.00%
Change in Net Position	(133,294)		400,496	
Net Position - Beginning of the Year	8,904,503		8,771,209	
Net Position - End of the Year	8,771,209		9,171,705	

The following is an analysis of significant changes in activity from the prior year:

- The increase in charges for services is represented by the increase in Private Town Policy duty. This also explains the increase in the public safety program expenses.
- The increase in the capital grants and contributions is due to the new LOCIP and Federal Speed Grant.
- The increase in investment earnings is attributable to the increase in the fair market value of investments.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
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GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)

- The increase in property tax revenue, including interest and liens, is mainly due to an increase in property tax valuations. There was no change in the Mill Rate from the prior year. The majority of the Town of Bridgewater's operating revenues are derived from taxes assessed on commercial and private real estate, personal property and motor vehicles. The Town has never been dependent on state and federal grant funding to keep overall costs down. While grant funding is helpful in reducing overall expenses, it does not significantly contribute to total revenues.
- The increase in general government expenses is mainly due to the increased cost of health insurance and environmental expenses that are included in the town owned buildings budget line.
- The increase in boards and commissions is due to nonrecurring library maintenance costs.
- The decrease in public works is due to capitalized infrastructure costs vs. maintenance on Town roads.
- The decreases in expenses include \$318,000 in education expenses, as assessed by Regional School District # 12 (determined by a separate approved taxpayer budget).
- The increase in other expenses is due to the unexpected revaluation costs charged to contingency.

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

As of the end of the current fiscal year, our governmental funds reported combined ending fund balances of \$4,882,479, a decrease of \$86,915. Of this amount, \$1,505,798 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The Town of Bridgewater, Connecticut uses governmental fund accounting to emphasize the accountability as a government entity by ensuring and demonstrating compliance with finance-related legal requirements and therefore has established the following funds:

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)

Major Funds

General Fund:

The General Fund is the Town's primary operating fund. It accounts for all the financial resources of the Town with the exception of those that are required to be accounted for separately. As of June 30, 2016, this fund reports an unassigned fund balance of \$1,505,798 and an assigned fund balance of \$1,821,851 for capital and nonrecurring projects.

Special Revenue Fund:

The Harris Fund accounts for monies willed to the Town by Mr. Richard Harris and are restricted in their use for the improvements to Town buildings and recreational grounds. As of June 30, 2016, this fund reported restricted fund balances of \$497,808 for Town building and recreational improvements and \$50,000 restricted for improvements to the Burnham Library.

The Town Aid Road Fund accounts for the State of Connecticut Department of Transportation Road Grant, which can be used for construction, reconstruction, improvement, or maintenance on improved or unimproved roads and other transportation related services as set forth in the Connecticut General Statutes. As of June 30, 2016, this fund reported a restricted fund balance of \$155,786, for road maintenance and improvements.

Capital Projects Fund:

The Capital Projects Fund is used for financing all or part of planning, construction, reconstruction or acquisition of Capital facilities, improvements or equipment. As of June 30, 2016, the fund reported a committed fund balance of \$198,131 for capital and nonrecurring projects.

Other Governmental Funds, Nonmajor

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular use. These funds report all positive nonspendable, restricted and committed fund balances as seen in the combining statements.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

Other Governmental Funds, Nonmajor (continued)

Burnham Fund - is used to assist those Bridgewater residents in financial need.

Bridgewater Library Fund – is used to assist in the day to day operations of the Burnham Library.

Land Acquisition Fund – As provided for by CGS for the acquisition of open space preservation and passive recreational use.

Bridgewater Gift Fund- is used to account for donations restricted in their purpose.

Recreation Gift Fund – is used to account for donations restricted for recreational use.

Records Preservation Funds – Per CGS these funds are a portion of the recording fees collected by Town Clerk which are restricted for records preservation and historic document preservation.

Fiduciary Fund Types

The Pension Trusts Funds are used to account for the accumulation of various resources to be used for retirement benefits.

The Private Purpose Funds are used to account for the will bequests and donations which comprise the Bridgewater Scholarship Funds. These funds are restricted in their use for scholarships given annually to recipients who further their education beyond high school by attending institutions of higher learning.

The Agency Funds are used to account for funds, whose income can be used for the benefit of the Bridgewater Library Association. As of June 30, 2016, all of the assets were returned to the Bridgewater Library Association, in accordance to the agency agreement.

General Fund Budgetary Highlights:

The original revenue budget of \$7,072,323 increased to \$7,116,732 by a transfer from the capital project fund of \$44,409. The expenditure budget increased by \$159,000, as follows: the Town Meeting and Board of Finance approved a transfer of \$139,000 and \$20,000, respectively, to the Capital Project Fund, while the Board of Finance approved a transfer of \$18,683 from the Highway and Public Works to the General Government Department.

Capital Assets:

The Town of Bridgewater's investment in capital assets for its governmental use includes land, buildings and improvements, machinery and equipment, and vehicles. The Town has elected to prospectively capitalize infrastructure assets beginning July 1, 2003. Additional information on capital assets can be found in Note 6 of the financial statements.

**Town of Bridgewater, Connecticut
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2016**

Capital Assets (continued)

The breakdown of capital assets, net of accumulated depreciation is as follows:

	<u>2015</u>	<u>2016</u>
Land	\$ 1,508,421	\$ 1,508,421
Land Improvement	140,729	131,979
Buildings & Improvement	1,556,356	1,497,601
Machinery & Equipment	580,067	538,098
Infrastructure	---	591,841
Construction in Progress	---	23,453
	<u>\$ 3,785,573</u>	<u>\$ 4,291,393</u>

The Town's investment in capital assets increased by \$505,820 during the fiscal year. This increase results from current year additions over current year depreciation as follows:

Additions:

Public works - truck, sander and plow, net with trade in	\$ 48,553
Construction in Progress	23,453
Infrastructure	618,420
Current year depreciation	(184,606)
Net Increase	<u>\$ 505,820</u>

Long Term Liabilities

The Town has no direct debt as of June 30, 2016. The Town has recorded a liability for accrued compensated employee sick leave of \$27,030. As a member of Regional School District #12 the Town's share of the Region's debt is \$278,235. This potential obligation exists only if the school district is unable to meet its debt requirements; this situation is not anticipated. The maximum overall statutory debt limit for the Town is seven times the annual receipts from taxation. Additional Information on long term liabilities can be found in Note 7 of the financial statements.

Economic Factors and Next Years Budget

The Town of Bridgewater's Expenditure Budget for Fiscal Year 2016-2017 totals \$6,798,040, a decrease of \$256,307 or 3.63% over last year's original budget. The net decrease in budgeted expenditure is primarily due to a \$360,817 decrease in the Town of Bridgewater portion of Regional School District #12 budget. This decrease is partially offset by a budget increase of \$26,887 in general government and \$64,298 in public works. The Mill Rate for the Fiscal Year 2016-2017 has decreased to 16.454 mills.

Requests for Information

Questions concerning any of the information provided in this report, or request for additional information, should be addressed to the Office of the First Selectman, Bridgewater Town Hall, P.O. Box 216, Bridgewater, CT 06752.

Town of Bridgewater
Statement of Net Position
June 30, 2016

	Governmental Activities
<hr/>	
Assets	
Current assets	
Cash and cash equivalents	\$ 3,926,567
Investments	1,185,734
Property Taxes Receivable - net	36,284
Police Private Duty Receivable	16,716
Other Receivable	180
Total current assets	<u>5,165,481</u>
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	1,531,874
Assets being depreciated, net of depreciation of \$2,554,877	<u>2,759,519</u>
Total Assets	9,456,874
Liabilities	
Current Liabilities	
Accounts payable	224,341
Accrued payroll and related taxes	13,948
Performance bonds held	19,850
Total current liabilities	<u>258,139</u>
Noncurrent Liabilities	
Compensated absences, due in more than one year	<u>27,030</u>
Total Liabilities	<u>285,169</u>
Net Position	
Net investment in capital assets	4,291,393
Restricted for:	
Road maintenance	155,786
Social services	11,573
Record preservation	11,750
Recreational and building improvements	497,808
Burnham library	50,000
Permanent endowments:	
Expendable	153,415
Nonexpendable	408,537
Unrestricted	3,591,443
Total Net Position	\$ <u><u>9,171,705</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 1,247,053	\$ 169,000	\$ 18,308	\$ ---	\$ (1,059,745)
Boards and commissions	239,508	13,016	---	---	(226,492)
Public safety	437,458	100,742	---	16,472	(320,244)
Public works	689,610	---	---	216,306	(473,304)
Health and welfare	63,544	---	---	---	(63,544)
Education	4,368,358	---	122,296	---	(4,246,062)
Other	42,193	---	---	---	(42,193)
Total governmental activities	\$ 7,087,724	\$ 282,758	\$ 140,604	\$ 232,778	(6,431,584)

General revenues:

Property taxes, interest and lien fees	6,756,030
Grants and contributions not restricted to specific programs	30,502
Investment earnings	45,548
Total general revenues	6,832,080

Change in net position 400,496

Net Position - July 1, 2015 8,771,209

Net Position - June 30, 2016 \$ 9,171,705

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds					
	General Fund	Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total Governmental Funds
		Harris Fund	Town Aid Road Fund	Capital Nonrecurring		
Assets:						
Cash and cash equivalents	\$ 3,557,427	\$ -	\$ 155,786	\$ 190,211	\$ 23,143	\$ 3,926,567
Investments - at fair value	-	547,808	-	-	637,926	1,185,734
Property tax and interest receivable, net	43,284	-	-	-	-	43,284
Accounts receivable	-	-	-	-	180	180
Police private duty receivable	16,716	-	-	-	-	16,716
Due from other funds	-	-	-	14,639	-	14,639
Total Assets	\$ 3,617,427	\$ 547,808	\$ 155,786	\$ 204,850	\$ 661,249	\$ 5,187,120
Liabilities:						
Accounts payable	\$ 209,478	\$ -	\$ -	\$ 6,719	\$ 8,144	\$ 224,341
Accrued payroll and related taxes	13,948	-	-	-	-	13,948
Performance bonds payable	19,850	-	-	-	-	19,850
Due to other funds	14,639	-	-	-	-	14,639
Total Liabilities	257,915	-	-	6,719	8,144	272,778
Deferred Inflows of Resources:						
Unavailable revenue - property tax	31,863	-	-	-	-	31,863
Fund Balances:						
Nonspendable						
Principal of Permanent funds	-	-	-	-	408,537	408,537
Restricted for:						
Road improvements	-	-	155,786	-	-	155,786
Social services	-	-	-	-	11,573	11,573
Records preservation	-	-	-	-	11,750	11,750
Recreational and building improvements	-	497,808	-	-	-	497,808
Burnham Library	-	50,000	-	-	153,415	203,415
Committed to:						
Open space and land acquisition	-	-	-	-	67,830	67,830
Capital nonrecurring projects	-	-	-	198,131	-	198,131
Assigned for:						
Capital and nonrecurring projects	1,821,851	-	-	-	-	1,821,851
Unassigned	1,505,798	-	-	-	-	1,505,798
Total Fund Balances	3,327,649	547,808	155,786	198,131	653,105	4,882,479
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,617,427	\$ 547,808	\$ 155,786	\$ 204,850	\$ 661,249	\$ 5,187,120

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater

Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2016

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following differences:

Total Fund Balances for Governmental Funds **\$ 4,882,479**

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

Governmental capital assets	\$ 6,846,270	
Less accumulated depreciation	<u>(2,554,877)</u>	
Net capital assets		4,291,393

Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds. 31,863

Property tax and interest receivable are recorded net of an allowance for uncollectible on the Statement of Net Position. (7,000)

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

Compensated absences (27,030)

Total Net Position of Governmental Activities **\$ 9,171,705**

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	Major Funds					
	General Fund	Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total Governmental Funds
		Harris Fund	Town Aid Road Fund	Capital Nonrecurring		
Revenues:						
Property taxes	\$ 6,748,935	\$ -	\$ -	\$ -	\$ -	\$ 6,748,935
Interest and lien fees on property taxes	21,684	-	-	-	-	21,684
Intergovernmental	222,017	-	178,867	-	3,000	403,884
Investment income:						
Interest and dividends	10,306	23,076	201	-	25,520	59,103
Realized and unrealized gains (losses)	-	(1,341)	-	-	(12,214)	(13,555)
Licenses and permits	135,416	-	-	-	-	135,416
Charges for services and program fees	138,347	-	-	-	8,995	147,342
Other	-	-	-	-	-	-
Total Revenues	7,276,705	21,735	179,068	-	25,301	7,502,809
Expenditures:						
Current:						
General government	1,163,138	3,147	-	26,115	6,351	1,198,751
Boards and Commissions	188,352	-	-	10,000	14,270	212,622
Public safety	433,319	-	-	-	-	433,319
Public works	563,036	-	17,475	-	-	580,511
Health and welfare	61,061	-	-	-	2,483	63,544
Education	4,368,358	-	-	-	-	4,368,358
Other	42,193	-	-	-	-	42,193
Capital outlay	143,420	-	398,553	148,453	-	690,426
Total Expenditures	6,962,877	3,147	416,028	184,568	23,104	7,589,724
Excess (Deficiency) of Revenues Over Expenditures	313,828	18,588	(236,960)	(184,568)	2,197	(86,915)
Other Financing Sources (Uses):						
Operating transfers in	44,409	-	-	249,591	-	294,000
Operating transfers (out)	(159,000)	(135,000)	-	-	-	(294,000)
Total Financing Sources (Uses)	(114,591)	(135,000)	-	249,591	-	-
Excess (Deficiency) of Revenues And Other Financing Sources Over Expenditures and other Financing Uses	199,237	(116,412)	(236,960)	65,023	2,197	(86,915)
Fund Balance - beginning of year	3,128,412	664,220	392,746	133,108	650,908	4,969,394
Fund Balance - end of year	\$ 3,327,649	\$ 547,808	\$ 155,786	\$ 198,131	\$ 653,105	\$ 4,882,479

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement
of activities are different due to the following:

Net Change in Fund Balances-Total Governmental Funds **\$ (86,915)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life lives and reported as depreciation expense as follows:

Total capital outlay	\$ 690,426	
Less current year depreciation	<u>(184,606)</u>	
Net reduction		505,820

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. Deferred property tax, accrual basis change (14,589)

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.

Change in compensated absences liability (3,820)

Change in Net Position of Governmental Activities **\$ 400,496**

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension Trust Funds	Private Purpose Trust Funds
Assets:		
Investments - at fair value	\$ 1,044,588	\$ 1,317,511
Contribution receivable	15,847	-
Total Assets	<u>1,060,435</u>	<u>1,317,511</u>
Net Position:		
Reserved for pension benefits	1,060,435	-
Reserved for scholarships	-	1,317,511
	<u>\$ 1,060,435</u>	<u>\$ 1,317,511</u>

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Pension Trust Funds	Private Purpose Trust Funds
Additions:		
Contribution		
Employees	\$ 80,590	\$ -
Town	40,370	-
Other	15,088	28,904
Investment income:		
Interest and dividends	-	51,412
Realized and unrealized gains (losses)	(2,438)	(25,644)
Gross investment income	(2,438)	25,768
Less: investment expense	-	6,328
Net investment income	(2,438)	19,440
Total additions	133,610	48,344
Deductions:		
Scholarship awards	-	48,278
Distributions to other scholarship funds	-	27,904
Pension benefits	109,176	-
Total deductions	109,176	76,182
Net Increase	24,434	(27,838)
Net Position Held In Trust For Pension		
Benefits and Scholarships		
Beginning of year	1,036,001	1,345,349
End of year	\$ 1,060,435	\$ 1,317,511

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies:

The accompanying basic financial statements of the Town of Bridgewater, Connecticut (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

A. Reporting Entity:

The Town of Bridgewater, Connecticut was incorporated in 1856 under the provisions of the Connecticut General Statutes, and has a population of approximately 1,800 living within an area of 17.3 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Bridgewater, Roxbury, and Washington are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Bridgewater residents attending the District’s schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual property tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification have been considered and as a result, the potential component units discussed below are not included in the Town’s reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Bridgewater Volunteer Fire Department, Inc. and Bridgewater Library Association – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control the daily operations.

B. Jointly Governed Organizations:

Regional Animal Control Authority

The Regional Animal Control Authority (the “Authority”) was created by the Towns of Bridgewater, Brookfield, New Fairfield, New Milford, Bridgewater, and Sherman to enforce laws relating to animals within the six-town region. The Authority is supported by assessments to the participating towns based upon population census. The Town appropriated \$10,012 and expended \$9,453 for operation of the Authority for the year ended June 30, 2016. The Bridgewater First Selectman is the current chairman for the Authority.

**Town of Bridgewater
Notes to Financial Statements**

Note “1” - Summary of Significant Accounting Policies (continued):

B. Jointly Governed Organizations (continued)

Lake Lillinonah Authority

The Lake Lillinonah Authority (the “Lake Authority”) was created by the Towns of Bridgewater, Brookfield, New Milford, Newtown, Bridgewater, and Southbury by local ordinances. The Lake Authority is comprised of three delegates from each member town. The Town appropriated and expended \$25,872 for the operation of the Lake Authority for the year ended June 30, 2016.

Housatonic Resource Recovery Authority

The Town and ten other local municipalities each appoint the governing board of the Housatonic Resource Recovery Authority, with which the Town contracts for waste management services. Each Town is awarded voting units based upon population.

Western Connecticut Council of Governments (WestCOG)

The Town and eighteen other local municipalities each appoint the governing board of WestCOG to provide a regional forum for information exchange and regional planning. The WestCOG is supported by Federal and State grants and assessments to the member Towns based upon population census. The Town appropriated and expended \$3,180 for the operation of the WestCOG for the year ended June 30, 2016.

C. 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 nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 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*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

Town of Bridgewater
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

C. Government-Wide and Fund Financial Statements (continued):

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns, and the six nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements

D. Measurement Focus and Basis of Accounting:

Government-Wide Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

General Fund:

The General fund is the Town’s primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Note “1” - Summary of Significant Accounting Policies (continued):

D. Measurement Focus and Basis of Accounting (continued):

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

The Harris Fund was created to account and finance, the improvement of the Town’s recreational facilities and town buildings.

Capital Projects Funds:

The Capital Non-Recurring Fund as authorized by General Statutes of Connecticut, is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Town also reports the following six Nonmajor Governmental Funds:

Special Revenue Funds, are used to account for specific revenues that are legally restricted to expenditures for a particular purpose:

Records Preservation Fund – is used to account for recording fees and state grants restricted for document preservation along with the related expenditures.

Bridgewater Gift Fund – is used to account for donations and assistance to those in need.

Recreational Gift Fund – is used to account for the financial support of recreational leisure programs.

Capital Project Fund, is used to account for major capital facilities and the acquisition of equipment:

Open Space and Land Acquisition Fund – is used to account for the purchase of land for open space.

Permanent Funds, are used to report resources that are legally restricted. Only the earnings, not principal, may be used for purposes that support the Town’s programs.

Burnham Fund – is used to account for assistance to those in need.

Bridgewater Library – is used to account for financial support of the public library.

Additionally, the Town reports the following fund types:

Fiduciary Funds, are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

Pension Trust Funds – is used for the accumulation of resources to be used for retirement benefits.

**Town of Bridgewater
Notes to Financial Statements**

Note “1” - Summary of Significant Accounting Policies (continued):

D. Measurement Focus and Basis of Accounting (continued):

Private Purpose Trust Funds – is used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

Agency Funds – Custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. During the year, the assets of the agency funds were reverted back to the Bridgewater Library, in accordance to the agency agreement.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes including interest and lien fees.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer’s Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds does not specify permitted investments. Therefore investments of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

Receivables:

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles of \$7,000. The allowance is calculated based upon prior years’ collections.

In the fund financial statements, all property taxes receivable at June 30, 2016, which have not been collected within 60 days of June 30, have been recorded as deferred inflows, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 days period have been recorded as revenue.

Town of Bridgewater
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Net Assets or Equity (continued):

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets, which includes property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

As permitted under GASB Statement 34, the Town has elected to prospectively capitalize infrastructure assets in the statement of net position beginning July 1, 2003. The Town has acquired, capitalized, and depreciated infrastructure assets with a cost of \$618,420, as of June 30, 2016.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings	40-50
Building improvements	5-30
Machinery, Equipment and Vehicle	3-20
Infrastructure	20

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. On fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net position.

Compensated Absences

Town employees accumulate, by prescribed formula, sick leave for subsequent use or for payment upon termination or retirement. Accumulated vacation and personal days must be used by the year end and are not cumulative. Sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these accounts is reported in governmental funds only for amounts expected to be paid with available resources, for example, as a result of employee resignations and retirements. The General Fund is the primary source to liquidate compensated absences.

Note “1” - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Net Assets or Equity (continued):

Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity and Net Assets – Governmental Funds

Beginning with the fiscal year 2011, the Town implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the governmental intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

The Town does not have a minimum fund balance policy.

In the government-wide financial statements, net position is classified into the following categories:

Net investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributions or laws and regulations).

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted.

**Town of Bridgewater
Notes to Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Net Assets or Equity (continued):

Pension Accounting:

Pension Trust Funds

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

The Town makes contributions based on the provisions of the defined contribution plan.

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note "2" - Budgetary Compliance:

Budgetary Compliance – The General Fund

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected. After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

Additional General Fund appropriations of \$159,000 were authorized by Town Meeting and Board of Finance during the year. The Board of Finance authorized the transfer of \$44,409 from the Capital Project Fund to the General Fund, as a result of accepting completed projects. The Board of Finance also approved a transfer of \$18,683 from Town Roads appropriation to Employee Insurance.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

**Town of Bridgewater
Notes to Financial Statements**

Note "2" - Budgetary Compliance (continued):

Budgetary Compliance - Other Governmental Funds:

Although the Town prepares internal budgets for its special revenue funds and capital projects funds, it does not consider these to be legally adopted since they are not voted at Town Meeting. Considering a cost-benefit analysis, it is not practical for the Town to formally budget and report budgeting information for special revenue funds and capital project funds.

Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Note "3" – Cash and Cash Equivalents, Deposits and Investments:

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2016:

	<u>Governmental Funds</u>
Deposits:	
Demand Accounts	\$ 1,351,975
Petty Cash and Cash on Hand	200
Cash Equivalents:	
Secured municipal account	540,793
Repurchase agreements	<u>2,033,599</u>
Total Cash and Cash Equivalents	<u>\$ 3,926,567</u>

B. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, the carrying amount of the Town's deposits, was \$1,352,175 and the bank balance was \$1,348,718. Of the Town's bank balance \$ 848,718 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 763,846
Uninsured and collateralized held by pledging	
Bank's trust department not in the town's name	<u>84,872</u>
Total amount subject to custodial credit risk	<u>\$ 848,718</u>

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, the Town's cash equivalents amounted to \$2,574,392 comprised of repurchase agreements and secured municipal account. Amounts held in the repurchase agreement accounts and secured municipal accounts were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name.

Town of Bridgewater
Notes to Financial Statements

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):

D. Investments

At June 30, 2016, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Governmental Funds			
Harris Fund:			
Money market accounts	\$ 63,255	not rated	N/A
U.S. governmental agencies	563	N/A	N/A
Mutual funds	<u>483,990</u>	**	N/A
Total Harris Fund	<u>547,808</u>		
Nonmajor Funds:			
Money market accounts	16,824	not rated	N/A
U.S. governmental agencies	11,506	N/A	N/A
Mutual funds	<u>609,596</u>	**	N/A
Total Nonmajor Funds	<u>637,926</u>		
Total	<u>\$ 1,185,734</u>		
 <u>Fiduciary Funds</u>	 <u>Fair Value</u>	 <u>Average Credit Rating</u>	 <u>Investment Maturity</u>
Pension Trust Funds			
Money market accounts	\$ 14,158	not rated	N/A
Mutual funds	<u>1,030,430</u>	**	N/A
Total Pension Trust Funds	<u>1,044,588</u>		
 Private Purpose Trust and Agency Funds			
Money market accounts	79,170	not rated	N/A
U.S. Government agencies	80,026	N/A	N/A
Mutual funds	<u>1,158,315</u>	**	N/A
Total Private Purpose Trust and Agency Funds	<u>1,317,511</u>		
Total Fiduciary Funds	<u>\$ 2,362,099</u>		

- N/A indicates rating is not applicable.

** These investments are uninsured and unregistered with securities held by the counterparties, but not in the Town's name.

- Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

**Town of Bridgewater
Notes to Financial Statements**

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):

E. Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2016 whose fair value was determined using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2016.

Investments by Fair Value Level	6/30/2016		
	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Money Market Funds	\$ 173,407	\$ -	\$ 173,407
U.S. Government Agencies	-	92,095	92,095
Mutual Funds	3,282,331	-	3,282,331
Total Investment & Cash Equivalent by Fair Value Level	\$ 3,455,738	\$ 92,095	\$ 3,547,833

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes	\$ 33,082
Accrued interest and lien fees on taxes	<u>10,202</u>
Gross receivables	43,284
Less: allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 36,284</u>

Town of Bridgewater
Notes to Financial Statements

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

		<u>Major Funds</u>	
			<u>Non-Recurring</u>
			<u>Capital</u>
	<u>Harris</u>	<u>General</u>	<u>Expenditure</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>Net Transfers (From) To</u>	<u>\$ (135,000)</u>	<u>\$ (114,591)</u>	<u>\$ 249,591</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note "6" - Capital Assets:

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital Assets - Not Depreciated:				
Land	\$ 1,508,421	\$ ---	\$ ---	\$ 1,508,421
Construction in Progress - Grange	---	12,145	---	12,145
Construction in Progress - Senior Center	---	11,308	---	11,308
Total Capital Assets - Not Depreciated	1,508,421	23,453	---	1,531,874
Capital Assets - Depreciated:				
Land Improvements	175,000	---	---	175,000
Building & Improvements	2,957,791	---	---	2,957,791
Machinery & Equipment	1,573,165	48,553	58,533	1,563,185
Infrastructure	---	618,420	---	618,420
Total Capital Assets - Depreciated	4,705,956	666,973	58,533	5,314,396
Less Accumulated Depreciation:				
Land Improvements	34,271	8,750	---	43,021
Building & Improvements	1,401,435	58,755	---	1,460,190
Machinery & Equipment	993,098	90,522	58,533	1,025,087
Infrastructure	---	26,579	---	26,579
Total Accumulated Depreciation	2,428,804	184,606	58,533	2,554,877
Total Capital Assets Being Depreciated - Net	2,277,152	482,367	---	2,759,519
Capital Assets, Net	\$ 3,785,573	\$ 505,820	\$ ---	\$ 4,291,393

Depreciation is charged to the following Governmental Activities:

General Government	\$ 46,156
Public Works	107,425
Public Safety	4,139
Recreation	26,886
Total depreciation expense, Governmental Activities	\$ 184,606

Town of Bridgewater
Notes to Financial Statements

Note "7" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2015. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Due Within</u> <u>One Year</u>
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	\$ <u>23,210</u>	\$ <u>13,378</u>	\$ <u>(9,558)</u>	\$ <u>27,030</u>	\$ <u>---</u>

Note "8" - Interfund Balances:

At June 30, 2016, the amounts due from and due to other funds is as follows: These balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

	<u>Due From</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Major Funds		
General Fund	\$ ---	\$ 14,639
Capital Non-Recurring Expenditure Fund	\$ 14,639	\$ ---

Note "9" - Operating Deficiencies and/or Fund Deficits:

At June 30, 2016 the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating</u> <u>Deficiency</u>	<u>Fund</u> <u>Deficit</u>
Major Funds		
Harris Fund	\$ 116,412	\$ ---
Town Aid Road Fund	\$ 236,960	\$ ---
Non-major Funds		
Bridgewater Library Fund	\$ 7,997	\$ ---

**Town of Bridgewater
Notes to Financial Statements**

Note "10" – Pension Plans:

A. Defined Contribution Plan

The Town administers a multiple employer defined contribution plan (Money Purchase Plan) which covers substantially all employees and elected officials of the Town, employees of the Regional Animal Control Authority, and one employee of the Newtown Health District. The plan is included in the Town's financial statements as a Pension Trust Fund. At June 30, 2016, the net position, all vested, available for benefits were \$701,646.

At June 30, 2016, there were 22 participants including four employees of the Regional Animal Control Authority and one of the Newtown Health District covered under the plan. To be eligible, employees must be twenty-one and have completed one year of service working at least 500 hours. Town and Regional Animal Control Authority contributions to the plan are six percent of compensation for participants with less than ten years of service and seven percent for participants with more than nine years of service. At age sixty-five, plan participants are entitled to a lump sum payment or a retirement benefit. Participants who have completed five years of service are entitled to a lump sum payment upon termination of employment.

The Town and Regional Animal Control Authority contributions totaled \$40,370 and \$10,793, respectively, for the year ended June 30, 2016. In addition, the Newtown Health District contributed \$4,295 for an employee participating in the Town of Bridgewater pension plan.

B. Deferred Compensation Plan

The Town has established a deferred compensation plan in accordance with Internal Revenue Service Code Section 457. The plan, available to substantially all employees and elected officials of the Town and employees of the Regional Animal Control Authority, permits them to defer a portion of their salary while employed by either agency until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is reported as a Pension Trust fund. At June 30, 2016, the plan had a net position of \$358,789 that was not available to the Town's general creditors.

Note "11" – Risk Management:

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks and any claim(s) have not exceeded commercial coverage. There have been no significant reductions in coverage from the prior year.

Note "12" – Contingent Liabilities:

The Town is contingently liable for Regional School District No. 12 serial bonds and bond anticipation notes payable through August 15, 2018. The amount (20.61%) attributed to the Town of Bridgewater is \$278,235.

The Town has received State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material to the financial statements.

In addition, the Town is a defendant in various lawsuits involving land use. The outcomes of these lawsuits are not presently determinable. In the opinion of Town management, in consultation with Town attorneys, the liability, if any, resulting there from, will not have a material effect on the Town's financial position.

Town of Bridgewater
Notes to Financial Statements

Note "13" – Joint Program:

The Town of Bridgewater participates, in accordance with a cooperation agreement, with the Town of Roxbury in the Small Cities Community Development Block Grant Program. The Town of Roxbury, as the lead Town, accounts for all the assets, liabilities and activity of the grant. The program known as Roxbury/Bridgewater Housing Rehabilitation Program provides assistance in the form of interest free loans to eligible owner(s)/occupant(s) for rehabilitation of their homes. The cooperation agreement expires at the end of the grant period at which point the Town of Roxbury will be the sole participant in the program. The program provided a total of \$25,560 in assistance to residences of the Town of Bridgewater during the year.

Note "14" - Implementation of Current GASB Pronouncements

In fiscal year 2016, the Town adopted two new statements of financial accounting standard issued by the Governmental Accounting Standards Board (GASB). The new statements include: Statement No. 72, *Fair Value Measurement and Application* and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Note "15" - Implementation of Future GASB Pronouncements

The GASB has issued several pronouncements that have effective dates that may impact the June 30, 2017 financial statements. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Statement No. 77, *Tax Abatement Disclosures*.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*

Statement No. 82, *Pension Issues - an amendment of GASB Statements No 67, No. 68, and No. 73*.

Town of Bridgewater
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:					
Property taxes	\$ 6,704,745	\$ -	\$ 6,704,745	\$ 6,740,659	\$ 35,914
Interest and lien fees on property taxes	-	-	-	21,684	21,684
State of Connecticut - Grants:					
Mashantuck Pequot/Mohegan fund	8,096	-	8,096	8,724	628
Educational cost sharing grant	137,292	-	137,292	122,296	(14,996)
Property tax relief	15,000	-	15,000	13,558	(1,442)
Veterans/Disabled grant	2,265	-	2,265	2,208	(57)
St CT DOT van grant	10,205	-	10,205	15,308	5,103
LOCIP	23,655	-	23,655	37,439	13,784
Mfg transition/Municipal revenue sharing grant	587	-	587	587	-
Pilot State Property	1,299	-	1,299	-	(1,299)
Police enforcement fees	2,000	-	2,000	2,288	288
Federal grant - speed enforcement	-	-	-	16,472	16,472
Federal grant - speed enforcement budgeted net				(16,472)	(16,472)
Other grants	1,169	-	1,169	3,137	1,968
Investment income	5,000	-	5,000	10,306	5,306
Licenses and permits					
Permits	50,000	-	50,000	64,710	14,710
Building Department budgeted revenue net of expenditure excess				(14,389)	(14,389)
Conveyance taxes	48,000	-	48,000	68,327	20,327
Land use	-	-	-	1,328	1,328
Dog licenses	-	-	-	1,051	1,051
Charges for services					
Recording fees	14,010	-	14,010	9,681	(4,329)
Recreation fees	13,000	-	13,000	7,149	(5,851)
Other charges for services	5,000	-	5,000	20,775	15,775
Constables - police duty	-	-	-	100,742	100,742
Constable police duty - budgeted net expenditure therefore revenue offsets expenditure	-	-	-	(71,580)	(71,580)
Other revenues					
Telecommunications tax	11,000	-	11,000	8,276	(2,724)
Regional School District No. 12 reimbursement	20,000	-	20,000	30,408	10,408
Total Revenue	7,072,323	-	7,072,323	7,204,672	132,349
Other Financing Sources					
Capital Projects Fund	-	44,409	44,409	44,409	-
Total Revenues and Other Financing Sources	\$ 7,072,323	\$ 44,409	\$ 7,116,732	\$ 7,249,081	\$ 132,349

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen's Office	\$ 134,506	\$ -	\$ 134,506	\$ 124,780	\$ (9,726)
Probate Court	827	-	827	827	-
Elections	28,131	-	28,131	19,135	(8,996)
Town Clerk	53,593	-	53,593	58,725	5,132
Tax Collector	46,486	-	46,486	47,333	847
Assessor	58,953	-	58,953	58,340	(613)
Treasurer	47,664	-	47,664	47,091	(573)
Town Newsletter	8,120	-	8,120	6,834	(1,286)
Town Hall - Operating	47,500	-	47,500	44,860	(2,640)
Building Department	55,064	-	55,064	69,453	14,389
Building Department budgeted revenue net of expenditure exces	-	-	-	(14,389)	(14,389)
Town Owned Buildings	140,125	-	140,125	171,836	31,711
Senior Services	65,836	-	65,836	62,480	(3,356)
Town Van	18,126	-	18,126	17,266	(860)
Employee Insurance	256,135	18,683	274,818	298,113	23,295
Employee Pension	42,000	-	42,000	40,991	(1,009)
Payroll Taxes	70,000	-	70,000	68,339	(1,661)
Auditor	21,000	-	21,000	21,000	-
Legal Defense Fees	36,000	-	36,000	5,735	(30,265)
Total General Government	1,130,066	18,683	1,148,749	1,148,749	-
Boards and Commissions					
Board of Finance	800	-	800	500	(300)
Board of Trustees	600	-	600	250	(350)
Board of Assessment Appeals	450	-	450	627	177
Planning & Zoning	11,598	-	11,598	10,080	(1,518)
Zoning Board of Appeals	350	-	350	899	549
Conservation/Inland Wetlands	9,300	-	9,300	8,209	(1,091)
Land Use	8,657	-	8,657	8,436	(221)
Recreation Commission	53,000	-	53,000	47,079	(5,921)
Lake Lillinonoah Authority	25,872	-	25,872	25,872	-
Library	86,400	-	86,400	86,400	-
Total Boards and Commissions	197,027	-	197,027	188,352	(8,675)
Protection					
Police Protection	117,860	-	117,860	109,979	(7,881)
Town Police/Private Duty	500	-	500	72,080	71,580
Constable police duty - budgeted net of revenue	-	-	-	(71,580)	(71,580)
State Police/Res Trooper Prog	75,000	-	75,000	97,038	22,038
Federal grant budgeted against costs	-	-	-	(16,472)	(16,472)
Civil Preparedness	3,500	-	3,500	1,000	(2,500)
Fire Prevention Services	33,907	-	33,907	33,858	(49)
Insurance and Bonds	104,310	-	104,310	104,306	(4)
Regional Animal Control	10,012	-	10,012	9,453	(559)
Street Lighting	6,100	-	6,100	5,605	(495)
Total Protection	351,189	-	351,189	345,267	(5,922)

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

Expenditures (continued):	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Highway and Public Works					
Town Garage	\$ 3,250	\$ -	\$ 3,250	\$ 3,447	\$ 197
Town Roads	731,628	(18,683)	712,945	621,252	(91,693)
Equipment Maintenance	50,000	-	50,000	53,219	3,219
Town Parks	30,000	-	30,000	28,538	(1,462)
Total Highway & Public Works	814,878	(18,683)	796,195	706,456	(89,739)
Health & Welfare					
Trash Disposal/Recycling	30,000	-	30,000	27,994	(2,006)
Welfare	5,208	-	5,208	2,068	(3,140)
Visiting Nurse	8,840	-	8,840	3,998	(4,842)
Sanitarian	26,925	-	26,925	27,001	76
OSHA	500	-	500	-	(500)
Total Health and Welfare	71,473	-	71,473	61,061	(10,412)
Miscellaneous					
Tax Refunds	2,000	-	2,000	489	(1,511)
Cemeteries	200	-	200	-	(200)
Unemployment	700	-	700	629	(71)
Celebrations	3,000	-	3,000	2,297	(703)
Contingency	40,000	-	40,000	38,778	(1,222)
Total Miscellaneous	45,900	-	45,900	42,193	(3,707)
Education	4,443,814	-	4,443,814	4,398,766	(45,048)
Other Financing Uses:					
Operating transfers out					
Capital projects fund	-	159,000	159,000	159,000	-
Total Expenditures	7,054,347	159,000	7,213,347	7,049,844	(163,503)
Excess (deficiency) of revenues over Expenditures and Other Financing Sources	17,976	(114,591)	(96,615)	199,237	295,852
Fund Balance at beginning of year	(17,976)	114,591	96,615	3,128,412	3,031,797
Fund Balance at end of year	\$ -	\$ -	\$ -	\$ 3,327,649	\$ 3,327,649

The accompanying notes are an integral part of these financial statements.

Town of Bridgewater
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Reconciliation Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

The Federal grant expenditure for police enforcement, constable private duty, and building department expenditures were budgeted net of revenues. Therefore, for GAAP purposes, revenue and expenditures are grossed up to reflect actual gross activity.

Additionally, for budgeting purposes the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. Generally accepted accounting principles (GAAP) require that refunds for prior year and other credits be offset against educational expenditures.

The reconciliation from the budgetary basis to GAAP follows:

	<u>General Fund</u>		
	<u>Total Revenue and Transfers In</u>	<u>Total Expenditures and Transfers Out</u>	<u>Fund Balance</u>
Non-GAAP Budgetary Basis Statement - June 30, 2016 - Actual	\$ 7,249,081	\$ 7,049,844	\$ 3,327,649
Prior year refund from RSD #12 offsets expenditure	(30,408)	(30,408)	-
Gross up expenditure, budgeted net:			
Building department	14,389	14,389	-
Police private duty	71,580	71,580	-
Federal grant expenditures	16,472	16,472	-
Actual GAAP - June 30, 2016	<u>\$ 7,321,114</u>	<u>\$ 7,121,877</u>	<u>\$ 3,327,649</u>

Town of Bridgewater
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds				Capital Project		Permanent	
	Records Preservation	Bridgewater Gift	Recreation Gift	Open Space & Land Acquisition	Burnham Fund	Bridgewater Library	Total	
Assets:								
Cash and cash equivalents	\$ 11,570	9,000 \$	2,573 \$	- \$	- \$	- \$	23,143	
Investment - at fair value	-	-	-	67,830	330,826	239,270	637,926	
Accounts receivable	180	-	-	-	-	-	180	
Total Assets	\$ 11,750	\$ 9,000	\$ 2,573	\$ 67,830	\$ 330,826	\$ 239,270	\$ 661,249	
Liabilities:								
Accounts payable	\$ -	- \$	- \$	- \$	- \$	8,144 \$	8,144	
Fund balances:								
Nonspendable:								
Principal of Permanent Funds	-	-	-	-	330,826	77,711	408,537	
Restricted for:								
Burnham Library	-	-	-	-	-	153,415	153,415	
Social services	-	9,000	2,573	-	-	-	11,573	
Public record preservation	11,750	-	-	-	-	-	11,750	
Committed for:								
Land acquisition for open space	-	-	-	67,830	-	-	67,830	
Total Fund Balances	11,750	9,000	2,573	67,830	330,826	231,126	653,105	
Total Liabilities and Fund Balances	\$ 11,750	\$ 9,000	\$ 2,573	\$ 67,830	\$ 330,826	\$ 239,270	\$ 661,249	

Town of Bridgewater
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds					Capital Project		Permanent		
	Records		Bridgewater		Recreation	Open Space	& Land	Burnham	Bridgewater	Totals
	Preservation	Gift	Gift	Gift				Fund	Library	
Revenues:										
Investment income:										
Interest and dividends	\$	3	\$	9	\$	1	\$	2,375	\$	9,903
Realized and unrealized gains (losses)	-		-	-	-		(106)	(7,988)		(12,214)
Intergovernmental	3,000		-	-	-		-	-	-	3,000
Charges for services and other	3,128		-	5,867	-		-	-	-	8,995
Total Revenues	<u>6,131</u>		<u>9</u>	<u>5,868</u>			<u>2,269</u>	<u>9,109</u>	<u>1,915</u>	<u>25,301</u>
Expenditures:										
General government	3,335		-	-	-		304	1,537	1,175	6,351
Health and welfare	-		-	-	-		-	2,483	-	2,483
Boards and Commissions	-		-	5,533	-		-	-	8,737	14,270
Total Expenditures	<u>3,335</u>		<u>-</u>	<u>5,533</u>			<u>304</u>	<u>4,020</u>	<u>9,912</u>	<u>23,104</u>
Excess (Deficiency) of revenues over expenditures	<u>2,796</u>		<u>9</u>	<u>335</u>			<u>1,965</u>	<u>5,089</u>	<u>(7,997)</u>	<u>2,197</u>
Fund Balance - beginning of year	<u>8,954</u>		<u>8,991</u>	<u>2,238</u>			<u>65,865</u>	<u>325,737</u>	<u>239,123</u>	<u>650,908</u>
Fund Balance - end of year	<u>\$ 11,750</u>		<u>\$ 9,000</u>	<u>\$ 2,573</u>			<u>\$ 67,830</u>	<u>\$ 330,826</u>	<u>\$ 231,126</u>	<u>\$ 653,105</u>

Town of Bridgewater
Combining Statement of Fiduciary Net Position
Year Ended June 30, 2016

	Pension Trust Funds			Private Purpose Trust Funds				
	Defined Contribution Plan	Deferred Compensation Plan	Total	W. Sills Gould Scholarship	Jespersen Scholarship	Bridgewater Scholarship	Margaret Ford Scholarship	Total
Assets								
Investments	\$ 685,799	\$ 358,789	\$ 1,044,588	\$ 181,987	\$ 525,598	\$ 569,027	\$ 40,899	\$ 1,317,511
Contribution receivable	15,847	-	15,847	-	-	-	-	-
Total Assets	<u>701,646</u>	<u>358,789</u>	<u>1,060,435</u>	<u>181,987</u>	<u>525,598</u>	<u>569,027</u>	<u>40,899</u>	<u>1,317,511</u>
Net Position								
Reserved for Scholarships	-	-	-	181,987	525,598	569,027	40,899	1,317,511
Reserved for Pension Benefits	701,646	358,789	1,060,435	-	-	-	-	-
Total Net Position	<u>\$ 701,646</u>	<u>\$ 358,789</u>	<u>\$ 1,060,435</u>	<u>\$ 181,987</u>	<u>\$ 525,598</u>	<u>\$ 569,027</u>	<u>\$ 40,899</u>	<u>\$ 1,317,511</u>

Town of Bridgewater
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Pension Trust Funds			Private Purpose Trust Funds				
	Defined Contribution Plan	Deferred Compensation Plan	Total	W. Sills Gould Scholarship	Jespersen Scholarship	Bridgewater Scholarship	Margaret Ford Scholarship	Total
Additions								
Contributions								
Employees	\$ -	\$ 80,590	\$ 80,590	\$ -	\$ -	\$ -	\$ -	\$ -
Town	40,370	-	40,370	-	-	-	-	-
Others	15,088	-	15,088	-	-	28,904	-	28,904
Total Contributions	55,458	80,590	136,048	-	-	28,904	-	28,904
Investment Income								
Interest and dividends	-	-	-	4,469	22,272	22,973	1,698	51,412
Realized and unrealized gains (losses)	(862)	(1,576)	(2,438)	1,223	(15,046)	(12,660)	839	(25,644)
Total Additions	54,596	79,014	133,610	5,692	7,226	39,217	2,537	54,672
Deductions								
Scholarship awards	-	-	-	-	-	48,278	-	48,278
Distributions to other scholarship funds	-	-	-	4,585	22,503	-	816	27,904
Investment Fees	-	-	-	856	2,552	2,740	180	6,328
Pension benefits	30,612	78,564	109,176	-	-	-	-	-
Total Deductions	30,612	78,564	109,176	5,441	25,055	51,018	996	82,510
Change in Net Position	23,984	450	24,434	251	(17,829)	(11,801)	1,541	(27,838)
Net Position, Beginning of Year	677,662	358,339	1,036,001	181,736	543,427	580,828	39,358	1,345,349
Net Position, End of Year	\$ 701,646	\$ 358,789	\$ 1,060,435	\$ 181,987	\$ 525,598	\$ 569,027	\$ 40,899	\$ 1,317,511

Town of Bridgewater
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Brooks Piggott				
Assets				
Investments	\$ <u>362,740</u>	<u>14,362</u>	\$ <u>377,102</u>	\$ <u>-</u>
Liabilities:				
Due to Bridgewater Library	\$ <u>362,740</u>	\$ <u>14,362</u>	\$ <u>377,102</u>	\$ <u>-</u>
Library Growth				
Assets				
Investments	\$ <u>59,003</u>	\$ <u>3,211</u>	\$ <u>62,214</u>	\$ <u>-</u>
Liabilities:				
Due to Bridgewater Library	\$ <u>59,003</u>	\$ <u>3,211</u>	\$ <u>62,214</u>	\$ <u>-</u>
Total - All Funds				
Assets				
Investments	\$ <u>421,743</u>	\$ <u>17,573</u>	\$ <u>439,316</u>	\$ <u>-</u>
Liabilities:				
Due to Bridgewater Library	\$ <u>421,743</u>	\$ <u>17,573</u>	\$ <u>439,316</u>	\$ <u>-</u>

Town of Bridgewater
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2016

	Taxes Receivable July 1, 2014	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS				Taxes Receivable June 30, 2015
		Lawful Additions	Corrections Reductions			Taxes	Interest, liens and other costs	Refunds and Adjustments	Total Net Collections	
Grand List : October 1,										
2014 \$	6,736,826 \$	3,307 \$	(9,499) \$	(2,765) \$	6,727,869 \$	6,709,010 \$	15,284 \$	181 \$	6,724,475 \$	19,040
2013	21,617	1	(878)	(40)	20,700	11,984	2,997	(41)	14,940	8,675
2012	1,705	-	(77)	(40)	1,588	711	328	-	1,039	877
2011	2,102	-	-	(40)	2,062	1,335	755	-	2,090	727
2010	344	-	(71)	(37)	236	-	-	-	-	236
2009	573	-	-	(35)	538	165	172	-	337	373
2008	1,379	-	-	(35)	1,344	-	-	-	-	1,344
2007	945	-	-	(35)	910	-	163	-	163	910
2006	469	-	-	(35)	434	-	-	-	-	434
2005	353	-	-	(39)	314	-	-	-	-	314
2004	37	-	-	(37)	-	-	-	-	-	-
2003	35	-	-	(35)	-	-	-	-	-	-
2002	60	-	-	(60)	-	-	-	-	-	-
2001	58	-	-	(58)	-	-	-	-	-	-
2000	436	-	-	(56)	380	228	601	-	829	152
1999	60	-	-	-	60	-	-	(60)	(60)	-
Suspense Book Collections	-	-	-	196	196	196	482	-	678	-
Totals	\$ 6,766,999 \$	3,308 \$	(10,525) \$	(3,151) \$	6,756,631 \$	6,723,629 \$	20,782 \$	80 \$	6,744,491 \$	33,082

The accompanying notes are an integral part of these financial statements.

**Town of Bridgewater
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374(b)
Year Ended June 30, 2016**

Total tax collections (including interest and lien fees) for the year ended June 30, 2016 \$ 6,744,491

Reimbursement for revenue loss on :

Tax relief for elderly - (CGS 12-129d) -

Total Receipts From Taxation For The Year Ended June 30, 2016 (Base) \$ 6,744,491

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 15,175,105	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	30,350,210	-	-	-
3 3/4 times Base	-	-	25,291,841	-	-
3 1/4 times Base	-	-	-	21,919,596	-
3 times Base	-	-	-	-	20,233,473
Total Debt Limitation	15,175,105	30,350,210	25,291,841	21,919,596	20,233,473

Indebtedness:

Shepaug Regional School District #12

Bonds payable (Town's share is 20.61%)

Bank term loan due August 15, 2018 -\$1,350,000	-	278,235			
Total Indebtedness	-	278,235	-	-	-

Debt Limitation In Excess Of

Outstanding And Authorized Debt \$ 15,175,105 \$ 30,071,975 \$ 25,291,841 \$ 21,919,596 \$ 20,233,473

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

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*

Board of Finance
Town of Bridgewater
Bridgewater, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bridgewater, Connecticut's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

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

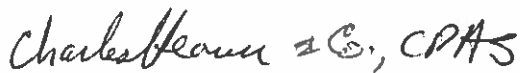
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 of Bridgewater, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Charles Heaven & Co.

December 7, 2016

**Town of Bridgewater
Status of Prior Year Findings
Year Ended June 30, 2016**

Finding #2015-1

Criteria and Condition

Funds, other than the General Fund, do not use a general ledger. A monthly reconciliation is performed and at year end the twelve summarized reconciliation are used to preparer the financial statements. Best practices state that it is essential to use a general ledger. The general ledger would provide year to date detail activity not provided on monthly and yearly summaries.

Current Status

The Town is currently working on establishing and implementing a general ledger for all its funds.

Finding #2015-2

Criteria and Condition

The Town does not have a procedure for updating and providing technical information in order to keep current on Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statements. The accounting records and financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America as they relate to governments.

Current Status

The Town personnel responsible for financial reporting obtained numerous continuing education credits relating to Governmental Accounting and GAAP financial reporting, as it relates to governments.

The Town has also joined the Government Finance Officers of Connecticut Association and has made yearly continuing professional education a priority.

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Bridgewater
Bridgewater, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Bridgewater, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Bridgewater, Connecticut's major state programs for the year ended June 30, 2016. The Town of Bridgewater, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bridgewater, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Bridgewater, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Bridgewater, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Bridgewater, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Town of Bridgewater, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bridgewater, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Bridgewater, Connecticut's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bridgewater, Connecticut's basic financial statements. We have issued our report thereon dated December 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the Town of Bridgewater, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Charles Heaven & Co., CPAs
CHARLES HEAVEN & CO.

December 7, 2016

Town of Bridgewater
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

State / Grantor Program Title	State Grant Program Core - CT Number	Expenditures
Office of Policy and Management		
Local Capital Improvements	12050-OPM20600-40254	\$ 37,439
Reimbursable Property Tax - Disability Exemption	11000-OPM20600-17011	102
Property Tax Relief Elderly Circuit Brkr	11000-OPM20600-17018	13,558
Property Tax Relief for Veterans	11000-OPM20600-17024	2,208
Municipal Grants-In-Aid	12052-OPM20600-43587	587
Department of Transportation		
Town Aid Roads	12052-DOT57131-43455	416,028
Bus Operation MGP	12001-DOT57931-12175	15,308
Connecticut State Library		
Historic Document Preservation	12060-CSL66094-35150	3,000
Judicial Branch		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	2,182
Department of Consumer Protection		
Bingo Payments	34003-DCP39930-42350	4
Total State Financial Assistance Before Exempt Programs		<u>490,416</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	122,296
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	8,724
Total Exempt Programs		<u>131,020</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 621,436</u>

See accompanying notes to Schedule

**Town of Bridgewater
State Financial Assistance Programs
Notes to Schedule
For the Year Ended June 30, 2016**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Bridgewater under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: local capital improvement, road repairs, tax relief, education and other public assistance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Bridgewater conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for capital lease principal and interest which are reported as expenditures in the year due.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

In accordance with Section 236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of Bridgeater
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

State Financial Assistance

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

☐ yes ☒ no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation Town Aid Road Transportation Fund	12052-DOT57131-43455	\$ <u>416,028</u>
• Dollar threshold used to distinguish between type A and type B Programs		\$ <u>100,000</u>

**Town of Bridgewater
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

We issued reports, dated December 7, 2016, 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.

Our report on compliance indicated no reportable instances of noncompliance.

Our report on internal control over financial reporting indicated no findings or questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - STATE FINANCIAL ASSISTANCE

Finding #2015-1

Criteria and Condition

A general ledger for the Town Aid Road Fund is not used. Best practices deem the usage of a general ledger as essential. The general ledger would provide year to date detail along with an audit trail.

Current Status

The Town has developed a general ledger for the Town Aid Road Fund and it will be implemented for the fiscal year ending June 30, 2017.

V. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - RELATED TO FINANCIAL STATEMENTS

Finding #2015-1

Criteria and Condition

Funds, other than the General Fund, do not use a general ledger. A monthly reconciliation is performed and at year end the twelve summarized reconciliation are used to preparer the financial statements. Best practices state that it is essential to use a general ledger. The general ledger would provide year to date detail activity not provided on monthly and yearly summaries.

Current Status

The Town is currently working on establishing and implementing a general ledger for all its funds.

**Town of Bridgewater
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding #2015-2

Criteria and Condition

The Town does not have a procedure for updating and providing technical information in order to keep current on Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statements. The accounting records and financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America as they relate to governments.

Current Status

The Town personnel responsible for financial reporting obtained numerous continuing education credits relating to Governmental Accounting and GAAP financial reporting, as it relates to governments.

The Town has also joined the Government Finance Officers of Connecticut Association and has made yearly continuing professional education a priority.