

TOWN OF FREETOWN, MASSACHUSETTS

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

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

TOWN OF FREETOWN, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Freetown, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2015, and the respective changes

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and the Town's contributions to pension plan, the funding progress and contributions for other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in the Note III to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* during fiscal year 2015. Our opinion was not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli, Clark and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 2, 2016

Management's Discussion and Analysis

As the management of the Town of Freetown, Massachusetts (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$17.3 million (*total net position*). Approximately \$14.6 million represented net position of governmental activities and \$2.6 million represented net position of the business-type activities.
- The government's total net position increased approximately \$1.3 million. Governmental activities net position increased nearly \$1.3 million due to revenues exceeding forecast by \$0.9 million and expenditures lower than budget by \$0.5 million. Business-type activities net position was relatively unchanged.
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$5.1 million (25.2% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$5.9 million (28.9% of General Fund expenditures). The Town reported approximately \$0.8 million and \$0.4 million in Restricted and Nonspendable Fund Balance respectively in the Combined Nonmajor Governmental Funds.
- The Town's long-term debt decreased by \$0.6 million during the fiscal year due to regular scheduled maturities of debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, education, debt service, fringe benefits and culture and recreation. The business-type activities of the Town include water and sewer enterprise funds.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

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

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

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

Proprietary Funds The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the Town's water and sewer enterprise fund activities.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds for other postemployment benefits, scholarships and poor funds.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

- Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*"

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

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

In order to implement the Statement, a prior period adjustment was made to the Town's July 1, 2014 net position. This prior period adjustment decreased the Town's net position by \$6,080,002 and reflects the reporting of the Town's net pension liability.

The adoption of Statement No. 68 has no impact on the Town's governmental fund financial statements, which continue to report expenditures equal to the amount of the Town's actuarially determined contribution (formerly referred to as the "annual required contribution").

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's proportionate share of the net pension liability and contributions to its pension plan, the Town's progress in funding its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental activities		Business-type activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Assets</u>						
Current and other assets	\$ 13,604,864	\$ 12,432,807	\$ 656,417	\$ 580,458	\$ 14,261,281	\$ 13,013,265
Capital assets, net	19,132,655	19,715,312	2,217,264	2,254,700	21,349,919	21,970,012
Total assets	32,737,519	32,148,119	2,873,681	2,835,158	35,611,200	34,983,277
<u>Deferred outflows of resources</u>						
	299,101	-	1,323	-	300,424	-
<u>Liabilities</u>						
Long-term liabilities	18,074,141	12,439,917	86,497	74,000	18,160,638	12,513,917
Other liabilities	314,076	300,246	142,965	83,235	457,041	383,481
Total liabilities	18,388,217	12,740,163	229,462	157,235	18,617,679	12,897,398
<u>Net Position</u>						
Net investment in capital assets	12,823,661	12,615,219	2,122,939	2,180,700	14,946,600	14,795,919
Restricted	5,075,768	5,265,259	-	-	5,075,768	5,265,259
Unrestricted	(3,250,477)	1,527,478	522,603	497,223	(2,727,874)	2,024,701
Net Position	\$ 14,648,952	\$ 19,407,956	\$ 2,645,542	\$ 2,677,923	\$ 17,294,494	\$ 22,085,879

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$17.3 million (*total net position*).

By far the largest portion (approximately \$14.9 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$5.1 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is in deficit by approximately \$2.7 million. This has resulted from the recognition of other postemployment benefits of approximately \$4.9 million since inception in 2009 as well as recognition of approximately \$6.2 million of net pension liability with the implementation of GASB Statement 68 in fiscal year 2015.

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

	Governmental activities		Business activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,398,867	\$ 1,139,076	\$ 784,809	\$ 820,337	\$ 2,183,676	\$ 1,959,413
Operating grants and contributions	935,438	1,963,571	-	-	935,438	1,963,571
Capital grants and contributions	552,070	379,904	2,428	2,884	554,498	382,788
General revenues:						
Property taxes	16,815,594	15,784,981	-	-	16,815,594	15,784,981
Grants and contributions not restricted to specific programs	1,140,356	463,550	-	-	1,140,356	463,550
Other	1,770,033	1,914,260	-	-	1,770,033	1,914,260
Total revenues	22,612,358	21,645,342	787,237	823,221	23,399,595	22,468,563
<u>Expenses</u>						
General government	1,882,188	1,779,399	-	-	1,882,188	1,779,399
Public safety	5,007,066	4,947,955	-	-	5,007,066	4,947,955
Education	10,953,365	11,547,778	-	-	10,953,365	11,547,778
Public works	2,708,645	2,624,119	-	-	2,708,645	2,624,119
Health and human services	467,313	524,754	-	-	467,313	524,754
Culture and recreation	184,142	175,623	-	-	184,142	175,623
Interest expense	75,415	100,761	-	-	75,415	100,761
Water	-	-	648,516	574,246	648,516	574,246
Sewer	-	-	184,328	111,615	184,328	111,615
Total expenses	21,278,134	21,700,389	832,844	685,861	22,110,978	22,386,250
Change in net position before transfers	1,334,224	(55,047)	(45,607)	137,360	1,288,617	82,313
Transfers	(40,000)	33,010	40,000	(33,010)	-	-
Change in net position	1,294,224	(22,037)	(5,607)	104,350	1,288,617	82,313
Net position, beginning of year	19,407,956	19,429,993	2,677,923	2,573,573	22,085,879	22,003,566
Restatement for net pension liability	(6,053,228)	-	(26,774)	-	(6,080,002)	-
Net position, beginning of year, as restated	13,354,728	19,429,993	2,651,149	2,573,573	16,005,877	22,003,566
Net position, end of year	<u>\$ 14,648,952</u>	<u>\$ 19,407,956</u>	<u>\$ 2,645,542</u>	<u>\$ 2,677,923</u>	<u>\$ 17,294,494</u>	<u>\$ 22,085,879</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2015, made up approximately 74.4% of total revenues, as compared with 72.9% in the prior year. The slight increase was compositional only as the Town has more revenues from grants in the prior year. No other individual revenues were greater than 10% of total revenues in 2015 or 2014.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 51.5% which was consistent year to year over the prior year 53.2%. Public safety expenditures represented 23.5% which was slightly higher than the prior year of 22.8%. Public works expenditures comprised about 12.7% as compared to about 12.1% in the prior year. No other expense types were greater than 10% of total expenses in 2015 or 2014.

Business-type Activities - Major revenue sources consist of revenue from water and sewer user charges which represented almost 100% of total revenues. Water and sewer expenses represented 77.9% and 22.1% of total business-type expenses, respectively.

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$5.1 million, while total fund balance reached approximately \$5.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 25.2% of total general fund expenditures, while total fund balance represents approximately 28.9% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$6.9 million. This was higher by \$1.3 million when compared to the prior year. This was due primarily to revenues in excess of budgeted amounts in the general fund of \$0.9 million and savings on general fund expenditures of \$0.5 million.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer funds were approximately \$2.4 million and \$0.2 million, respectively.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for departmental functions were insignificant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to approximately \$21.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and reflects a decrease of approximately \$0.6 million as depreciation of approximately \$1.6 million was offset by additions of approximately \$1.0 million.

Additional information on the Town capital assets can be found in Note II, Section C. of this report.

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$5.7 million which is nearly all accounted for as general obligation bonds within the governmental activities. The Town's debt in its business-type activities was not significant.

The Town's long-term debt in the governmental funds decreased by approximately \$0.6 million during the fiscal year due to regular scheduled maturities of debt.

The Town maintained a bond rating of AA+ as set by Standard and Poor for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$56.4 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in Note II, Section E, F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have stabilized over the past two years and now are approaching levels they were prior to the recession.
- The Town's real estate tax base is made up of approximately 74.3% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 25.7%. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's housing market stabilized from the downward trend experienced earlier this decade; and is now approaching its 2005 peak.
- In June 2015, the Town voted an initial general fund appropriation budget for fiscal year 2016 that was in balance. It is expected the tax rate will be certified prior to December 31, 2015.

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

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. For all those with an interest in the government's finances, questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, 3 North Main Street, PO Box 438 Assonet, Massachusetts 02702.

TOWN OF FREETOWN, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,886,798	\$ 363,219	\$ 7,250,017
Receivables, net of allowance for uncollectibles:			
Property taxes	1,961,980	-	1,961,980
User fees	-	245,861	245,861
Special assessments		47,337	47,337
Departmental and other	198,407	-	198,407
Intergovernmental	4,260,667	-	4,260,667
Tax foreclosures	297,012	-	297,012
Other assets	549		549
Capital assets, not being depreciated	1,839,383	35,325	1,874,708
Capital assets, net of depreciation	17,293,272	2,181,939	19,475,211
Total Assets	32,738,068	2,873,681	35,611,749
Deferred Outflows of Resources	299,101	1,323	300,424
Liabilities			
Current liabilities:			
Warrants and accounts payable	314,076	142,965	457,041
Noncurrent liabilities:			
Due in one year or less	1,078,214	14,750	1,092,964
Due in more than one year	16,995,927	71,747	17,067,674
Total Liabilities	18,388,217	229,462	18,617,679
Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	12,823,661	2,122,939	14,946,600
Restricted for:			
Nonexpendable permanent funds	388,558	-	388,558
MSBA grant	3,910,131	-	3,910,131
Other purposes	777,079	-	777,079
Unrestricted	(3,250,477)	522,603	(2,727,874)
Total Net Position	\$ 14,648,952	\$ 2,645,542	\$ 17,294,494

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 1,882,188	\$ 330,059	\$ 52,632	\$ -	\$ (1,499,497)		\$ (1,499,497)
Public safety	5,007,066	670,660	254,249	-	(4,082,157)		(4,082,157)
Education	10,953,365	-	447,054	-	(10,506,311)		(10,506,311)
Public works	2,708,645	336,114	6,493	552,070	(1,813,968)		(1,813,968)
Health and human services	467,313	61,628	59,431	-	(346,254)		(346,254)
Culture and recreation	184,142	406	28,461	-	(155,275)		(155,275)
Interest expense	75,415	-	87,118	-	11,703		11,703
Total Governmental Activities	21,278,134	1,398,867	935,438	552,070	(18,391,759)		(18,391,759)
<u>Business-Type Activities:</u>							
Sewer	184,328	206,983	-	-		22,655	22,655
Water	648,516	577,826	-	2,428		(68,262)	(68,262)
Total Primary Government	<u>\$ 22,110,978</u>	<u>\$ 2,183,676</u>	<u>\$ 935,438</u>	<u>\$ 554,498</u>	(18,391,759)	(45,607)	(18,437,366)
<u>General Revenues:</u>							
					16,815,594	-	16,815,594
					1,140,356	-	1,140,356
					1,564,555	-	1,564,555
					201,516	-	201,516
					3,962	-	3,962
					(40,000)	40,000	-
					19,685,983	40,000	19,725,983
					1,294,224	(5,607)	1,288,617
					13,354,728	2,651,149	16,005,877
					<u>\$ 14,648,952</u>	<u>\$ 2,645,542</u>	<u>\$ 17,294,494</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 5,970,024	\$ 916,774	\$ 6,886,798
Receivables, net of allowance			
Property taxes	1,961,980	-	1,961,980
Departmental and other	184,750	13,657	198,407
Due from other government	4,059,881	200,786	4,260,667
Tax foreclosures	297,012	-	297,012
Other assets	549		549
Total Assets	<u>12,474,196</u>	<u>1,131,217</u>	<u>13,605,413</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 12,474,196</u></u>	<u><u>\$ 1,131,217</u></u>	<u><u>\$ 13,605,413</u></u>
Liabilities			
Warrants and accounts payable	\$ 167,252	\$ 146,824	\$ 314,076
Total Liabilities	<u>167,252</u>	<u>146,824</u>	<u>314,076</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	1,881,804	-	1,881,804
Unavailable revenue - intergovernmental	4,059,881	-	4,059,881
Unavailable revenue - other	481,762	13,657	495,419
Total Deferred Inflows of Resources	<u>6,423,447</u>	<u>13,657</u>	<u>6,437,104</u>
Fund Balances			
Nonspendable	549	388,558	389,107
Restricted	-	777,663	777,663
Committed	451,938	-	451,938
Assigned	295,934	-	295,934
Unassigned	5,135,076	(195,485)	4,939,591
Total Fund Balances	<u>5,883,497</u>	<u>970,736</u>	<u>6,854,233</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 12,474,196</u></u>	<u><u>\$ 1,131,217</u></u>	<u><u>\$ 13,605,413</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Governmental Fund Balances	\$ 6,854,233
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,132,655
Other long-term assets are unavailable to pay for current-period expenditures	6,437,104
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds: Net difference between projected and actual earnings on pension plan investments	299,101
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds: Bonds and notes payable Unamortized bond premiums Capital lease obligations Landfill post-closure monitoring Compensated absences Court judgments Other postemployment benefits Net pension liability	<u>(5,670,000)</u> (193,187) (445,807) (310,154) (113,800) (200,000) (4,924,478) <u>(6,216,715)</u>
Net Position of Governmental Activities	<u>\$ 14,648,952</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Real estate and personal property taxes, net	\$ 16,819,254	\$ -	\$ 16,819,254
Intergovernmental	2,001,644	805,391	2,807,035
Motor vehicle and other excises	1,515,260	-	1,515,260
License and permits	261,911	-	261,911
Departmental and other revenue	1,014,493	2,069	1,016,562
Penalties and interest on taxes	201,516	-	201,516
Fines and forfeitures	60,102	-	60,102
Investment income	3,309	653	3,962
Contributions and donations	-	104,213	104,213
Total Revenues	<u>21,877,489</u>	<u>912,326</u>	<u>22,789,815</u>
Expenditures:			
Current:			
General government	1,154,395	32,688	1,187,083
Public safety	3,314,263	414,253	3,728,516
Education	10,760,021	-	10,760,021
Public works	1,357,603	659,726	2,017,329
Health and human services	376,379	14,893	391,272
Culture and recreation	115,822	17,781	133,603
Pensions and other fringes	2,144,742	-	2,144,742
Court judgments	200,000	-	200,000
State and county tax assessments	232,850	-	232,850
Debt service:			
Principal payments	585,000	-	585,000
Interest expense	119,250	-	119,250
Total Expenditures	<u>20,360,325</u>	<u>1,139,341</u>	<u>21,499,666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,517,164</u>	<u>(227,015)</u>	<u>1,290,149</u>
Other Financing Sources (Uses):			
Capital lease financing	-	86,084	86,084
Transfers in	-	24,407	24,407
Transfers out	(64,407)	-	(64,407)
Total Other Financing Sources (Uses)	<u>(64,407)</u>	<u>110,491</u>	<u>46,084</u>
Net Change in Fund Balances	1,452,757	(116,524)	1,336,233
Fund Balances - Beginning	<u>4,430,740</u>	<u>1,087,260</u>	<u>5,518,000</u>
Fund Balances - Ending	<u><u>\$ 5,883,497</u></u>	<u><u>\$ 970,736</u></u>	<u><u>\$ 6,854,233</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 1,336,233**

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

Capital outlays	\$ 931,857	
Depreciation expense	<u>(1,514,514)</u>	
Net effect of reporting capital assets		(582,657)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Proceeds from capital lease obligations	(86,084)	
Amortization of bond premiums	43,835	
Repayments of capital lease obligations	248,348	
Repayments of bonds and notes	<u>585,000</u>	
Net effect of reporting long-term debt		791,099

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue. (177,457)

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:

Landfill monitoring	25,846	
Court judgments	200,000	
Compensated absences	(12,597)	
Other postemployment benefits	(421,857)	
Pension benefits	<u>135,614</u>	
Net effect of reporting long-term liabilities		<u>(72,994)</u>

Change in Net Position of Governmental Activities **\$ 1,294,224**

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

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

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 216,470	\$ 146,749	\$ 363,219
User fees, net of allowance	40,522	205,339	245,861
Special assessments	-	6,773	6,773
Total current assets	<u>256,992</u>	<u>358,861</u>	<u>615,853</u>
Noncurrent assets:			
Special assessments	-	40,564	40,564
Capital assets, not being depreciated	-	35,325	35,325
Capital assets, net of depreciation	-	2,181,939	2,181,939
Total noncurrent assets	<u>-</u>	<u>2,257,828</u>	<u>2,257,828</u>
Total Assets	<u>256,992</u>	<u>2,616,689</u>	<u>2,873,681</u>
Deferred outflows of resources	<u>-</u>	<u>1,323</u>	<u>1,323</u>
Liabilities:			
Current liabilities:			
Warrants payable and other liabilities	32,373	110,592	142,965
Bond indebtedness	-	14,750	14,750
Total current liabilities	<u>32,373</u>	<u>125,342</u>	<u>157,715</u>
Noncurrent liabilities:			
Bond indebtedness	-	44,250	44,250
Net pension liability	-	27,497	27,497
Total noncurrent liabilities	<u>-</u>	<u>71,747</u>	<u>71,747</u>
Total Liabilities	<u>32,373</u>	<u>197,089</u>	<u>229,462</u>
Net Position:			
Net investment in capital assets	-	2,122,939	2,122,939
Unrestricted	<u>224,619</u>	<u>297,984</u>	<u>522,603</u>
Total Net Position	<u><u>\$ 224,619</u></u>	<u><u>\$ 2,420,923</u></u>	<u><u>\$ 2,645,542</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
Operating Revenues:			
Usage charges	\$ 206,636	\$ 515,362	\$ 721,998
Other fees	347	62,464	62,811
Total Operating Revenues	206,983	577,826	784,809
Operating Expenses:			
Operating costs	184,328	570,947	755,275
Depreciation	-	72,759	72,759
Total Operating Expenses	184,328	643,706	828,034
Total Operating Income	22,655	(65,880)	(43,225)
Nonoperating Income (Expenses):			
Special assessments	-	2,428	2,428
Interest expense	-	(4,810)	(4,810)
Total Nonoperating Revenues (Expenses), net	-	(2,382)	(2,382)
Income (Loss) Before Transfers	22,655	(68,262)	(45,607)
Transfers in	-	40,000	40,000
Change in Net Position	22,655	(28,262)	(5,607)
Net Position - Beginning, as restated (see Note IV)	201,964	2,449,185	2,651,149
Net Position - Ending	\$ 224,619	\$ 2,420,923	\$ 2,645,542

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

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

	Business-Type Activities		
	Sewer	Water	Total Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from users	\$ 233,412	\$ 613,897	\$ 847,309
Payments to vendors	(165,348)	(442,662)	(608,010)
Payments to employees	-	(88,133)	(88,133)
Net Cash Provided by Operating Activities	68,064	83,102	151,166
Cash Flows from Noncapital Related Financing Activities:			
Transfers in	-	40,000	40,000
Net Cash Used for Noncapital Related Financing Activities	-	40,000	40,000
Cash Flows from Capital and Related Financing Activities:			
Special assessments	-	9,321	9,321
Principal payments on bonds	-	(15,000)	(15,000)
Acquisition and construction of capital assets	-	(35,325)	(35,325)
Interest expense	-	(4,810)	(4,810)
Net Cash Used for Capital and Related Financing Activities	-	(45,814)	(45,814)
Net Change in Cash and Cash Equivalents	68,064	77,288	145,352
Cash and Cash Equivalents:			
Beginning of year	148,406	69,461	217,867
End of year	<u>\$ 216,470</u>	<u>\$ 146,749</u>	<u>\$ 363,219</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 22,655	\$ (65,880)	\$ (43,225)
Depreciation	-	72,759	72,759
Changes in assets, deferred outflows, and liabilities:			
Receivables (net)	26,429	36,071	62,500
Deferred outflows of resources	-	(1,323)	(1,323)
Liabilities (net)	18,980	41,475	60,455
Net Cash Provided From Operating Activities	<u>\$ 68,064</u>	<u>\$ 83,102</u>	<u>\$ 151,166</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 129,759	\$ 15,199	\$ 33,655
Receivables:			
Departmental	-	-	93,909
Total Assets	<u>129,759</u>	<u>15,199</u>	<u>127,564</u>
Liabilities:			
Warrants and accounts payables	-	-	92,589
Other liabilities	-	-	34,975
Total Liabilities	<u>-</u>	<u>-</u>	<u>127,564</u>
Net Position:			
Held in trust for:			
Other postemployment benefits	129,759	-	-
Private purposes	-	15,199	-
Total Net Position	<u><u>\$ 129,759</u></u>	<u><u>\$ 15,199</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

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

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employer	\$ 29,658	\$ -
Private donations	-	335
Total contributions	<u>29,658</u>	<u>335</u>
Investment income:		
Interest and dividends	100	14
Net investment earnings	<u>100</u>	<u>14</u>
Total Additions	<u>29,758</u>	<u>349</u>
DEDUCTIONS		
Life and health insurance premiums paid for retirees	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	29,758	349
NET POSITION AT BEGINNING OF YEAR	<u>100,001</u>	<u>14,850</u>
NET POSITION AT END OF YEAR	<u><u>\$ 129,759</u></u>	<u><u>\$ 15,199</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located south of Boston in Bristol County. It was established as a Town in 1683. The Town is governed by an elected three-member Board of Selectmen. The board members serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades K-12, water and sewer services, street maintenance, and parks and recreational facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Freetown-Lakeville Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2015, the Town's share of the operating and debt service expenses was \$9,109,321. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 98 Howland Road, Lakeville, MA 02347.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Nonmajor Governmental Funds – consist of other special revenue, capital project and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Water Enterprise Fund - accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for monies held on behalf of parties other than the Town, such as abandoned property, planning deposits and police off-duty activity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

User fees consist of water and sewer fees. Water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. The sewer enterprise fund has two users that are billed quarterly by the Town. Due to the location of the users, sewer services are provided by the City of Fall River, which bills the Town on a monthly basis for the usage.

Real estate taxes, user fees and special assessments may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, utility mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of the Town's capitalization thresholds are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. 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. The Town's capitalization thresholds are as follows:

Land, buildings and improvements	\$	50,000
Vehicles, machinery and equipment		5,000
Infrastructure		75,000

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5 years
Vehicles	5-21 years
Infrastructure	20-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town's policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are

exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that is reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, intergovernmental and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Massachusetts School Building Authority grant represents a capital grant to fund a portion of the debt service on outstanding school construction debt that will be amortized over the life of the bonds in accordance with state law.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of the endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$3,255,367 at June 30, 2015 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and; (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The Town reports \$451,938 of encumbrances from Town Meeting votes in the general fund as committed and \$110,934 of encumbrances from normal purchasing activity in the general fund as assigned at June 30, 2015. There are no encumbrances reported in any other fund.

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

	General	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid expenses	\$ 549	\$ -	\$ 549
Nonexpendable trust funds	-	388,558	388,558
Restricted:			
General government	-	276,471	276,471
Public safety	-	112,597	112,597
Public works	-	230,335	230,335
Health and human services	-	30,098	30,098
Culture and recreation	-	128,162	128,162
Committed:			
General government	285,906	-	285,906
Public safety	17,367	-	17,367
Education	133,665	-	133,665
Culture and recreation	15,000	-	15,000
Assigned:			
General government	45,006	-	45,006
Public safety	56,795	-	56,795
Pensions and other fringes	9,133	-	9,133
Subsequent years' budget	185,000	-	185,000
Unassigned	5,135,076	(195,485)	4,939,591
	<u>\$ 5,883,497</u>	<u>\$ 970,736</u>	<u>\$ 6,854,233</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$256,803. This over-expenditure will be funded through available funds during fiscal year 2016.

The Town incurred deficits totaling \$195,485 in various grant funds which are reported in the Nonmajor governmental funds. These deficits will be funded through available revenues and grant funds in future fiscal years.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's deposit policy for custodial risk states the Town's objectives include diversification of accounts and prudent selection of investment instruments, and choice of bank or brokerage house. At year-end, the carrying amount of the Town's deposits was \$7,428,297 and the bank balance was \$7,561,785. Of the Town's bank balance, \$2,334,673 was covered by either federal depository insurance or by the depositors' insurance fund and \$5,227,113 was collateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. The Town's investments of \$333 in the MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk - The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

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

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

B. Receivables

School Building Assistance Reimbursement - As of June 30, 2015, the Town expects to receive the balance of grants from the Commonwealth of Massachusetts totaling \$4,315,257 that are applicable to approved school construction costs which includes both principal and interest. These costs are reimbursed to the Town in equal installments over the life of the related bond issues and are subject to appropriation only by the State Legislature. In the Governmental funds, a receivable totaling \$3,910,131 under the caption Intergovernmental has been recorded in the General Fund which represents the reimbursable portion of the principal balance as of June 30, 2015.

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 459,101	\$ -	\$ 459,101
Tax liens	1,265,893	-	1,265,893
Motor Vehicle and other excise taxes	236,986	-	236,986
Ambulance	388,393	(207,360)	181,033
Departmental and other	17,374	-	17,374
Intergovernmental	4,260,667	-	4,260,667
Total	<u>\$ 6,628,414</u>	<u>\$ (207,360)</u>	<u>\$ 6,421,054</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 205,339	\$ -	\$ 205,339
Water special assessments	47,337	-	47,337
Sewer user fees	40,522	-	40,522
Total	<u>\$ 293,198</u>	<u>\$ -</u>	<u>\$ 293,198</u>

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

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 378,925	\$ -	\$ 378,925
Tax liens	1,265,893	-	1,265,893
Motor Vehicle and other excise taxes	236,986	-	236,986
Ambulance	181,033	-	181,033
Departmental and other	3,717	13,657	17,374
Tax foreclosures	297,012	-	297,012
Intergovernmental	4,059,881	-	4,059,881
Total	<u>\$ 6,423,447</u>	<u>\$ 13,657</u>	<u>\$ 6,437,104</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 1,405,545	\$ -	\$ -	\$ 1,405,545
Construction in Progress	160,547	273,291	-	433,838
Total capital assets not being depreciated	1,566,092	273,291	-	1,839,383
Capital assets being depreciated:				
Land Improvements	162,649	-	-	162,649
Building and building improvements	11,295,478	-	-	11,295,478
Machinery and equipment	1,395,035	88,570	(66,566)	1,417,039
Vehicles	3,527,409	275,234	(372,773)	3,429,870
Infrastructure	27,449,380	294,762	-	27,744,142
Total capital assets being depreciated	43,829,951	658,566	(439,339)	44,049,178
Less accumulated depreciation for:				
Land Improvements	(114,248)	(2,482)	-	(116,730)
Building	(4,209,512)	(265,751)	-	(4,475,263)
Machinery and equipment	(951,148)	(88,276)	66,566	(972,858)
Vehicles	(2,551,956)	(261,563)	372,773	(2,440,746)
Infrastructure	(17,853,867)	(896,442)	-	(18,750,309)
Total accumulated depreciation	(25,680,731)	(1,514,514)	439,339	(26,755,906)
Total capital assets being depreciated, net	18,149,220	(855,948)	-	17,293,272
Governmental activities capital assets, net	\$ 19,715,312	\$ (582,657)	\$ -	\$ 19,132,655
<u><i>Business-Type Activities:</i></u>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 35,325	\$ -	\$ 35,325
Capital assets being depreciated:				
Infrastructure	3,589,898	-	-	3,589,898
Machinery and equipment	25,325	-	-	25,325
Total capital assets being depreciated	3,615,223	-	-	3,615,223
Less accumulated depreciation for:				
Infrastructure	(1,335,200)	(72,759)	-	(1,407,959)
Machinery and equipment	(25,325)	-	-	(25,325)
Total accumulated depreciation	(1,360,525)	(72,759)	-	(1,433,284)
Total capital assets being depreciated, net	2,254,698	(72,759)	-	2,181,939
Business-type activities capital assets, net	\$ 2,254,698	\$ (72,759)	\$ -	\$ 2,217,264

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 26,055	Water	\$ 72,759
Public safety	243,197		
Education	238,948	Total Business-Type Activities	<u>\$ 72,759</u>
Public Works	1,003,747		
Health and Human Services	<u>2,567</u>		
Total Governmental Activities	<u>\$ 1,514,514</u>		

D. Interfund Receivables, Payables and Transfers

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

	<u>Transfers In</u>		
	Nonmajor Governmental Funds	Water Enterprise Fund	
<u>Transfers Out</u>			<u>Total</u>
General Fund	24,407	40,000	64,407 (1)
Total	<u>\$ 24,407</u>	<u>\$ 40,000</u>	<u>\$ 64,407</u>

- (1) Transfer to nonmajor governmental fund to establish cable franchise fees fund;
transfer to water enterprise fund for capital purposes.

E. Leases

The Town has entered into non-cancelable leases for the purchases of vehicles and equipment. These long-term leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	<u>Amount</u>
<i>Assets:</i>	
Vehicles and equipment	\$ 1,236,662
Less: accumulated depreciation	<u>(418,651)</u>
Total	<u>\$ 818,011</u>

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

Fiscal Year Ended June 30,	Amount
2016	\$ 212,860
2017	132,461
2018	65,910
2019	65,910
Total minimum lease payments	477,141
Less: amounts representing interest	(31,334)
Present value of minimum lease payments	<u>\$ 445,807</u>

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. There were no temporary notes outstanding at any time during the year ended June 30, 2015.

G. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

At June 30, 2015, the Town had authorized but unissued debt of \$75,000 for site improvements at its water filtration site.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note indebtedness	\$ 6,255,000	\$ -	\$ (585,000)	\$ 5,670,000	\$ 600,000
Unamortized bond premium	237,022	-	(43,835)	193,187	39,603
Capital lease obligations	608,071	86,084	(248,348)	445,807	195,695
Landfill post-closure	336,000	-	(25,846)	310,154	25,846
Compensated absences	101,203	15,726	(3,129)	113,800	17,070
Court judgments	400,000	-	(200,000)	200,000	200,000
Other postemployment benefits	4,502,621	1,186,852	(764,995)	4,924,478	-
Net pension liability *	6,053,228	955,929	(792,442)	6,216,715	-
Total Governmental Activities	\$ 18,493,145	\$ 2,244,591	\$ (2,663,595)	\$ 18,074,141	\$ 1,078,214
Business-type Activities:					
Long-term bonds and notes	\$ 74,000	\$ -	\$ (15,000)	\$ 59,000	\$ 14,750
Net pension liability *	26,774	4,228	(3,505)	27,497	-
Total Business-type Activities	\$ 100,774	\$ 4,228	\$ (18,505)	\$ 86,497	\$ 14,750
Total Long-term Obligations	\$ 18,593,919	\$ 2,248,819	\$ (2,682,100)	\$ 18,160,638	\$ 1,092,964

* Restated due to GASB 68 implementation (Note III, subsection F)

The governmental activities liabilities will be liquidated from the general fund. The business-type liabilities will be liquidated by the water enterprise fund.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2015:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities</u>					
General Obligation Bonds	2.0 - 4.0%	\$ 640,000	\$ -	\$ (75,000)	\$ 565,000
Redfunding Bonds	2.00%	5,615,000	-	(510,000)	5,105,000
Total Governmental Activities		6,255,000	-	(585,000)	5,670,000
Add: Unamortized Premium		237,022	-	(43,835)	193,187
Total Governmental Activities, net		\$ 6,492,022	\$ -	\$ (628,835)	\$ 5,863,187
<u>Business-Type Activities</u>					
State House Notes	6.50%	\$ 74,000	\$ -	\$ (15,000)	\$ 59,000
Total Business-Type Activities		\$ 74,000	\$ -	\$ (15,000)	\$ 59,000
Total Bond and Note Debt		\$ 6,566,022	\$ -	\$ (643,835)	\$ 5,922,187

Payments on outstanding bonds and notes due in future years consist of the following:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 600,000	\$ 107,400	\$ 707,400
2017	605,000	95,350	700,350
2018	615,000	83,150	698,150
2019	625,000	70,750	695,750
2020	635,000	58,150	693,150
2021 - 2025	2,590,000	102,500	2,692,500
Total	<u>\$ 5,670,000</u>	<u>\$ 517,300</u>	<u>\$ 6,187,300</u>

Year Ending June 30,	Business-type Activities - Water		
	Principal	Interest	Total
2016	\$ 14,750	\$ 3,835	\$ 18,585
2017	14,750	2,876	17,626
2018	14,750	1,918	16,668
2019	14,750	959	15,709
Total	<u>\$ 59,000</u>	<u>\$ 9,588</u>	<u>\$ 68,588</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Bristol County Retirement System (BCRS), a cost-sharing multiple-employer defined benefit pension plan established under MGL Chapter 32 and is administered by the Bristol County Retirement Board (BCRB). Standalone audited financial statements for the year ended December 31, 2014 were issued and may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA 02780.

Membership – Membership in the Retirement System as of December 31, 2014, was as follows:

Retirees and beneficiaries currently receiving benefits	2,041
Active plan members	3,119
Disabled plan members	277
Inactive plan members	<u>714</u>
Total	<u>6,151</u>

Benefit Terms – The Retirement System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

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

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

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

The Town contributed \$795,947 to the Retirement System in fiscal year 2015, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 25.7% in fiscal year 2015.

Net Pension Liability – At June 30, 2015, the Town reported a liability of \$6,244,212 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2014. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the Retirement System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 2.185% at December 31, 2014, which was consistent with the proportion measured at January 1, 2014.

Pension Expense – The Town recognized \$659,733 in pension expense in the statement of activities in fiscal year 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	300,424	—
Changes in proportion and differences between Town contributions and proportionate share of contributions	—	—
Town contributions subsequent to the measurement date	<u>—</u>	<u>—</u>
Total	<u>\$ 300,424</u>	<u>\$ —</u>

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

Year ended June 30,

2016	\$ 75,106
2017	75,106
2018	75,106
2019	75,106

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2014. The significant actuarial assumptions used in the January 1, 2014 actuarial valuation included:

Actuarial cost method:	Individual entry age normal
Amortization method:	Payments increasing at 4.5%
Remaining amortization period:	15 years
Asset valuation method:	Market value as reported by PERAC
Investment rate of return:	8.0%
Projected salary increases:	3.0% per year
Cost of living adjustments:	3% of the lesser of the pension amount and \$16,000 per year

Mortality rates: Pre-retirement rates reflect the RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010. The post-retirement rates reflect the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010

Disabled life mortality: RP-2000 Healthy Annuitant Mortality Table set forward two years

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	46.5%	7.8%
Fixed income	24.5%	5.0%
Private equity	8.5%	11.3%
Real estate funds	7.5%	6.3%
Hedge funds	5.0%	7.1%
Infrastructure	5.0%	8.0%
Timber	3.0%	7.5%

Discount Rate – The discount rate used to measure the total pension was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount (8.00%)</u>	<u>1% Increase (9.00%)</u>
Town's proportionate share of the net pension liability	\$8,275,913	\$6,244,212	\$4,559,314

B. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium based health care plans for its active employees and retirees, as well as its workers' compensation and unemployment activities. Settlements have not exceeded coverage for each of the past three fiscal years.

C. Other Postemployment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 51 active employees and 76 retired employees and dependents for a total of 127.

Funding Policy – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute various amounts of the calculated contribution based on the plan they participate in and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contribution (ARC)	\$ 1,018,871
Interest on net OPEB obligation	180,105
Adjustment to ARC	(250,373)
Amortization of actuarial (gains)/losses	<u>238,249</u>
Annual OPEB cost	1,186,852
Contributions made	<u>(764,995)</u>
Increase in net OPEB obligation	421,857
Net OPEB obligation at beginning of year	<u>4,502,621</u>
Net OPEB obligation at end of year	<u><u>\$ 4,924,478</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2015	*\$ 1,186,852	64%	\$ 4,924,478
June 30, 2014	\$ 1,021,165	62%	\$ 4,502,621
June 30, 2013	\$ 1,005,093	61%	\$ 4,109,050

*The AOPEBC at June 30, 2015 was charged to the following functional programs: General Government \$184,854; Public Safety \$617,921; Education \$225,940; Public Works \$99,992; Health and Human Services \$38,536; and Culture and Recreation \$19,609.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2015 for the most recent actuarial valuation performed as of July 1, 2014, was as follows:

Actuarial value of plan assets	\$ 100,001
Actuarial accrued liability (AAL)	\$ 16,695,383
Unfunded actuarial accrued liability (UAAL)	\$ 16,685,382
Funded ratio (actuarial value of plan assets/AAL)	0.6%
Covered payroll (annually payroll of active employees covered by the plan)	Not available
UAAL as a percentage of covered payroll	Not available

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest valuation are as follows:

Valuation date:	July 1, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period:	24 years at July 1, 2014
Interest discount rate:	4.0%
Inflation rate:	3.5%
Healthcare/Medical cost trend rate:	7.0%, grading down to 5.0% in year 2015 and thereafter

D. Commitments and Contingencies

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2015.

In November 2005, the Town entered into a settlement agreement to resolve an ongoing legal matter. The settlement agreement called for the Town to pay \$2,250,000 to the plaintiff over an eleven year period. The first payment totaled \$250,000 and was due within fifteen days of the signing of the agreement. Future payments are due annually and total \$200,000 per year through fiscal year 2016. The remaining payments totaling \$200,000 have been recorded as a court judgment liability in the governmental activities at June 30, 2015.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$310,154 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Implementation of New GASB Pronouncements

Current Year Implementation

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement became effective for financial statements for periods beginning after June 15, 2013 and impact the financial reports of the pension systems that communities participate in and not the financial statements of the communities themselves. In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting*

for Pensions — an amendment of GASB Statement No. 27. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of GASB 68 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of GASB 69 became effective for the Town in fiscal 2015 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the Town in fiscal year 2015 and did not have a material effect on its financial statements.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB 71 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements.

Future Year Implementation

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

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

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

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

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

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

IV. Prior Period Restatement

Net position reported in the Town's June 30, 2014 financial statements was restated to recognize the implementation of GASB Statement 68, which required the Town to record its share of the net pension liability. The result of the restatements was as follows:

	Governmental Activities	Business-type Activities	Water Enterprise
Prior year as presented	\$ 19,407,956	\$ 2,677,923	\$ 2,677,923
Net pension liability	(6,053,228)	(26,774)	(26,774)
As Restated	<u>\$ 13,354,728</u>	<u>\$ 2,651,149</u>	<u>\$ 2,651,149</u>

TOWN OF FREETOWN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2015

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

(dollar amounts are in thousands)

	Year Ended December 31, <u>2014</u>
Town's proportion of the net pension liability (asset)	2.1850%
Town's proportionate share of the net pension liability (asset)	\$ 6,244
Town's covered-employee payroll	\$ 3,101
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	201.4%
Plan fiduciary net position as a percentage of the total pension liability	67.10%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended December 31, <u>2014</u>
Actuarially determined contribution	\$ 796
Contributions in relation to the actuarially determined contribution	<u>796</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,101
Contributions as a percentage of covered-employee payroll	25.7%

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

See accompanying independent auditors' report.

TOWN OF FREETOWN, MASSACHUSETTS

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

SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2014	\$ 100,001	\$ 16,695,383	\$ 16,595,382	0.6%	N/A	N/A
7/1/2011	-	14,591,426	14,591,426	0.0%	N/A	N/A
7/1/2008	-	13,962,026	13,962,026	0.0%	4,359,904	320.2%

SCHEDULE OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2015	\$ 1,018,871	\$ 764,995	75.1%
2014	1,049,306	627,594	59.8%
2013	1,049,111	608,155	58.0%
2012	1,049,920	564,886	53.8%
2011	1,448,355	434,712	30.0%
2010	1,468,288	304,537	20.7%
2009	1,499,344	277,021	18.5%

See accompanying independent auditors' report.

TOWN OF FREETOWN, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
REVENUES						
Real estate and personal property taxes, net	\$ 16,358,002	\$ 16,358,002	\$ 16,880,846	\$ -	\$ 16,880,846	\$ 522,844
Intergovernmental	2,059,860	2,059,860	2,101,114	-	2,101,114	41,254
Motor vehicle and other excises	1,555,000	1,555,000	1,515,260	-	1,515,260	(39,740)
License and permits	250,001	250,001	261,911	-	261,911	11,910
Departmental and other revenue	782,922	782,922	984,849	-	984,849	201,927
Penalties and interest on taxes	35,000	35,000	201,516	-	201,516	166,516
Fines and forfeitures	30,000	30,000	60,102	-	60,102	30,102
Investment income	2,000	2,000	2,059	-	2,059	59
Total Revenues	21,072,785	21,072,785	22,007,657	-	22,007,657	934,872
EXPENDITURES						
General government	1,602,696	1,623,191	1,169,345	330,912	1,500,257	122,934
Public safety	3,577,234	3,605,129	3,314,263	74,162	3,388,425	216,704
Education	10,726,202	10,895,405	10,760,021	133,665	10,893,686	1,719
Public works	1,157,985	1,140,828	1,357,603	-	1,357,603	(216,775)
Health and human services	364,322	396,822	376,379	-	376,379	20,443
Culture and recreation	152,851	135,006	115,822	15,000	130,822	4,184
State and county tax assessments	233,847	233,847	232,850	-	232,850	997
Pension and other fringe benefits	2,210,933	2,210,933	2,162,802	9,133	2,171,935	38,998
Court judgments	200,000	200,000	200,000	-	200,000	-
Debt service	704,250	704,250	704,250	-	704,250	-
Total Expenditures	20,930,320	21,145,411	20,393,335	\$ 562,872	20,956,207	189,204
OTHER FINANCING SOURCES (USES)						
Transfers in	33,010	33,010	-	-	-	(33,010)
Transfers out	(400,000)	(1,163,407)	(1,100,753)	-	(1,100,753)	62,654
Total Other Financing Sources (Uses)	(366,990)	(1,130,397)	(1,100,753)	-	(1,100,753)	29,644
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(224,525)	(1,203,023)	\$ 513,569		\$ (49,303)	\$ 1,153,720
Other Budgetary Items:						
Undesignated surplus (free cash)	133,126	1,111,624				
Prior year encumbrances	281,558	281,558				
Prior year snow and ice deficit	(189,633)	(189,633)				
Other amounts raised	(526)	(526)				
	\$ -	\$ -				

See accompanying independent auditor's report.

See accompanying notes to required supplementary information.

TOWN OF FREETOWN, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town’s annual meeting in June. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2015, Town Meeting approved approximately \$215,000 in additional departmental appropriations from the original approved budget.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2015, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 22,007,657
Stabilization investment income	\$ -	\$ 1,250	1,250
Agency Fund transfers reported as revenue	-	29,644	29,644
Property tax revenue recognition	(61,592)	-	(61,592)
Intergovernmental revenue recognition	(99,470)	-	(99,470)
Revenues on a GAAP basis	<u>\$ (161,062)</u>	<u>\$ 30,894</u>	<u>\$ 21,877,489</u>
Expenditures on a budgetary basis			\$ 20,393,335
Indirect cost transfers reported as expenditures	\$ (33,010)	\$ -	(33,010)
Expenditures on a GAAP basis	<u>\$ (33,010)</u>	<u>\$ -</u>	<u>\$ 20,360,325</u>
Other financing sources (uses) on a budgetary basis			\$ (1,100,753)
Stabilization transfers	\$ -	\$ 1,099,000	1,099,000
Indirect cost transfers reported as expenditures	(33,010)	-	(33,010)
Agency Fund transfers reported as revenue	-	(29,644)	(29,644)
Other financing sources (uses) on a GAAP basis	<u>\$ (33,010)</u>	<u>\$ 1,069,356</u>	<u>\$ (64,407)</u>

Appropriation Deficits – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$256,803. This over-expenditure will be funded through available funds during fiscal year 2016.



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

The Honorable Members of the Board of Selectmen
Town of Freetown, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Freetown, Massachusetts (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 2, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roselli, Clark and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 2, 2016