

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF FREETOWN, MASSACHUSETTS**

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

Report on Internal Control  
Over Financial Reporting and  
on Compliance and Other Matters  
Year Ended June 30, 2018



# 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes

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

### **Restatement**

As discussed in Note V to the financial statements, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. In connection with the adoption of this accounting standard, previously reported total net positions in the governmental activities and business-type activities in the Statement of Net Position as well as those in the proprietary funds were restated (refer to Note V to the financial statements).

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 22, 2018

## 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, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

### Financial Highlights

- The Town adopted a new accounting pronouncement related to other postemployment benefits, or OPEB, in fiscal year 2018. As a result, beginning net positions in the Town's governmental activities and business-type activities decreased approximately \$12.4 million and \$0.3 million, respectively.
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$8.2 million (*total net position*). Over \$5.3 million represented net position of governmental activities and nearly \$2.9 million represented net position of the business-type activities.
- The government's total net position increased by approximately \$1.8 million. The Town's net position in its Governmental activities increased nearly \$1.1 million while its net position in its business-type activities increased by nearly \$0.7 million.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$12.1 million, which is approximately \$1.9 million greater than the prior year. The Town reported fund balance increase in its general fund, capital projects fund, and nonmajor governmental funds of approximately \$1.6 million, \$0.2 million, and \$0.1 million, respectively.
- Of the ending fund balance in the Town's governmental funds, approximately \$9.7 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures or is in nonspendable form.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately 42% of the total general fund expenditures and the total general fund balance was approximately 45% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by over \$0.6 million in 2018. The Town's total long-term debt was approximately \$4.0 million at June 30, 2018.

### 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 sewer and water enterprise fund.

**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:

- Nonspendable—amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the 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 and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund and enterprise funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found after the notes to the financial statements.

**Proprietary Funds** 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 sewer and water enterprise fund activities.

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

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

### **Government-Wide Financial Analysis**

The following table presents the condensed comparative statements of net position:

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b><u>Assets</u></b>						
Current and other assets	\$ 17,111,477	\$ 15,996,237	\$ 1,251,980	\$ 731,100	\$ 18,363,457	\$ 16,727,337
Capital assets, net	18,484,795	19,152,693	2,104,830	2,116,752	20,589,625	21,269,445
<b>Total assets</b>	<b>35,596,272</b>	<b>35,148,930</b>	<b>3,356,810</b>	<b>2,847,852</b>	<b>38,953,082</b>	<b>37,996,782</b>
<b>Deferred outflows of resources</b>	<b>2,396,867</b>	<b>2,141,968</b>	<b>39,575</b>	<b>35,375</b>	<b>2,436,442</b>	<b>2,177,343</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	30,541,532	19,703,156	442,714	168,269	30,984,246	19,871,425
Other liabilities	441,038	602,335	55,882	197,896	496,920	800,231
<b>Total liabilities</b>	<b>30,982,570</b>	<b>20,305,491</b>	<b>498,596</b>	<b>366,165</b>	<b>31,481,166</b>	<b>20,671,656</b>
<b>Deferred inflows of resources</b>	<b>1,657,152</b>	<b>317,744</b>	<b>27,344</b>	<b>5,248</b>	<b>1,684,496</b>	<b>322,992</b>
<b><u>Net Position</u></b>						
Net investment in capital assets	14,270,673	14,264,763	2,090,080	2,012,252	16,360,753	16,277,015
Restricted	4,366,069	4,518,283	-	-	4,366,069	4,518,283
Unrestricted	(13,283,325)	(2,115,383)	780,365	499,562	(12,502,960)	(1,615,821)
<b>Net Position</b>	<b>\$ 5,353,417</b>	<b>\$ 16,667,663</b>	<b>\$ 2,870,445</b>	<b>\$ 2,511,814</b>	<b>\$ 8,223,862</b>	<b>\$ 19,179,477</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$8.2 million (*total net position*).

By far the largest portion (approximately \$16.4 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that 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, 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 \$4.4 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 \$12.5 million. This has resulted from the recognition of other postemployment benefits of nearly \$18.4 million with the implementation of GASB Statement 75 in the current fiscal year. We expect the annual provision for this liability will continue to decrease unrestricted net position for the foreseeable future.

The following table presents the condensed comparative statements of activities are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	Year Ended		Year Ended		Year Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 1,475,616	\$ 1,320,901	\$ 777,140	\$ 770,408	\$ 2,252,756	\$ 2,091,309
Operating grants and contributions	940,793	853,574	-	-	940,793	853,574
Capital grants and contributions	287,961	502,603	-	-	287,961	502,603
General revenues:						
Property taxes	19,612,675	18,562,703	-	-	19,612,675	18,562,703
Grants and contributions not restricted to specific programs	1,160,449	1,124,156	-	-	1,160,449	1,124,156
Other	2,271,794	2,086,131	921	1,483	2,272,715	2,087,614
<b>Total revenues</b>	<b>25,749,288</b>	<b>24,450,068</b>	<b>778,061</b>	<b>771,891</b>	<b>26,527,349</b>	<b>25,221,959</b>
<b><u>Expenses</u></b>						
General government	2,060,652	2,140,359	-	-	2,060,652	2,140,359
Public safety	5,810,486	5,877,230	-	-	5,810,486	5,877,230
Education	12,279,067	11,394,221	-	-	12,279,067	11,394,221
Public works	2,960,928	3,020,351	-	-	2,960,928	3,020,351
Health and human services	602,223	545,805	-	-	602,223	545,805
Culture and recreation	237,613	220,622	-	-	237,613	220,622
Interest expense	55,298	63,552	-	-	55,298	63,552
Sewer & Water	-	-	768,708	910,721	768,708	910,721
<b>Total expenses</b>	<b>24,006,267</b>	<b>23,262,140</b>	<b>768,708</b>	<b>910,721</b>	<b>24,774,975</b>	<b>24,172,861</b>
Change in net position before transfers	1,743,021	1,187,928	9,353	(138,830)	1,752,374	1,049,098
Transfers	(650,000)	(122,728)	650,000	122,728	-	-
Change in net position	1,093,021	1,065,200	659,353	(16,102)	1,752,374	1,049,098
Net position, beginning of year	16,667,663	15,602,463	2,511,814	2,527,916	19,179,477	18,130,379
Restatement for net OPEB liability	(12,407,267)	-	(300,722)	-	(12,707,989)	-
Net position, beginning of year, as restated	4,260,396	15,602,463	2,211,092	2,527,916	6,471,488	18,130,379
Net position, end of year	<b>\$ 5,353,417</b>	<b>\$ 16,667,663</b>	<b>\$ 2,870,445</b>	<b>\$ 2,511,814</b>	<b>\$ 8,223,862</b>	<b>\$ 19,179,477</b>



**Governmental Activities** - The Town's most significant source of revenues is property taxes, which, during 2018, made up approximately 76.2% of total revenues, which represents an increase of over \$1.0 million as compared to the prior year. This was expected as the Town is allowed to assess property taxes at 2 ½ % of the prior year amount. In addition, amounts assessed greater than this that are attributable to debt exclusion and new growth are also legally permissible. No other revenues were greater than 10% of total revenues in fiscal years 2018 or 2017.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education expenses totaled approximately 51.1% of total annual expenditures in current year and 49.0% in prior year. In terms of gross dollars, education expenses increased nearly \$0.9 million in fiscal year 2018, which reflected the increase in the Town's assessment for its regional school districts. Public safety expenses represented 24.2% which was slightly lower than the prior year of 25.3%. Public works expenses comprised about 12.3% as compared to about 13.0% in the prior year. In these and other expense categories there were modest dollar increases or decreases across the board as total expenses only increased by over \$0.7 million from the prior year. No other expense categories were greater than 10% of fiscal years 2018 or 2017.

**Business-type Activities** - Major revenue sources consist of revenue from water and sewer user charges which represented almost 100% of total revenues. Results were in line with expectations as net change in position was essentially flat.

### **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 \$9.8 million, while total fund balance reached approximately \$10.5 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 42% of total general fund expenditures, while total fund balance represents approximately 45% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$12.1 million. This was nearly \$1.9 million greater than the prior year. The reasons were twofold; (1) revenues exceeding forecasts by \$1.7 million due to the Town being the beneficiary of continued economic expansion and (2) expenditure turn-backs of nearly \$0.8 million due to continued stringent monitoring of the budget. The Capital Projects major fund restricted fund balance of approximately \$0.3 million was higher than the prior year by nearly \$0.2 million as the result of funding from the general fund for a bridge construction project. The aggregate nonmajor fund operations were reasonably consistent with the prior year.

**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 enterprise fund was approximately \$2.9 million. The increase of over \$0.6 million from the prior year balance was mainly attributed to additional funding from the general fund for various projects.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant. 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, 2018, amounts to approximately \$20.6 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 \$0.7 million as depreciation exceeded additions.

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

**Long-term Debt** - At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$4.0 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 over \$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 \$70.8 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 continue to improve and are now trending near historic low levels.
- The Town's real estate tax base is made up of approximately 70.6% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 29.4%. 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.
- The Town anticipates state aid for 2019 to remain consistent with the prior year.

Each of these factors were considered in preparing the Town's budget for the 2019 fiscal year, which was adopted at Town Meeting in May 2018.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances. For all those with an interest in the government's finances, questions concerning any of the information provided in this report or request for additional financial information should be addressed to the 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, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,481,570	\$ 1,022,569	\$ 13,504,139
Receivables, net of allowance for uncollectibles:			
Property taxes	322,610	-	322,610
Tax liens	1,050,623	-	1,050,623
User fees	-	205,121	205,121
Special assessments	-	24,290	24,290
Motor vehicle excise	138,748	-	138,748
Departmental and other	200,207	-	200,207
Intergovernmental	2,823,048	-	2,823,048
Tax foreclosures	93,746	-	93,746
Other assets	925	-	925
Capital assets, not being depreciated	2,264,393	141,169	2,405,562
Capital assets, net of depreciation	<u>16,220,402</u>	<u>1,963,661</u>	<u>18,184,063</u>
<b>Total Assets</b>	<u>35,596,272</u>	<u>3,356,810</u>	<u>38,953,082</u>
<b>Deferred Outflows of Resources</b>	<u>2,396,867</u>	<u>39,575</u>	<u>2,436,442</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants and accounts payable	370,974	55,882	426,856
Retainage payable	19,927	-	19,927
Other liabilities	50,137	-	50,137
Noncurrent liabilities:			
Due in one year or less	906,460	14,750	921,210
Due in more than one year	<u>29,635,072</u>	<u>427,964</u>	<u>30,063,036</u>
<b>Total Liabilities</b>	<u>30,982,570</u>	<u>498,596</u>	<u>31,481,166</u>
<b>Deferred Inflows of Resources</b>	<u>1,657,152</u>	<u>27,344</u>	<u>1,684,496</u>
<b>Net Position</b>			
Net investment in capital assets	14,270,673	2,090,080	16,360,753
Restricted for:			
Nonexpendable permanent funds	376,379	-	376,379
Debt service	2,684,065	-	2,684,065
Other purposes	1,305,625	-	1,305,625
Unrestricted	<u>(13,283,325)</u>	<u>780,365</u>	<u>(12,502,960)</u>
<b>Total Net Position</b>	<u>\$ 5,353,417</u>	<u>\$ 2,870,445</u>	<u>\$ 8,223,862</u>

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 2,060,652	\$ 385,395	\$ 60,097	\$ -	\$ (1,615,160)		\$ (1,615,160)
Public safety	5,810,486	678,132	144,832	-	(4,987,522)		(4,987,522)
Education	12,279,067	-	461,948	-	(11,817,119)		(11,817,119)
Public works	2,960,928	360,654	2,480	287,961	(2,309,833)		(2,309,833)
Health and human services	602,223	51,302	171,328	-	(379,593)		(379,593)
Culture and recreation	237,613	133	37,248	-	(200,232)		(200,232)
Interest expense	55,298	-	62,860	-	7,562		7,562
Total Governmental Activities	24,006,267	1,475,616	940,793	287,961	(21,301,897)		(21,301,897)
<b>Business-Type Activities:</b>							
Water and sewer	768,708	777,140	-	-		8,432	8,432
Total Primary Government	\$ 24,774,975	\$ 2,252,756	\$ 940,793	\$ 287,961	(21,301,897)	8,432	(21,293,465)
<b>General Revenues:</b>							
					19,612,675	-	19,612,675
					1,160,449	-	1,160,449
					1,938,867	-	1,938,867
					221,630	-	221,630
					54,100	921	55,021
					57,197	-	57,197
					(650,000)	650,000	-
					22,394,918	650,921	23,045,839
					1,093,021	659,353	1,752,374
					4,260,396	2,211,092	6,471,488
					\$ 5,353,417	\$ 2,870,445	\$ 8,223,862

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 10,819,810	\$ 369,415	\$ 1,292,345	\$ 12,481,570
Receivables, net of allowance				
Property taxes	322,610	-	-	322,610
Tax liens	1,050,623	-	-	1,050,623
Motor vehicle excise	138,748	-	-	138,748
Departmental and other	155,041	-	45,166	200,207
Intergovernmental	2,810,521	-	12,527	2,823,048
Tax foreclosures	93,746	-	-	93,746
Other assets	925	-	-	925
<b>Total Assets</b>	<u>15,392,024</u>	<u>369,415</u>	<u>1,350,038</u>	<u>17,111,477</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 15,392,024</u>	<u>\$ 369,415</u>	<u>\$ 1,350,038</u>	<u>\$ 17,111,477</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 300,675	\$ 53,198	\$ 17,101	\$ 370,974
Other liabilities	50,137	-	-	50,137
Retainage payable	-	19,927	-	19,927
<b>Total Liabilities</b>	<u>350,812</u>	<u>73,125</u>	<u>17,101</u>	<u>441,038</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,438,347	-	-	1,438,347
Unavailable revenues - excise taxes	138,748	-	-	138,748
Unavailable revenue - other	155,041	-	45,166	200,207
Unavailable revenue - intergovernmental	2,810,521	-	-	2,810,521
<b>Total Deferred Inflows of Resources</b>	<u>4,542,657</u>	<u>-</u>	<u>45,166</u>	<u>4,587,823</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	376,379	376,379
Restricted	-	349,067	911,392	1,260,459
Committed	576,987	-	-	576,987
Assigned	163,103	-	-	163,103
Unassigned	9,758,465	(52,777)	-	9,705,688
<b>Total Fund Balances</b>	<u>10,498,555</u>	<u>296,290</u>	<u>1,287,771</u>	<u>12,082,616</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 15,392,024</u>	<u>\$ 369,415</u>	<u>\$ 1,350,038</u>	<u>\$ 17,111,477</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, 2018**

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<b>Total Governmental Fund Balances</b>		<b>\$ 12,082,616</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,484,795
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.		4,587,823
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to pensions	2,194,597	
Deferred inflows related to pensions	(1,158,033)	
Deferred outflows related to other postemployment benefits	202,270	
Deferred inflows related to other postemployment benefits	(499,119)	
Net effect of reporting deferred outflows and inflows of resources	739,715	739,715
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	(3,850,000)	
Unamortized bond premiums	(87,465)	
Capital lease obligations	(276,657)	
Landfill post-closure monitoring	(263,870)	
Compensated absences	(97,156)	
Net other postemployment benefits liability	(18,112,968)	
Net pension liability	(7,853,416)	
Net effect of reporting long-term liabilities	(30,541,532)	(30,541,532)
<b>Net Position of Governmental Activities</b>		<b>\$ 5,353,417</b>

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, 2018**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Real estate and personal property taxes, net	\$ 19,719,279	\$ -	\$ -	\$ 19,719,279
Intergovernmental	2,241,610	287,961	189,561	2,719,132
Motor vehicle and other excises	2,053,508	-	-	2,053,508
License and permits	248,109	-	-	248,109
Departmental and other revenue	1,025,603	-	126,318	1,151,921
Penalties and interest on taxes	218,992	-	2,638	221,630
Fines and forfeitures	50,370	-	-	50,370
Investment income	50,620	-	3,480	54,100
Contributions and donations	-	-	73,477	73,477
<b>Total Revenues</b>	<u>25,608,091</u>	<u>287,961</u>	<u>395,474</u>	<u>26,291,526</u>
<b>Expenditures:</b>				
Current:				
General government	1,234,012	-	116,479	1,350,491
Public safety	4,148,626	-	223,969	4,372,595
Education	12,030,387	-	-	12,030,387
Public works	1,582,773	350,195	4,611	1,937,579
Health and human services	377,991	-	17,614	395,605
Culture and recreation	131,569	-	37,541	169,110
Pensions and other fringes	2,691,748	-	-	2,691,748
State and county tax assessments	264,481	-	-	264,481
Debt service:				
Principal payments	615,000	-	-	615,000
Interest expense	86,150	-	-	86,150
<b>Total Expenditures</b>	<u>23,162,737</u>	<u>350,195</u>	<u>400,214</u>	<u>23,913,146</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,445,354</u>	<u>(62,234)</u>	<u>(4,740)</u>	<u>2,378,380</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease financing	-	-	76,737	76,737
Sale of capital assets	70,855	-	-	70,855
Transfers in	8,642	225,000	459	234,101
Transfers out	(875,459)	-	(8,642)	(884,101)
<b>Total Other Financing Sources (Uses)</b>	<u>(795,962)</u>	<u>225,000</u>	<u>68,554</u>	<u>(502,408)</u>
<b>Net Change in Fund Balances</b>	1,649,392	162,766	63,814	1,875,972
Fund Balances - Beginning of year	8,849,163	133,524	1,223,957	10,206,644
Fund Balances - End of year	<u>\$ 10,498,555</u>	<u>\$ 296,290</u>	<u>\$ 1,287,771</u>	<u>\$ 12,082,616</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  
YEAR ENDED JUNE 30, 2018**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 1,875,972**

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

Capital outlays	\$ 938,338	
Depreciation expense	(1,592,578)	
Sale of capital assets	<u>(13,658)</u>	
Net effect of reporting capital assets		(667,898)

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 amounts presented here as reconciling items:

Proceeds from capital lease obligations	(76,737)	
Amortization of bond premiums	30,852	
Repayments of capital lease obligations	262,980	
Repayments of bonds and notes	<u>615,000</u>	
Net effect of reporting long-term debt		832,095

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. (599,435)

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	32,123	
Compensated absences	6,283	
Other postemployment benefits	(147,456)	
Net pension benefits	<u>(238,663)</u>	
Net effect of reporting long-term liabilities		<u>(347,713)</u>

**Change in Net Position of Governmental Activities** **\$ 1,093,021**

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

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

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	<u>Business-Type Activities</u>
	<u>Water and Sewer Enterprise Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,022,569
User fees, net of allowance	205,121
Special assessments	24,075
Total current assets	<u>1,251,765</u>
Noncurrent assets:	
Special assessments	215
Capital assets, not being depreciated	141,169
Capital assets, net of depreciation	1,963,661
Total noncurrent assets	<u>2,105,045</u>
<b>Total Assets</b>	<u>3,356,810</u>
<b>Deferred Outflows of Resources</b>	<u>39,575</u>
<b>Liabilities:</b>	
Current liabilities:	
Warrants payable and other liabilities	55,882
Bond indebtedness	14,750
Total current liabilities	<u>70,632</u>
Noncurrent liabilities:	
Net other postemployment benefits liability	129,702
Net pension liability	298,262
Total noncurrent liabilities	<u>427,964</u>
<b>Total Liabilities</b>	<u>498,596</u>
<b>Deferred Inflows of Resources</b>	<u>27,344</u>
<b>Net Position:</b>	
Net investment in capital assets	2,090,080
Unrestricted	780,365
<b>Total Net Position</b>	<u>\$ 2,870,445</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, 2018**

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	<u>Business-Type Activities</u>
	<u>Water and Sewer Enterprise Fund</u>
<b>Operating Revenues:</b>	
Usage charges	\$ 744,050
Other fees	33,090
Total Operating Revenues	777,140
<b>Operating Expenses:</b>	
Operating costs	694,030
Depreciation	72,760
Total Operating Expenses	766,790
<b>Total Operating Income</b>	<b>10,350</b>
<b>Nonoperating Income (Expenses):</b>	
Interest income	921
Interest expense	(1,918)
<b>Total Nonoperating Revenues (Expenses), net</b>	<b>(997)</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>9,353</b>
Transfers in	650,000
<b>Change in Net Position</b>	<b>659,353</b>
<b>Net Position - Beginning of year, as restated (See Note V)</b>	<b>2,211,092</b>
<b>Net Position - Ending</b>	<b>\$ 2,870,445</b>

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

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

	<u>Business-Type Activities</u>
	<u>Water and Sewer Enterprise Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from users	\$ 809,313
Payments to vendors	(671,068)
Payments to employees	(83,607)
	54,638
<b>Net Cash Provided by Operating Activities</b>	<b>54,638</b>
<b>Cash Flows from Noncapital Related Financing Activities:</b>	
Interest income	921
Transfers in	650,000
	650,921
<b>Net Cash Used for Noncapital Related Financing Activities</b>	<b>650,921</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Special assessments	9,116
Principal payments on bonds and notes	(89,750)
Acquisition and construction of capital assets	(60,838)
Interest expense	(1,918)
	(143,390)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(143,390)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>562,169</b>
<b>Cash and Cash Equivalents:</b>	
Beginning of year	460,400
	460,400
End of year	<b>\$ 1,022,569</b>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating income (loss)	\$ 10,350
Depreciation	72,760
Changes in assets, deferred outflows, deferred inflows and liabilities:	
Receivables (net)	32,173
Deferred outflows of resources	(4,200)
Deferred inflows of resources	22,096
Liabilities (net)	(78,541)
	(28,472)
<b>Net Cash Provided From Operating Activities</b>	<b>\$ 54,638</b>

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

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

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
<b>Assets:</b>			
Cash and cash equivalents	\$ 570,111	\$ 15,812	\$ 14,117
Receivables:			
Departmental	-	-	47,372
<b>Total Assets</b>	<b>570,111</b>	<b>15,812</b>	<b>61,489</b>
<b>Liabilities:</b>			
Warrants and accounts payables	-	-	31,664
Planning board deposits	-	-	22,184
Other liabilities	-	-	7,641
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>\$ 61,489</b>
<b>Net Position:</b>			
Restricted for other postemployment benefits	570,111	-	
Held in trust for private purposes	-	15,812	
<b>Total Net Position</b>	<b>\$ 570,111</b>	<b>\$ 15,812</b>	

See accompanying notes to basic financial statements.

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

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	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions</b>		
Contributions:		
Employer contributions	\$ 876,932	\$ -
Private donations	-	269
Total contributions	<u>876,932</u>	<u>269</u>
Investment income:		
Interest and dividends	<u>2,413</u>	<u>67</u>
Net investment earnings	<u>2,413</u>	<u>67</u>
<b>Total Additions</b>	<u>879,345</u>	<u>336</u>
<b>Deductions</b>		
Benefits paid	<u>676,932</u>	<u>-</u>
<b>Total Deductions</b>	<u>676,932</u>	<u>-</u>
<b>Change in Net Position</b>	202,413	336
<b>Net Position - Beginning of Year</b>	<u>367,698</u>	<u>15,476</u>
<b>Net Position - End of year</b>	<u><u>\$ 570,111</u></u>	<u><u>\$ 15,812</u></u>

See accompanying notes to basic financial statements.

## TOWN OF FREETOWN, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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#### **I. Summary of Significant Accounting Policies**

The basic financial statements of the Town of Freetown (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 approximately 50 miles 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 2018, the Town’s share of the operating and debt service expenses was \$10,432,061. 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*, as are propriety funds. 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 have been 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 Town 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.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

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

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

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

The Town reports the following major proprietary fund:

Water and 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 and water activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use 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 Town 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 are recorded at fair value in accordance with GAAP.

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 up to the statutory percentage 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 charges receivables amounts billed for water and sewer usage. 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. Sewer user fees have 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 quarterly basis for the usage.

Real estate taxes, user charges 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 two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows 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 two items which qualify for reporting in this category. The first arises under the modified accrual basis of accountancy and accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, excise taxes, intergovernmental and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

*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.

*Debt service* 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 \$5,693,328 at June 30, 2018 and is reported as unassigned fund balance in the General Fund.

*Encumbrances* - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town 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 \$576,987 of encumbrances from Town Meeting votes in the general fund as committed and \$163,103 of encumbrances from normal purchasing activity in the general fund as assigned at June 30, 2018. There are no encumbrances reported in any other fund.

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

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 376,379	\$ 376,379
Restricted:				
General government	-	-	381,785	381,785
Public safety	-	-	104,204	104,204
Public works	-	349,067	186,343	535,410
Health and human services	-	-	42,776	42,776
Culture and recreation	-	-	196,284	196,284
Committed:				
General government	75,837	-	-	75,837
Public safety	428,557	-	-	428,557
Public works	57,593	-	-	57,593
Culture and recreation	15,000	-	-	15,000
Assigned:				
General government	66,877	-	-	66,877
Public safety	16,800	-	-	16,800
Public works	79,426	-	-	79,426
Unassigned	9,758,465	(52,777)	-	9,705,688
	<u>\$ 10,498,555</u>	<u>\$ 296,290</u>	<u>\$ 1,287,771</u>	<u>\$ 12,082,616</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 \$249,987. This over-expenditure will be funded through available funds during fiscal year 2019.

The Town incurred a deficit totaling \$52,777 for Town road work construction, which is reported in the major capital projects fund. This deficit will be funded through available revenues, grant funds or bond proceeds 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.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the "MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

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

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

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

At year end, the Town had \$343 of investments in the MMDT pool.

Investments in the MMDT are valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

*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 \$14,103,836 and the bank balance was \$14,280,946.

Of the Town's bank balance, \$11,198,770 was covered by either federal depository insurance or by the depositors' insurance fund and the remainder 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 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**

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:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Real estate and personal property taxes	\$ 303,486	\$ -	\$ 303,486
Deferred property taxes	19,124	-	19,124
Tax liens	1,050,623	-	1,050,623
Motor Vehicle and other excise taxes	138,748	-	138,748
Ambulance	150,816	-	150,816
Departmental and other	49,391	-	49,391
Intergovernmental	2,823,048	-	2,823,048
Total	<u>\$ 4,535,236</u>	<u>\$ -</u>	<u>\$ 4,535,236</u>

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Water and sewer user fees	\$ 205,121	\$ -	\$ 205,121
Special assessments	24,290	-	24,290
Total	<u>\$ 229,411</u>	<u>\$ -</u>	<u>\$ 229,411</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
Receivables and other asset type:			
Real estate and personal property taxes	\$ 274,854	\$ -	\$ 274,854
Deferred property taxes	19,124	-	19,124
Tax liens	1,050,623	-	1,050,623
Motor Vehicle and other excise taxes	138,748	-	138,748
Ambulance	150,816	-	150,816
Departmental and other	4,225	45,166	49,391
Intergovernmental	2,810,521	-	2,810,521
Tax foreclosures	93,746	-	93,746
Total	<u>\$ 4,542,657</u>	<u>\$ 45,166</u>	<u>\$ 4,587,823</u>

School Building Assistance Reimbursement – As of June 30, 2018, the Town expects to receive the balance of grants from the Commonwealth of Massachusetts totaling \$2,876,838 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 \$2,684,065 under the caption Intergovernmental has been recorded in the General Fund which represents the reimbursable portion of the principal balance as of June 30, 2018.

### C. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Capital Projects Fund	Water and Sewer Enterprise Fund	
General Fund	\$ -	\$ 459	\$ 225,000	\$ 650,000	\$ 875,459 (1)
Nonmajor Governmental Funds	8,642	-	-	-	8,642 (2)
Total	<u>\$ 8,642</u>	<u>\$ 459</u>	<u>\$ 225,000</u>	<u>\$ 650,000</u>	<u>\$ 884,101</u>

(1) Transfer to capital project fund and to water and sewer enterprise fund for capital purposes.

Transfers to nonmajor funds to provide for prior year deficits.

(2) Transfers to general fund to supplement operating budgets.

## D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,151,057	\$ -	\$ (13,658)	\$ 1,137,399
Construction in Progress	757,656	369,338	-	1,126,994
Total capital assets not being depreciated	<u>1,908,713</u>	<u>369,338</u>	<u>(13,658)</u>	<u>2,264,393</u>
Capital assets being depreciated:				
Land Improvements	268,381	-	-	268,381
Building and building improvements	11,459,960	41,474	-	11,501,434
Machinery and equipment	1,772,089	119,147	(50,096)	1,841,140
Vehicles	3,165,128	124,646	(33,564)	3,256,210
Infrastructure	29,667,278	283,733	-	29,951,011
Total capital assets being depreciated	<u>46,332,836</u>	<u>569,000</u>	<u>(83,660)</u>	<u>46,818,176</u>
Less accumulated depreciation for:				
Land Improvements	(129,623)	(7,768)	-	(137,391)
Building	(5,005,242)	(266,204)	-	(5,271,446)
Machinery and equipment	(1,111,872)	(119,080)	50,096	(1,180,856)
Vehicles	(2,198,127)	(228,489)	33,564	(2,393,052)
Infrastructure	(20,643,992)	(971,037)	-	(21,615,029)
Total accumulated depreciation	<u>(29,088,856)</u>	<u>(1,592,578)</u>	<u>83,660</u>	<u>(30,597,774)</u>
Total capital assets being depreciated, net	<u>17,243,980</u>	<u>(1,023,578)</u>	<u>-</u>	<u>16,220,402</u>
Governmental activities capital assets, net	<u>\$ 19,152,693</u>	<u>\$ (654,240)</u>	<u>\$ (13,658)</u>	<u>\$ 18,484,795</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 80,331	\$ 60,838	\$ -	\$ 141,169
Capital assets being depreciated:				
Infrastructure	3,589,898	-	-	3,589,898
Machinery and equipment	25,325	-	-	25,325
Total capital assets being depreciated	<u>3,615,223</u>	<u>-</u>	<u>-</u>	<u>3,615,223</u>
Less accumulated depreciation for:				
Infrastructure	(1,553,477)	(72,760)	-	(1,626,237)
Machinery and equipment	(25,325)	-	-	(25,325)
Total accumulated depreciation	<u>(1,578,802)</u>	<u>(72,760)</u>	<u>-</u>	<u>(1,651,562)</u>
Total capital assets being depreciated, net	<u>2,036,421</u>	<u>(72,760)</u>	<u>-</u>	<u>1,963,661</u>
Business-type activities capital assets, net	<u>\$ 2,116,752</u>	<u>\$ (11,922)</u>	<u>\$ -</u>	<u>\$ 2,104,830</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 24,183	Sewer & Water	\$ 72,760
Public safety	261,445		
Education	237,099	Total Business-Type Activities	<u>\$ 72,760</u>
Public Works	1,065,840		
Health and Human Services	4,011		
Total Governmental Activities	<u>\$ 1,592,578</u>		

### E. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law.

The following is a summary of temporary notes outstanding for the year ended June 30, 2018:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	1.00%	12/01/17	\$ 225,000	\$ -	\$ (225,000)	\$ -
Total Governmental Activities Notes			<u>225,000</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>
BAN	1.00%	12/01/17	75,000	-	(75,000)	-
Total Business-Type Notes			<u>75,000</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>
Total Short Term Notes Payable			<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ -</u>

### F. Long-Term Obligations

Bond and Note Indebtedness - 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”.

**Legal Debt Margin** – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2018 was approximately \$70.8 million based on equalized valuation of approximately \$1.4 billion.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 4,465,000	\$ -	\$ (615,000)	\$ 3,850,000	\$ 625,000
Unamortized bond premium	118,317	-	(30,852)	87,465	26,354
Capital lease obligations	462,900	76,737	(262,980)	276,657	210,161
Landfill post-closure	295,993	-	(32,123)	263,870	30,372
Compensated absences	103,439	-	(6,283)	97,156	14,573
Net other postemployment benefits liability *	18,262,361	1,015,692	(1,165,085)	18,112,968	-
Net pension liability	8,402,413	3,429,617	(3,978,614)	7,853,416	-
<b>Total Governmental Activities</b>	<b>\$ 32,110,423</b>	<b>\$ 4,522,046</b>	<b>\$ (6,090,937)</b>	<b>\$ 30,541,532</b>	<b>\$ 906,460</b>
<i>Business-type Activities:</i>					
Long-term bonds and notes	\$ 29,500	\$ -	\$ (14,750)	\$ 14,750	\$ 14,750
Net other postemployment benefits liability *	300,722	16,725	(19,185)	298,262	-
Net pension liability	138,769	56,640	(65,707)	129,702	-
Total Business-type Activities: Sewer	468,991	73,365	(99,642)	442,714	14,750
<b>Total Business-type Activities</b>	<b>\$ 468,991</b>	<b>\$ 73,365</b>	<b>\$ (99,642)</b>	<b>\$ 442,714</b>	<b>\$ 14,750</b>
<b>Total Long-term Obligations</b>	<b>\$ 32,579,414</b>	<b>\$ 4,595,411</b>	<b>\$ (6,190,579)</b>	<b>\$ 30,984,246</b>	<b>\$ 921,210</b>

\* Beginning balance has been restated as a result of the adoption of GASB No. 75. Refer to Note V.

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

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2018:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities</i>					
General Obligation Bonds	2.0 - 4.0%	\$ 420,000	\$ -	\$ (70,000)	\$ 350,000
Redfunding Bonds	2.00%	4,045,000	-	(545,000)	3,500,000
<b>Total Governmental Activities</b>		4,465,000	-	(615,000)	3,850,000
Add: Unamortized Premium		118,317	-	(30,852)	87,465
<b>Total Governmental Activities, net</b>		<u>\$ 4,583,317</u>	<u>\$ -</u>	<u>\$ (645,852)</u>	<u>\$ 3,937,465</u>
<i>Business-Type Activities</i>					
State House Notes	6.50%	\$ 29,500	\$ -	\$ (14,750)	\$ 14,750
<b>Total Business-Type Activities</b>		<u>\$ 29,500</u>	<u>\$ -</u>	<u>\$ (14,750)</u>	<u>\$ 14,750</u>

*Future Debt Payoffs* - Payments on outstanding bonds and notes due in future years consist of the following:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 625,000	\$ 70,750	\$ 695,750
2020	635,000	58,150	693,150
2021	650,000	45,300	695,300
2022	660,000	32,200	692,200
2023	670,000	18,900	688,900
2024	610,000	6,100	616,100
Total	<u>\$ 3,850,000</u>	<u>\$ 231,400</u>	<u>\$ 4,081,400</u>
Year Ending June 30,	Business-type Activities - Water and Sewer		
	Principal	Interest	Total
2019	\$ 14,750	\$ 959	\$ 15,709
Total	<u>\$ 14,750</u>	<u>\$ 959</u>	<u>\$ 15,709</u>

*Authorized and Unissued Debt* – At June 30, 2018, the Town had no authorized and unissued debt.

#### G. Capital Lease Obligations

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	\$ 1,711,010
Less: accumulated depreciation	<u>(827,669)</u>
Total	<u>\$ 883,341</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 222,206
2020	<u>70,172</u>
Total minimum lease payments	292,378
Less: amounts representing interest	<u>(15,721)</u>
Present value of minimum lease payments	<u>\$ 276,657</u>

### III. Other Information

#### A. Retirement System

*Plan Description* – The Town contributes to the Bristol County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under MGL Chapter 32 and is administered by the Bristol County Retirement Board (BCRB). Stand-alone audited financial statements for the year ended December 31, 2017 were issued and may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA 02780.

*Membership* – Membership in the System as of December 31, 2017, was as follows:

Retirees and beneficiaries currently receiving benefits	2,219
Inactive participants	772
Disabled participants	281
Active participants	<u>3,220</u>
	<u>6,492</u>

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

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular

compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2018.

Contributions Requirements – The System 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 \$963,251 to the System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 24.5% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$7,983,118 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. There were no material changes

made in this update to the actuarial assumptions (see below) nor were there any material changes to the 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 2.558% at December 31, 2017, which was consistent with the proportion measured at January 1, 2018.

Fiduciary Net Position – The elements of the System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2017, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,255,416 in pension expense in the statement of activities in fiscal year 2018.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,011,321	\$ -
Net difference between projected and actual earnings on pension plan investments	756,826	959,467
Changes in proportion and difference between Town contributions and proportionate share of contributions	462,694	87,078
Changes of assumptions	-	130,613
Total	<u>\$ 2,230,841</u>	<u>\$ 1,177,158</u>



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

<u>Year ended June 30,</u>	
2019	\$ 654,136
2020	490,608
2021	(381)
2022	<u>(90,680)</u>
Total	<u>\$ 1,053,683</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Actuarial cost method:	Entry Age Normal	
Amortization method:	Level percent, open group	
Remaining amortization period:	11 years	
Asset valuation method:	Market Value	
Investment Rate of return:	7.75%	
Projected Salary increases:	<u>Service</u>	<u>Rate</u>
	0 - 1	5.50%
	2	4.00%
	3 - 4	3.50%
	5 - 7	3.00%
	8+	2.75%
Cost-of-living adjustments:	3.00% of the lesser of the pension amount and \$18,000 per year	
Discount rate:	7.75%	
Inflation:	4.00%	
Rates of disability:	Various based upon age for general employees, police, and fire employees. General employees - 35% ordinary, 65% service connected Police & Fire - 5% ordinary, 95% service connected	
Disabled life mortality:	Pre-Retirement - RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.	

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.

The target allocations and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Weight</u>	<u>Long term Expected Rate of Return</u>
Equity	46.5%	7.9%
Fixed income	24.5%	4.6%
Private equity	8.5%	10.5%
Real estate funds	7.5%	6.5%
Hedge funds	5.0%	5.9%
Infrastructure	5.0%	7.6%
Timber	3.0%	7.5%

Discount Rate – The discount rate used to measure the total pension was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town's proportionate share of the net pension liability	\$ 10,834,110	\$ 7,983,118	\$ 5,581,712

**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

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

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

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

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

#### **GASB Statement No. 75**

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

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

Active employees	71
Inactive employees	121
Total	<u>192</u>

**Contributions** – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. For healthcare coverage, retirees contribute 5% of premiums for Medicare integrated plans; for non-Medicare integrated plans retirees shall pay 10%-20% if retired before June 30, 2013 and 25%-35% otherwise. Retirees pay 100% of dental insurance benefit premiums, and retirees pay 20% of life insurance benefit premiums. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town’s average contribution rate was approximately 15% of covered payroll.

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

Total OPEB Liability	\$ 18,778,928
Plan fiduciary net position	<u>(367,698)</u>
Net OPEB liability	<u>\$ 18,411,230</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.0%

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

Investment rate of return	2.75%, net of OPEB plan investment expenses, including inflation.
Municipal bond rate	3.13% as of July 1, 2017
Discount Rate	3.25%, net of OPEB plan investment expense, including inflation.
Inflation	2.75% annually as of July 1, 2017 and for future periods
Health Care Trend Rate	5.0% annually as of July 1, 2017 and for future periods
Salary Increases	3.0% annually as of July 1, 2017 and for future periods
Pre-Retirement Mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Actuarial Cost Method	Individual entry age normal

Discount Rate – The discount rate used to measure the total OPEB liability was 3.25%. The only key change in assumptions from the prior valuation was a decrease of this discount rate from 4.0%.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Investment Rate of Return
Domestic equity - large cap	0.00%	4.00%
Domestic equity - small/mid cap	0.00%	6.00%
International equity - developed markets	0.00%	4.50%
International equity - emerging markets	0.00%	7.00%
Domestic fixed income	0.00%	2.00%
International fixed income	0.00%	3.00%
Alternative	0.00%	6.50%
Real estate	0.00%	6.25%
Cash	100.00%	0.00%
	100.00%	
Real rate of return		0.00%
Inflation assumption		2.75%
Total nominal rate of return		2.75%
Investment expense		0.00%
Net investment return		2.75%

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

	Healthcare Trend Rate		
	1% Decrease (4.00%)	Current Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 15,428,033	\$ 18,411,230	\$ 22,254,743
	Discount Rate		
	1% Decrease (3.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Net OPEB Liability	\$ 21,618,102	\$ 18,411,230	\$ 15,875,943

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	\$ 18,928,938	\$ 167,364	\$ 18,761,574
Changes for the year:			
Service cost	340,977	-	340,977
Interest	618,609	-	618,609
Difference between expected and actual experience	(634,173)	-	(634,173)
Net investment income	-	334	(334)
Employer contributions	-	675,423	(675,423)
Benefit payments withdrawn	-	(475,423)	475,423
Benefit payments	(475,423)	-	(475,423)
Net changes	(150,010)	200,334	(350,344)
Balances at June 30, 2018	<u>\$ 18,778,928</u>	<u>\$ 367,698</u>	<u>\$ 18,411,230</u>

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2018, the Town recognized OPEB expense of \$826,816. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 507,338
Differences between actual and expected earnings	5,601	-
Contributions after measurement date	200,000	-
Totals	<u>\$ 205,601</u>	<u>\$ 507,338</u>

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

June 30,	
2019	\$ 74,565
2020	(125,435)
2021	(125,435)
2022	(125,432)
Total	<u>\$ (301,737)</u>

**GASB Statement No. 74**

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

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

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 0.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions – Actuarial assumptions are identical to those under GASB 75 except that as of June 30, 2018, the Municipal Bond Rate is 3.45% and the Discount Rate is 3.50%.

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

	Healthcare Trend Rate		
	1% Decrease (4.00%)	Current Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 15,063,918	\$ 17,953,907	\$ 21,664,243

  

	Discount Rate		
	1% Decrease (3.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	\$ 21,051,537	\$ 17,953,907	\$ 15,500,546

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2018 using an actuarial valuation as of July 1, 2017.

The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$ 18,524,018
Plan fiduciary net position	<u>(570,111)</u>
Net OPEB liability	<u>\$ 17,953,907</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.1%

**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, 2018, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2018.

*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. Tax Abatements**

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

The Town has two such agreements for which the assessed value of the related properties have been reduced by a percentage between 20 and 70 percent of the incremental assessed value. For the fiscal year ended June 30, 2018, the Town’s total tax revenues were reduced by approximately \$2.1 million as a result of these tax abatement agreements.



## **F. 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; \$263,870 has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

## **IV. Implementation of New GASB Pronouncements**

### Current Year Implementations –

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of this accounting standard resulted in a reduction in beginning net position of approximately \$12.4 million and \$0.3 million in the Town's governmental and business-type activities, respectively. Refer to Note V.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

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

### Future Implementations –

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

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

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

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

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

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

## **V. Restatement**

As of July 1, 2017, the Town elected to permanently consolidate both of the previously existing business-type funds which encompassed the water utility operations and the sewer utility operations into a single proprietary (enterprise) fund for maintaining its general ledger and statutory budgeting and reporting to the Commonwealth of Massachusetts. Accordingly, those funds have been restated within these audited financial statements to likewise now report the water and sewer operations as a single fund hereafter referred to as the Water and Sewer Enterprise Fund. This consolidation of funds did not require any adjustment to the previously reported, total proprietary fund financial amounts.

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

A summary of these restatements is as follows:

	Governmental	Business-Type	Proprietary Funds		
	Funds	Funds	Water and Sewer	Water	Sewer
Net position at June 30, 2017, as reported	\$ 16,667,663	\$ 2,511,814	\$ -	\$ 2,325,804	\$ 186,010
Consolidation of water and sewer funds	-	-	2,511,814	(2,325,804)	(186,010)
Eliminate previously recorded OPEB obligation	5,855,094	-	-	-	-
Record net OPEB liability	(18,262,361)	(300,722)	(300,722)	-	-
Net position at June 30, 2017, as restated	<u>\$ 4,260,396</u>	<u>\$ 2,211,092</u>	<u>\$ 2,211,092</u>	<u>\$ -</u>	<u>\$ -</u>

The following represents the assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at June 30, 2017 of the Sewer and Water Enterprise Funds before restatement:

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Cash	\$ 175,976	\$ 284,424	\$ 460,400
Receivables	52,227	218,473	270,700
Capital assets	-	2,116,752	2,116,752
Total Assets	<u>228,203</u>	<u>2,619,649</u>	<u>2,847,852</u>
<b>Deferred Inflows of Resources</b>			
	<u>-</u>	<u>35,375</u>	<u>35,375</u>
<b>Liabilities</b>			
Warrants payable	42,193	80,703	122,896
Short-term notes payable	-	75,000	75,000
Liabilities due in one year or less	-	14,750	14,750
Liabilities due in more than one year	-	153,519	153,519
Total Liabilities	<u>42,193</u>	<u>323,972</u>	<u>366,165</u>
<b>Deferred Outflows of Resources</b>			
	<u>-</u>	<u>5,248</u>	<u>5,248</u>
<b>Net Position</b>			
Net investment in capital assets	-	2,012,252	2,012,252
Unrestricted	186,010	313,552	499,562
Total Net Position	<u>\$ 186,010</u>	<u>\$ 2,325,804</u>	<u>\$ 2,511,814</u>

**TOWN OF FREETOWN, MASSACHUSETTS**

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

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

*(dollar amounts are in thousands)*

	Year Ended June 30,			
	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	2.558%	2.558%	2.558%	2.185%
Town's proportionate share of the net pension liability (asset)	\$ 7,983	\$ 8,541	\$ 8,607	\$ 5,892
Town's covered payroll	\$ 3,936	\$ 3,382	\$ 3,277	\$ 3,101
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	202.8%	252.5%	262.6%	190.0%
Plan fiduciary net position as a percentage of the total pension liability	68.6%	64.2%	62.9%	67.1%

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**

*(dollar amounts are in thousands)*

	Year Ended June 30,			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 963	\$ 738	\$ 731	\$ 796
Contributions in relation to the actuarially determined contribution	963	738	731	796
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,936	\$ 3,382	\$ 3,277	\$ 3,101
Contributions as a percentage of covered payroll	24.5%	21.8%	22.3%	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, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	452,042	\$ 340,977
Interest	637,959	608,145
Differences between expected and actual experience	(817,990)	-
Benefit payments	<u>(676,932)</u>	<u>(776,420)</u>
Net change in total OPEB liability	(404,921)	172,702
Total OPEB liability - beginning of year	<u>18,928,939</u>	<u>18,756,237</u>
Total OPEB liability - end of year (a)	<u><u>\$ 18,524,018</u></u>	<u><u>\$ 18,928,939</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 876,932	\$ 976,420
Net investment income	2,413	334
Benefit payments	<u>(676,932)</u>	<u>(776,420)</u>
Net change in Plan fiduciary net position	202,413	200,334
Plan fiduciary net position - beginning of year	<u>367,698</u>	<u>167,364</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 570,111</u></u>	<u><u>\$ 367,698</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 17,953,907</u></u>	<u><u>\$ 18,561,241</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.08%	1.94%
Covered payroll	4,539,692	\$ 3,716,108
Net OPEB liability as a percentage of covered payroll	395.49%	499.48%

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

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB Statement No. 74

See independent auditors' report.

**TOWN OF FREETOWN, MASSACHUSETTS**

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

**SCHEDULE OF CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 1,427,114	\$ 1,288,036
Contributions in relation to the actuarially-determined contribution	<u>(876,932)</u>	<u>(976,420)</u>
Contribution (deficiency)	<u>\$ (550,182)</u>	<u>\$ (311,616)</u>
Covered payroll	\$ 4,539,692	\$ 3,716,108
Contribution as a percentage of covered payroll	19.3%	26.3%
Valuation Date	July 1, 2017	July 1, 2014
Amortization Period	30 years	30 years
Investment rate of return	2.75%	2.75%
Municipal Bond Rate	3.45%	3.13%
Single Equivalent Discount Rate	3.50%	3.25%
Inflation	2.75%	2.75%
Healthcare cost trend rates	5.00%	5.00%
Salary increases	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)	
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)	

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.52%	0.12%

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

See 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, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>REVENUES</b>						
Real estate and personal property taxes, net	\$ 18,929,705	\$ 18,954,702	\$ 19,719,279	\$ -	\$ 19,719,279	\$ 764,577
Intergovernmental	2,187,882	2,187,882	2,241,610	-	2,241,610	53,728
Motor vehicle and other excises	1,651,000	1,651,000	2,053,508	-	2,053,508	402,508
License and permits	285,000	285,000	248,109	-	248,109	(36,891)
Departmental and other revenue	780,000	780,000	1,024,544	-	1,024,544	244,544
Penalties and interest on taxes	50,000	50,000	218,992	-	218,992	168,992
Fines and forfeitures	10,000	10,000	50,370	-	50,370	40,370
Investment income	1,000	1,000	5,378	-	5,378	4,378
Total Revenues	<u>23,894,587</u>	<u>23,919,584</u>	<u>25,561,790</u>	<u>-</u>	<u>25,561,790</u>	<u>1,642,206</u>
<b>EXPENDITURES</b>						
General government	1,628,559	1,615,950	1,255,433	142,714	1,398,147	217,803
Public safety	4,865,133	4,869,017	4,148,626	445,357	4,593,983	275,034
Education	12,364,569	12,364,569	12,030,387	-	12,030,387	334,182
Public works	1,470,087	1,503,809	1,582,773	137,019	1,719,792	(215,983)
Health and human services	435,579	435,579	377,991	-	377,991	57,588
Culture and recreation	161,678	161,678	131,569	15,000	146,569	15,109
State and county tax assessments	264,481	264,481	264,481	-	264,481	-
Pension and other fringe benefits	2,629,183	2,629,183	2,535,487	-	2,535,487	93,696
Debt service	701,150	701,150	701,150	-	701,150	-
Total Expenditures	<u>24,520,419</u>	<u>24,545,416</u>	<u>23,027,897</u>	<u>\$ 740,090</u>	<u>23,767,987</u>	<u>777,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of assets	-	-	70,855	-	70,855	70,855
Transfers in	729,645	729,645	724,861	-	724,861	(4,784)
Transfers out	(850,000)	(2,914,178)	(2,914,637)	-	(2,914,637)	(459)
Total Other Financing Sources (Uses)	<u>(120,355)</u>	<u>(2,184,533)</u>	<u>(2,118,921)</u>	<u>-</u>	<u>(2,118,921)</u>	<u>65,612</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	<u>(746,187)</u>	<u>(2,810,365)</u>	<u>\$ 414,972</u>	<u>-</u>	<u>\$ (325,118)</u>	<u>\$ 2,485,247</u>
<b>Other Budgetary Items:</b>						
Undesignated surplus (free cash)	-	2,064,178	-	-	-	-
Prior year encumbrances	966,070	966,070	-	-	-	-
Prior year snow and ice deficit	(219,424)	(219,424)	-	-	-	-
Other amounts raised	(459)	(459)	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018**

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**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 2018, supplemental budgetary appropriations were not significant. 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, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 25,561,790
Stabilization investment income	\$ -	\$ 45,242	45,242
Agency Fund transfers reclassified as revenue	-	1,059	1,059
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 46,301</u>	<u>\$ 25,608,091</u>
Expenditures on a budgetary basis			\$ 23,027,897
Other postemployment benefit trust contribution	\$ -	\$ 200,000	200,000
Indirect cost transfers reclassified as expenditures	(65,160)	-	(65,160)
Expenditures on a GAAP basis	<u>\$ (65,160)</u>	<u>\$ -</u>	<u>\$ 23,162,737</u>
Other financing sources (uses) on a budgetary basis			\$ (2,118,921)
Stabilization transfers	\$ -	\$ 1,189,178	1,189,178
Other postemployment benefit trust transfers	-	200,000	200,000
Indirect cost transfers reclassified as expenditures	(65,160)	-	(65,160)
Agency Fund transfers reclassified as revenue	-	(1,059)	(1,059)
Other financing sources (uses) on a GAAP basis	<u>\$ (65,160)</u>	<u>\$ 1,388,119</u>	<u>\$ (795,962)</u>

*Appropriation Deficits* – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$249,987. This over-expenditure will be funded through available funds during fiscal year 2019.





**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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 22, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 22, 2018