

**TOWN OF FREETOWN, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2016

Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters  
Year Ended June 30, 2016

# 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, 2016, 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, 2016, and the respective changes

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

**Other Matters**

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Roselli Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 14, 2016

## Management's Discussion and Analysis

As the management of the Town of Freetown, Massachusetts (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

### **Financial Highlights**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$18.1 million (*total net position*). Approximately \$15.6 million represented net position of governmental activities and \$2.5 million represented net position of the business-type activities.
- The government's total net position increased approximately \$1.2 million. Governmental activities net position increased over \$1.1 million due to revenues exceeding forecast by \$1.5 million and expenditures lower than budget by \$0.3 million. Business-type activities net position increased approximately \$0.1 million.
- The Town's unassigned fund balance reported in the General Fund was approximately \$6.4 million (29.2% of General Fund expenditures). Total fund balance in the General Fund was approximately \$6.8 million (31.2% of General Fund expenditures). The Town reported approximately \$0.9 million and \$0.4 million in Restricted and Nonspendable Fund Balance respectively in the Combined Nonmajor Governmental Funds.
- The Town's long-term debt decreased by approximately \$0.6 million during the fiscal year due to regular scheduled maturities of debt.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

- 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 water and sewer enterprise fund activities.

**Fiduciary funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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 proportionate share of the net pension liability and contributions to its pension plan, the Town’s progress in funding its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

### **Government-wide Financial Analysis**

The condensed statement of net position is as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b><u>Assets</u></b>						
Current and other assets	\$ 15,124,018	\$ 13,308,401	\$ 754,575	\$ 656,417	\$ 15,878,593	\$ 13,964,818
Capital assets, net	19,325,416	18,830,281	2,144,505	2,217,264	21,469,921	21,047,545
<b>Total assets</b>	<b>34,449,434</b>	<b>32,138,682</b>	<b>2,899,080</b>	<b>2,873,681</b>	<b>37,348,514</b>	<b>35,012,363</b>
<b>Deferred outflows of resources</b>	<b>2,675,254</b>	<b>279,579</b>	<b>37,435</b>	<b>3,912</b>	<b>2,712,689</b>	<b>283,491</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	20,050,573	17,668,383	163,030	140,313	20,213,603	17,808,696
Other liabilities	271,451	314,076	241,718	277,357	513,169	591,433
<b>Total liabilities</b>	<b>20,322,024</b>	<b>17,982,459</b>	<b>404,748</b>	<b>417,670</b>	<b>20,726,772</b>	<b>18,400,129</b>
<b>Deferred inflows of resources</b>	<b>275,201</b>	<b>-</b>	<b>3,851</b>	<b>-</b>	<b>279,052</b>	<b>-</b>
<b><u>Net Position</u></b>						
Net investment in capital assets	13,511,165	12,521,287	2,100,255	2,122,939	15,611,420	14,644,226
Restricted	4,820,526	5,075,768	-	-	4,820,526	5,075,768
Unrestricted	(2,729,228)	(3,161,253)	427,661	336,984	(2,301,567)	(2,824,269)
<b>Net Position</b>	<b>\$ 15,602,463</b>	<b>\$ 14,435,802</b>	<b>\$ 2,527,916</b>	<b>\$ 2,459,923</b>	<b>\$ 18,130,379</b>	<b>\$ 16,895,725</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 approximately \$18.1 million (*total net position*).

By far the largest portion (approximately \$15.6 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$4.8 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is in deficit by approximately \$2.3 million. This has resulted from the recognition of other postemployment benefits of approximately \$5.4 million since inception in 2009 as well as recognition of approximately \$8.6 million of net pension liability with the implementation of GASB Statement 68 in fiscal year 2015.

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

	<u>Governmental activities</u>		<u>Business activities</u>		<u>Total</u>	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,815,734	\$ 1,398,867	\$ 706,545	\$ 784,809	\$ 2,522,279	\$ 2,183,676
Operating grants and	868,063	935,438	-	-	868,063	935,438
Capital grants and contributions	683,490	552,070	2,122	2,428	685,612	554,498
General revenues:						
Property taxes	17,441,231	16,815,594	-	-	17,441,231	16,815,594
Grants and contributions not restricted to specific programs	1,087,041	1,140,356	-	-	1,087,041	1,140,356
Other	1,922,389	1,770,033	178	-	1,922,567	1,770,033
<b>Total revenues</b>	<b>23,817,948</b>	<b>22,612,358</b>	<b>708,845</b>	<b>787,237</b>	<b>24,526,793</b>	<b>23,399,595</b>
<b>Expenses</b>						
General government	2,005,004	1,882,188	-	-	2,005,004	1,882,188
Public safety	5,501,333	5,007,066	-	-	5,501,333	5,007,066
Education	11,452,585	10,953,365	-	-	11,452,585	10,953,365
Public works	2,685,340	2,708,645	-	-	2,685,340	2,708,645
Health and human services	511,992	467,313	-	-	511,992	467,313
Culture and recreation	224,697	184,142	-	-	224,697	184,142
Interest expense	67,797	75,415	-	-	67,797	75,415
Water	-	-	660,860	715,738	660,860	715,738
Sewer	-	-	182,531	251,498	182,531	251,498
<b>Total expenses</b>	<b>22,448,748</b>	<b>21,278,134</b>	<b>843,391</b>	<b>967,236</b>	<b>23,292,139</b>	<b>22,245,370</b>
Change in net position before	1,369,200	1,334,224	(134,546)	(179,999)	1,234,654	1,154,225
Transfers	(202,539)	(40,000)	202,539	40,000	-	-
Change in net position	1,166,661	1,294,224	67,993	(139,999)	1,234,654	1,154,225
Net position, beginning of year, as restated	14,435,802	13,141,578	2,459,923	2,599,922	16,895,725	15,741,500
Net position, end of year	\$ 15,602,463	\$ 14,435,802	\$ 2,527,916	\$ 2,459,923	\$ 18,130,379	\$ 16,895,725



**Governmental Activities** - The Town relies significantly on property taxes, which, during 2016, made up approximately 73.2% of total revenues, as compared with 74.4% in the prior year. Actual property tax revenues grew approximately \$0.6 million due to normal tax levy growth. No other individual revenues were greater than 10% of total revenues in 2016 or 2015.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 51.0% which was consistent year to year over the prior year 51.5%. Public safety expenditures represented 24.5% which was slightly higher than the prior year of 23.5%. Public works expenditures comprised about 12.0% as compared to about 12.7% in the prior year. No other expense types were greater than 10% of total expenses in 2016 or 2015.

**Business-type Activities** - Major revenue sources consist of revenue from water and sewer user charges which represented almost 100% of total revenues. Water and sewer expenses represented 78.4% and 21.6% of total business-type expenses, respectively.

### **Financial Analysis of the Government's Funds**

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$6.4 million, while total fund balance reached approximately \$6.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 29.2% of total general fund expenditures, while total fund balance represents approximately 31.2% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$8.0 million. This was higher by \$1.1 million when compared to the prior year. This was due primarily to revenues in excess of budgeted amounts in the general fund of \$1.5 million and savings on general fund expenditures of \$0.3 million. The Capital Project major fund unassigned deficit balance of approximately \$0.1 million was consistent with the prior year as highway expenditures were funded from a like amount of state highway funds.

**Proprietary Funds** - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer funds were approximately \$2.4 million and \$0.1 million, respectively. The net position of each enterprise fund was consistent with the prior year.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for departmental functions were approximately \$2.0 million. 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, 2016, amounts to approximately \$21.5 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 \$0.4 million as depreciation of approximately \$1.6 million was offset by additions of approximately \$2.0 million.

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

**Long-term Debt** - At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$5.1 million which is nearly all accounted for as general obligation bonds within the governmental activities. The Town's debt in its business-type activities was not significant.

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

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

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

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

## **Economic Factors and Next Year's Budgets and Rates**

- Consistent with both State and National work force trends, the Town's unemployment rates have stabilized over the past two years and now are approaching levels they were prior to the recession.
- The Town's real estate tax base is made up of approximately 72.9% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 27.1%. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's housing market stabilized from the downward trend experienced earlier this decade; and is now approaching its 2005 peak.
- In May 2016, the Town voted an initial general fund appropriation budget for fiscal year 2017 that was in balance. It is expected the tax rate will be certified prior to December 31, 2016.

The above items were considered when the Town developed its budget for fiscal year 2017.

## **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, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,005,882	\$ 362,962	\$ 9,368,844
Receivables, net of allowance for uncollectibles:			
Property taxes	1,656,749	-	1,656,749
Excise	271,230	-	271,230
User fees	-	361,015	361,015
Special assessments	-	30,598	30,598
Departmental and other	453,555	-	453,555
Intergovernmental	3,682,372	-	3,682,372
Other assets	54,230	-	54,230
Capital assets, not being depreciated	1,401,246	35,325	1,436,571
Capital assets, net of depreciation	17,924,170	2,109,180	20,033,350
<b>Total Assets</b>	<b>34,449,434</b>	<b>2,899,080</b>	<b>37,348,514</b>
<b>Deferred Outflows of Resources</b>	<b>2,675,254</b>	<b>37,435</b>	<b>2,712,689</b>
<b>Liabilities</b>			
Current liabilities:			
Warrants and accounts payable	271,451	241,718	513,169
Bond anticipation notes	925,000	-	925,000
Noncurrent liabilities:			
Due in one year or less	915,542	14,750	930,292
Due in more than one year	19,135,031	148,280	19,283,311
<b>Total Liabilities</b>	<b>21,247,024</b>	<b>404,748</b>	<b>21,651,772</b>
<b>Deferred Inflows of Resources</b>	<b>275,201</b>	<b>3,851</b>	<b>279,052</b>
<b>Net Position</b>			
Net investment in capital assets	13,511,165	2,100,255	15,611,420
Restricted for:			
Nonexpendable permanent funds	392,198	-	392,198
Debt service	3,509,581	-	3,509,581
Other purposes	918,747	-	918,747
Unrestricted	(2,729,228)	427,661	(2,301,567)
<b>Total Net Position</b>	<b>\$ 15,602,463</b>	<b>\$ 2,527,916</b>	<b>\$ 18,130,379</b>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 2,005,004	\$ 375,636	\$ 6,488	\$ -	\$ (1,622,880)		\$ (1,622,880)
Public safety	5,501,333	1,034,368	161,815	61,199	(4,243,951)		(4,243,951)
Education	11,452,585	-	396,345	-	(11,056,240)		(11,056,240)
Public works	2,685,340	347,270	14,740	614,936	(1,708,394)		(1,708,394)
Health and human services	511,992	58,325	166,670	-	(286,997)		(286,997)
Culture and recreation	224,697	135	42,812	7,355	(174,395)		(174,395)
Interest expense	67,797	-	79,193	-	11,396		11,396
Total Governmental Activities	22,448,748	1,815,734	868,063	683,490	(19,081,461)		(19,081,461)
<u>Business-Type Activities:</u>							
Sewer	182,531	169,203	-	-		(13,328)	(13,328)
Water	660,860	537,342	-	2,122		(121,396)	(121,396)
Total Primary Government	\$ 23,292,139	\$ 2,522,279	\$ 868,063	\$ 685,612	(19,081,461)	(134,724)	(19,216,185)
<u>General Revenues:</u>							
Real and personal property taxes					17,441,231	-	17,441,231
Grants and contributions not restricted to specific programs					1,087,041	-	1,087,041
Motor vehicle and other excise					1,748,900	-	1,748,900
Penalties and interest on taxes					161,999	-	161,999
Unrestricted investment income					11,490	178	11,668
Transfers (net)					(202,539)	202,539	-
Total general revenues and transfers					20,248,122	202,717	20,450,839
Change in Net Position					1,166,661	67,993	1,234,654
Net Position - Beginning, as restated (see Note IV)					14,435,802	2,459,923	16,895,725
<b>Net Position - Ending</b>					<b>\$ 15,602,463</b>	<b>\$ 2,527,916</b>	<b>\$ 18,130,379</b>

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,966,664	\$ 864,031	\$ 1,175,187	\$ 9,005,882
Receivables, net of allowance				
Property taxes	1,656,749	-	-	1,656,749
Excise taxes	271,230	-	-	271,230
Departmental and other	440,512	-	13,043	453,555
Due from other government	3,643,584	-	38,788	3,682,372
Other assets	54,230	-	-	54,230
<b>Total Assets</b>	<u>13,032,969</u>	<u>864,031</u>	<u>1,227,018</u>	<u>15,124,018</u>
<b>Total Deferred Outflows of Resources:</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 13,032,969</u>	<u>\$ 864,031</u>	<u>\$ 1,227,018</u>	<u>\$ 15,124,018</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 238,470	\$ 24,399	\$ 8,582	\$ 271,451
Bond anticipation notes	-	925,000	-	925,000
<b>Total Liabilities</b>	<u>238,470</u>	<u>949,399</u>	<u>8,582</u>	<u>1,196,451</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,608,068	-	-	1,608,068
Unavailable revenue - excise taxes	271,230	-	-	271,230
Unavailable revenue - intergovernmental	3,643,584	-	-	3,643,584
Unavailable revenue - other	440,512	-	13,043	453,555
<b>Total Deferred Inflows of Resources</b>	<u>5,963,394</u>	<u>-</u>	<u>13,043</u>	<u>5,976,437</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	392,198	392,198
Restricted	-	-	904,709	904,709
Committed	330,977	-	-	330,977
Assigned	108,043	-	-	108,043
Unassigned	6,392,085	(85,368)	(91,514)	6,215,203
<b>Total Fund Balances</b>	<u>6,831,105</u>	<u>(85,368)</u>	<u>1,205,393</u>	<u>7,951,130</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 13,032,969</u>	<u>\$ 864,031</u>	<u>\$ 1,227,018</u>	<u>\$ 15,124,018</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, 2016**

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<b>Total Governmental Fund Balances</b>	<b>\$ 7,951,130</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,325,416
Other long-term assets are unavailable to pay for current-period expenditures	5,976,437
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds:	
Differences between expected and actual experience	468,579
Net difference between projected and actual earnings on pension plan investments	1,231,836
Changes in proportion and differences between employer contributions and proportionate share of contributions	974,839
Changes of assumptions	(275,201)
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	(5,070,000)
Unamortized bond premiums	(153,584)
Capital lease obligations	(529,698)
Landfill post-closure monitoring	(333,000)
Compensated absences	(96,140)
Other postemployment benefits	(5,379,671)
Net pension liability	(8,488,480)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 15,602,463</u></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, 2016**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Real estate and personal property taxes, net	\$ 17,477,981	\$ -	\$ -	\$ 17,477,981
Intergovernmental	2,122,017	614,937	196,703	2,933,657
Motor vehicle and other excises	1,714,656	-	-	1,714,656
License and permits	419,948	-	-	419,948
Departmental and other revenue	1,022,818	-	70,679	1,093,497
Penalties and interest on taxes	161,328	-	671	161,999
Fines and forfeitures	47,141	-	-	47,141
Investment income	10,694	-	796	11,490
Contributions and donations	-	-	121,234	121,234
<b>Total Revenues</b>	<u>22,976,583</u>	<u>614,937</u>	<u>390,083</u>	<u>23,981,603</u>
<b>Expenditures:</b>				
Current:				
General government	1,207,341	-	35,011	1,242,352
Public safety	3,604,304	-	432,656	4,036,960
Education	11,253,587	-	-	11,253,587
Public works	2,070,180	596,334	80,841	2,747,355
Health and human services	365,091	-	21,750	386,841
Culture and recreation	116,683	-	43,716	160,399
Pensions and other fringes	2,099,617	-	-	2,099,617
Court judgments	200,000	-	-	200,000
State and county tax assessments	244,763	-	-	244,763
Debt service:				
Principal payments	600,000	-	-	600,000
Interest expense	107,400	-	-	107,400
<b>Total Expenditures</b>	<u>21,868,966</u>	<u>596,334</u>	<u>613,974</u>	<u>23,079,274</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,107,617</u>	<u>18,603</u>	<u>(223,891)</u>	<u>902,329</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease financing	-	-	397,107	397,107
Transfers in	42,530	-	-	42,530
Transfers out	(202,539)	-	(42,530)	(245,069)
<b>Total Other Financing Sources (Uses)</b>	<u>(160,009)</u>	<u>-</u>	<u>354,577</u>	<u>194,568</u>
<b>Net Change in Fund Balances</b>	947,608	18,603	130,686	1,096,897
Fund Balances - Beginning, as restated (see Note IV)	<u>5,883,497</u>	<u>(103,971)</u>	<u>1,074,707</u>	<u>6,854,233</u>
Fund Balances - Ending	<u><b>\$ 6,831,105</b></u>	<u><b>\$ (85,368)</b></u>	<u><b>\$ 1,205,393</b></u>	<u><b>\$ 7,951,130</b></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, 2016**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 1,096,897**

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

Capital outlays	\$ 2,053,741	
Depreciation expense	<u>(1,558,606)</u>	
Net effect of reporting capital assets		495,135

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

Proceeds from capital lease obligations	(397,107)	
Amortization of bond premiums	39,603	
Repayments of capital lease obligations	313,216	
Repayments of bonds and notes	<u>600,000</u>	
Net effect of reporting long-term debt		555,712

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. (163,655)

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	(22,846)	
Court judgments	200,000	
Compensated absences	17,660	
Other postemployment benefits	(455,193)	
Pension benefits	<u>(557,049)</u>	
Net effect of reporting long-term liabilities		<u>(817,428)</u>

**Change in Net Position of Governmental Activities** **\$ 1,166,661**

See accompanying notes to basic financial statements.



**TOWN OF FREETOWN, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 168,020	\$ 194,942	\$ 362,962
User fees, net of allowance	85,362	275,653	361,015
Special assessments	-	1,254	1,254
Total current assets	<u>253,382</u>	<u>471,849</u>	<u>725,231</u>
Noncurrent assets:			
Special assessments	-	29,344	29,344
Capital assets, not being depreciated	-	35,325	35,325
Capital assets, net of depreciation	-	2,109,180	2,109,180
Total noncurrent assets	<u>-</u>	<u>2,173,849</u>	<u>2,173,849</u>
<b>Total Assets</b>	<u>253,382</u>	<u>2,645,698</u>	<u>2,899,080</u>
<b>Deferred outflows of resources</b>	<u>-</u>	<u>37,435</u>	<u>37,435</u>
<b>Liabilities:</b>			
Current liabilities:			
Warrants payable and other liabilities	109,154	132,564	241,718
Bond indebtedness	-	14,750	14,750
Total current liabilities	<u>109,154</u>	<u>147,314</u>	<u>256,468</u>
Noncurrent liabilities:			
Bond indebtedness	-	29,500	29,500
Net pension liability	-	118,780	118,780
Total noncurrent liabilities	<u>-</u>	<u>148,280</u>	<u>148,280</u>
<b>Total Liabilities</b>	<u>109,154</u>	<u>295,594</u>	<u>404,748</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>3,851</u>	<u>3,851</u>
<b>Net Position:</b>			
Net investment in capital assets	-	2,100,255	2,100,255
Unrestricted	144,228	283,433	427,661
<b>Total Net Position</b>	<u>\$ 144,228</u>	<u>\$ 2,383,688</u>	<u>\$ 2,527,916</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, 2016**

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
<b>Operating Revenues:</b>			
Usage charges	\$ 169,094	\$ 506,012	\$ 675,106
Other fees	109	31,330	31,439
Total Operating Revenues	<u>169,203</u>	<u>537,342</u>	<u>706,545</u>
<b>Operating Expenses:</b>			
Operating costs	182,531	584,266	766,797
Depreciation	-	72,759	72,759
Total Operating Expenses	<u>182,531</u>	<u>657,025</u>	<u>839,556</u>
<b>Total Operating Income</b>	<u>(13,328)</u>	<u>(119,683)</u>	<u>(133,011)</u>
<b>Nonoperating Income (Expenses):</b>			
Interest income	107	71	178
Interest expense	-	(3,835)	(3,835)
<b>Total Nonoperating Revenues (Expenses), net</b>	<u>107</u>	<u>(3,764)</u>	<u>(3,657)</u>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	(13,221)	(123,447)	(136,668)
Capital contributions	-	2,122	2,122
Transfers in	-	202,539	202,539
<b>Change in Net Position</b>	(13,221)	81,214	67,993
<b>Net Position - Beginning, as restated (see Note IV)</b>	<u>157,449</u>	<u>2,302,474</u>	<u>2,459,923</u>
<b>Net Position - Ending</b>	<u><u>\$ 144,228</u></u>	<u><u>\$ 2,383,688</u></u>	<u><u>\$ 2,527,916</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
<b>Cash Flows from Operating Activities:</b>			
Receipts from users	\$ 124,363	\$ 467,028	\$ 591,391
Payments to vendors	(172,920)	(552,625)	(725,545)
Payments to employees	-	(69,096)	(69,096)
Net Cash Provided by Operating Activities	(48,557)	(154,693)	(203,250)
<b>Cash Flows from Noncapital Related Financing Activities:</b>			
Interest income	107	71	178
Transfers in	-	202,539	202,539
Net Cash Used for Noncapital Related Financing Activities	107	202,610	202,717
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Special assessments	-	18,861	18,861
Principal payments on bonds	-	(14,750)	(14,750)
Interest expense	-	(3,835)	(3,835)
Net Cash Used for Capital and Related Financing Activities	-	276	276
<b>Net Change in Cash and Cash Equivalents</b>	(48,450)	48,193	(257)
<b>Cash and Cash Equivalents:</b>			
Beginning of year	216,470	146,749	363,219
End of year	<u>\$ 168,020</u>	<u>\$ 194,942</u>	<u>\$ 362,962</u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</b>			
Operating income (loss)	\$ (13,328)	\$ (119,683)	\$ (133,011)
Depreciation	-	72,759	72,759
Changes in assets, deferred outflows, deferred inflows and liabilities:			
Receivables (net)	(44,840)	(70,314)	(115,154)
Deferred outflows of resources	-	(33,523)	(33,523)
Deferred inflows of resources	-	3,851	3,851
Liabilities (net)	9,611	(7,783)	1,828
Net Cash Provided From Operating Activities	<u>\$ (48,557)</u>	<u>\$ (154,693)</u>	<u>\$ (203,250)</u>

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
<b>Assets:</b>			
Cash and cash equivalents	\$ 167,364	\$ 15,255	\$ 27,896
Receivables:			
Departmental	-	-	73,426
<b>Total Assets</b>	<u>167,364</u>	<u>15,255</u>	<u>101,322</u>
<b>Liabilities:</b>			
Warrants and accounts payables	-	-	34,471
Other liabilities	-	-	66,851
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u><b>\$ 101,322</b></u>
<b>Net Position:</b>			
Held in trust for:			
Other postemployment benefits	167,364	-	
Private purposes	-	15,255	
<b>Total Net Position</b>	<u><b>\$ 167,364</b></u>	<u><b>\$ 15,255</b></u>	

See accompanying notes to basic financial statements.

**TOWN OF FREETOWN, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016**

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Intergovernmental	\$ 37,449	\$ -
Private donations	-	339
Total contributions	<u>37,449</u>	<u>339</u>
Investment income:		
Interest and dividends	<u>156</u>	<u>17</u>
Net investment earnings	<u>156</u>	<u>17</u>
<b>Total Additions</b>	<u>37,605</u>	<u>356</u>
<b>DEDUCTIONS</b>		
Educational scholarships paid	<u>-</u>	<u>300</u>
<b>Total Deductions</b>	<u>-</u>	<u>300</u>
<b>CHANGE IN NET POSITION</b>	37,605	56
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>129,759</u>	<u>15,199</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 167,364</u></u>	<u><u>\$ 15,255</u></u>

See accompanying notes to basic financial statements.

## TOWN OF FREETOWN, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

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

##### **A. Reporting Entity**

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

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

The Town is a member community of the Freetown-Lakeville Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2016, the Town's share of the operating and debt service expenses was \$9,485,692. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 98 Howland Road, Lakeville, MA 02347.

##### **B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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 government reports the following major proprietary fund:

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

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

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

The government reports the following fiduciary funds:

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



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

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

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

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

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

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

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

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

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

All purchases and construction costs in excess of the Town’s capitalization thresholds are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Town’s capitalization thresholds are as follows:

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

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

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

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

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

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

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

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

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has 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 second item, which arises under the full accrual basis of accounting and is reported on the government-wide statement of net position, relates to inflows from changes in the net pension liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A.

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 comprised of \$2,308,249 and a capital stabilization fund consisting of \$1,500,582; these funds may be appropriated for expenditure upon a two-thirds vote of the Town Meeting. The balance of the funds total \$3,808,831 at June 30, 2016 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 \$330,977 of encumbrances from Town Meeting votes in the general fund as committed and \$108,043 of encumbrances from normal purchasing activity in the general fund as assigned at June 30, 2016. 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	\$ -	\$ -	\$ 392,198	\$ 392,198
Restricted:				
General government	-	-	317,098	317,098
Public safety	-	-	166,972	166,972
Public works	-	-	229,712	229,712
Health and human services	-	-	32,274	32,274
Culture and recreation	-	-	158,653	158,653
Committed:				
General government	296,035	-	-	296,035
Public safety	13,853	-	-	13,853
Public works	6,089	-	-	6,089
Culture and recreation	15,000	-	-	15,000
Assigned:				
General government	66,174	-	-	66,174
Public safety	1,470	-	-	1,470
Public works	950	-	-	950
Health and human services	1,511	-	-	1,511
Pensions and other fringes	37,938	-	-	37,938
Unassigned	6,392,085	(85,368)	(91,514)	6,215,203
	<u>\$ 6,831,105</u>	<u>\$ (85,368)</u>	<u>\$ 1,205,393</u>	<u>\$ 7,951,130</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 \$145,098. This over-expenditure will be funded through available funds during fiscal year 2017.

The Town incurred deficits totaling \$85,368 and \$91,514 in its Capital Projects major fund and the Nonmajor governmental funds, respectively. These deficits will be funded through available revenues and grant funds in future fiscal years.

## **F. Use of Estimates**

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

## **II. Detailed Notes to All Funds**

### **A. Deposits and Investments**

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

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's deposit policy for custodial risk states the Town's objectives include diversification of accounts and prudent selection of investment instruments, and choice of bank or brokerage house. At year-end, the carrying amount of the Town's deposits was \$9,579,024 and the bank balance was \$9,871,674. Of the Town's bank balance, \$5,804,858 was covered by either federal depository insurance or by the depositors' insurance fund and \$4,066,816 was collateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. The Town's investments of \$335 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.

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

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

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

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

The Town has \$335 of Level 2 investments carried at fair value on a recurring basis in the statement of net position at June 30, 2016. The Town’s investment in MMDT is classified in Level 2 based on the composition and fair value of the underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly.

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

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

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

**B. Receivables**

School Building Assistance Reimbursement – As of June 30, 2016, the Town expects to receive the balance of grants from the Commonwealth of Massachusetts totaling \$3,835,784 that are applicable to approved school construction costs which includes both principal and interest. These costs are reimbursed to the Town in equal installments over the life of the related bond issues and are subject to appropriation only by the State Legislature. In the Governmental funds, a receivable totaling \$3,509,581 under the caption Intergovernmental has been recorded in the General Fund which represents the reimbursable portion of the principal balance as of June 30, 2016.

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 414,562	\$ -	\$ 414,562
Tax liens	1,232,467	-	1,232,467
Deferred property taxes	9,720	-	9,720
Motor Vehicle and other excise taxes	271,230	-	271,230
Ambulance	435,916	-	435,916
Departmental and other	17,639	-	17,639
Intergovernmental	3,682,372	-	3,682,372
Total	\$ 6,063,906	\$ -	\$ 6,063,906

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 275,653	\$ -	\$ 275,653
Water special assessments	30,598	-	30,598
Sewer user fees	85,362	-	85,362
Total	<u>\$ 391,613</u>	<u>\$ -</u>	<u>\$ 391,613</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:			
Real estate and personal property taxes	\$ 365,881	\$ -	\$ 365,881
Tax liens	1,232,467	-	1,232,467
Deferred property taxes	9,720	-	9,720
Motor Vehicle and other excise taxes	271,230	-	271,230
Intergovernmental	3,643,584	-	3,643,584
Ambulance	435,916	-	435,916
Departmental and other	4,596	13,043	17,639
Total	<u>\$ 5,963,394</u>	<u>\$ 13,043</u>	<u>\$ 5,976,437</u>



### C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,103,171	\$ 47,886	\$ -	\$ 1,151,057
Construction in Progress	433,838	89,642	(273,291)	250,189
Total capital assets not being depreciated	<u>1,537,009</u>	<u>137,528</u>	<u>(273,291)</u>	<u>1,401,246</u>
Capital assets being depreciated:				
Land Improvements	162,649	105,732	-	268,381
Building and building improvements	11,295,478	107,478	-	11,402,956
Machinery and equipment	1,417,039	-	-	1,417,039
Vehicles	3,429,870	431,680	(62,363)	3,799,187
Infrastructure	27,744,142	1,544,614	-	29,288,756
Total capital assets being depreciated	<u>44,049,178</u>	<u>2,189,504</u>	<u>(62,363)</u>	<u>46,176,319</u>
Less accumulated depreciation for:				
Land Improvements	(116,730)	(5,125)	-	(121,855)
Building	(4,475,263)	(265,006)	-	(4,740,269)
Machinery and equipment	(972,858)	(76,630)	-	(1,049,488)
Vehicles	(2,440,746)	(280,921)	62,363	(2,659,304)
Infrastructure	(18,750,309)	(930,924)	-	(19,681,233)
Total accumulated depreciation	<u>(26,755,906)</u>	<u>(1,558,606)</u>	<u>62,363</u>	<u>(28,252,149)</u>
Total capital assets being depreciated, net	<u>17,293,272</u>	<u>630,898</u>	<u>-</u>	<u>17,924,170</u>
Governmental activities capital assets, net	<u>\$ 18,830,281</u>	<u>\$ 768,426</u>	<u>\$ (273,291)</u>	<u>\$ 19,325,416</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 35,325	\$ -	\$ -	\$ 35,325
Capital assets being depreciated:				
Infrastructure	3,589,898	-	-	3,589,898
Machinery and equipment	25,325	-	-	25,325
Total capital assets being depreciated	<u>3,615,223</u>	<u>-</u>	<u>-</u>	<u>3,615,223</u>
Less accumulated depreciation for:				
Infrastructure	(1,407,959)	(72,759)	-	(1,480,718)
Machinery and equipment	(25,325)	-	-	(25,325)
Total accumulated depreciation	<u>(1,433,284)</u>	<u>(72,759)</u>	<u>-</u>	<u>(1,506,043)</u>
Total capital assets being depreciated, net	<u>2,181,939</u>	<u>(72,759)</u>	<u>-</u>	<u>2,109,180</u>
Business-type activities capital assets, net	<u>\$ 2,217,264</u>	<u>\$ (72,759)</u>	<u>\$ -</u>	<u>\$ 2,144,505</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 29,681	Water	\$ 72,759
Public safety	255,014		
Education	237,948	Total Business-Type Activities	<u>\$ 72,759</u>
Public Works	1,032,673		
Health and Human Services	3,290		
Total Governmental Activities	<u>\$ 1,558,606</u>		

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
<u>Transfers Out</u>			
General Fund	\$ -	\$ 202,539	\$ 202,539 (1)
Nonmajor Governmental Funds	42,530	-	42,530 (2)
Total	<u>\$ 42,530</u>	<u>\$ 202,539</u>	<u>\$ 245,069</u>

- (1) Transfer to water enterprise fund for capital purposes.
- (2) Transfers to general fund to supplement operating budgets.

**E. Leases**

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

Assets acquired through capital leases are as follows:

	<u>Amount</u>
<i>Assets:</i>	
Vehicles and equipment	\$ 1,401,703
Less: accumulated depreciation	<u>(468,796)</u>
Total	<u>\$ 932,907</u>

The future minimum lease payments and the present value of the minimum leases payments at June 30, 2016, are as follows:

Fiscal Year Ended June 30,	Amount
2017	\$ 251,335
2018	184,784
2019	<u>125,534</u>
Total minimum lease payments	561,653
Less: amounts representing interest	<u>(31,955)</u>
Present value of minimum lease payments	<u><u>\$ 529,698</u></u>

**F. Temporary Debt**

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The following is a summary of temporary notes outstanding for the year ended June 30, 2016:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
BAN	0.75%	12/01/16	\$ -	\$ 925,000	\$ -	\$ 925,000
Total Notes Payable			<u>\$ -</u>	<u>\$ 925,000</u>	<u>\$ -</u>	<u>\$ 925,000</u>

BAN’s outstanding at year end were issued for bridge construction.

**G. Long-Term Obligations**

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

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

At June 30, 2016, the Town had authorized but unissued debt of \$75,000 for site improvements at its water filtration site.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
Bond and note indebtedness	\$ 5,670,000	\$ -	\$ (600,000)	\$ 5,070,000	\$ 605,000
Unamortized bond premium	193,187	-	(39,603)	153,584	35,268
Capital lease obligations	445,807	397,107	(313,216)	529,698	232,773
Landfill post-closure	310,154	49,846	(27,000)	333,000	28,080
Compensated absences	113,800	17,070	(34,730)	96,140	14,421
Court judgments	200,000	-	(200,000)	-	-
Other postemployment benefits	4,924,478	1,218,314	(763,121)	5,379,671	-
Net pension liability *	5,810,957	3,966,142	(1,288,619)	8,488,480	-
<b>Total Governmental Activities</b>	<b>\$ 17,668,383</b>	<b>\$ 5,648,479</b>	<b>\$ (3,266,289)</b>	<b>\$ 20,050,573</b>	<b>\$ 915,542</b>
<b>Business-type Activities:</b>					
Long-term bonds and notes	\$ 59,000	\$ -	\$ (14,750)	\$ 44,250	\$ 14,750
Net pension liability *	81,313	55,499	(18,032)	118,780	-
<b>Total Business-type Activities</b>	<b>\$ 140,313</b>	<b>\$ 55,499</b>	<b>\$ (32,782)</b>	<b>\$ 163,030</b>	<b>\$ 14,750</b>

\* As restated (see Note IV)

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

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2016:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities</i>					
General Obligation Bonds	2.0 - 4.0%	\$ 565,000	\$ -	\$ (75,000)	\$ 490,000
Redfunding Bonds	2.00%	5,105,000	-	(525,000)	4,580,000
<b>Total Governmental Activities</b>		5,670,000	-	(600,000)	5,070,000
Add: Unamortized Premium		193,187	-	(39,603)	153,584
<b>Total Governmental Activities, net</b>		<b>\$ 5,863,187</b>	<b>\$ -</b>	<b>\$ (639,603)</b>	<b>\$ 5,223,584</b>
<i>Business-Type Activities</i>					
State House Notes	6.50%	\$ 59,000	\$ -	\$ (14,750)	\$ 44,250
<b>Total Business-Type Activities</b>		<b>\$ 59,000</b>	<b>\$ -</b>	<b>\$ (14,750)</b>	<b>\$ 44,250</b>

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 605,000	\$ 95,350	\$ 700,350
2018	615,000	83,150	698,150
2019	625,000	70,750	695,750
2020	635,000	58,150	693,150
2021	650,000	45,300	695,300
2022 - 2026	1,940,000	57,200	1,997,200
Total	<u>\$ 5,070,000</u>	<u>\$ 409,900</u>	<u>\$ 5,479,900</u>

Year Ending June 30,	Business-type Activities - Water		
	Principal	Interest	Total
2017	\$ 14,750	\$ 2,876	\$ 17,626
2018	14,750	1,918	16,668
2019	14,750	959	15,709
Total	<u>\$ 44,250</u>	<u>\$ 5,753</u>	<u>\$ 50,003</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, 2015 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, 2015, was as follows:

Retirees and beneficiaries currently receiving benefits	2,119
Active plan members	3,193
Disabled plan members	274
Inactive plan members	<u>672</u>
Total	<u>6,258</u>

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

Membership in the 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.

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 \$731,079 to the System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll was approximately 22.3% in fiscal year 2016.

Net Pension Liability – At June 30, 2016, the Town reported a liability of \$8,607,260 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, which was consistent with the proportion measured at January 1, 2014.

Pension Expense – The Town recognized \$1,295,923 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, 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	\$ 475,136	\$ -
Net difference between projected and actual earnings on pension plan investments	1,249,073	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	988,480	-
Changes of assumptions	-	279,052
Total	<u>\$ 2,712,689</u>	<u>\$ 279,052</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>	
2017	\$ 645,030
2018	645,030
2019	645,030
2020	498,547
Total	<u>\$ 2,433,637</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, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

Actuarial cost method:	Individual entry age normal
Amortization method:	Payments increasing at 4.5%
Remaining amortization period:	13 years
Asset valuation method:	Market value as reported by PERAC
Investment rate of return:	7.75%
Projected salary increases:	2.75% to 5.5% per year
Cost of living adjustments:	3% of the lesser of the pension amount and \$18,000 per year
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Mortality Table with scale MP-2014, fully generational. The post-retirement rates reflect the RP-2000 Mortality Table, fully generational. For Group 1 & 2 retirees, the mortality tables are set forward five years for males and three years for females. Group 4 retiree tables are set forward three years for males and six years for females.
Disabled life mortality:	RP-2000 Healthy Annuitant Mortality Table set forward six years and two years for group 1 and 2 and group 4, respectively.

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

Discount Rate – The discount rate used to measure the total pension was 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 (dollar amounts in thousands):

	<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	\$11,254	\$8,607	\$6,379

**B. Risk Financing**

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

**C. Other Postemployment Benefits (OPEB)**

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



The number of participants in the Plan consists of 51 active employees and 76 retired employees and dependents for a total of 127.

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

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

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

Annual required contribution (ARC)	\$ 1,033,458
Interest on net OPEB obligation	196,980
Adjustment to ARC	(273,830)
Amortization of actuarial (gains)/losses	<u>261,706</u>
Annual OPEB cost	1,218,314
Contributions made	<u>(763,121)</u>
Increase in net OPEB obligation	455,193
Net OPEB obligation at beginning of year	<u>4,924,478</u>
Net OPEB obligation at end of year	<u>\$ 5,379,671</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2016	*\$ 1,218,314	63%	\$ 5,379,671
June 30, 2015	\$ 1,186,852	64%	\$ 4,924,478
June 30, 2014	\$ 1,021,165	62%	\$ 4,502,621

\*The AOPEBC at June 30, 2016 was charged to the following functional programs: General Government \$189,754; Public Safety \$634,301; Education \$231,929; Public Works \$102,643; Health and Human Services \$39,558; and Culture and Recreation \$20,129.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2016 for the most recent actuarial valuation performed as of July 1, 2014, was as follows:

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

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

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

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

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

#### **D. Commitments and Contingencies**

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2016, 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, 2016.

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

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

## **E. Landfill Closure and Post-Closure Care Costs**

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$333,000 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

### *Current Year Implementation*

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addressed accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provision of GASB Statement No. 67 and No. 68*. The objective of GASB 73 was to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it established requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (fiscal year 2017). The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 was to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted principles, or GAAP. This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 established criteria for which an external investment pool may qualify to measure its investment value at amortized cost versus fair value. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

### Future Year Implementation

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

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

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the Town's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is 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 are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

#### **IV. Prior Period Restatement**

Beginning of year net position was restated for corrections made to the Town’s net pension liability and related outflows, the value of certain land and tax foreclosures. Beginning of year fund equity was restated for reclassifications of certain capital projects from the nonmajor governmental funds to the Capital Projects major fund.

The results of the restatements were as follows:

	Governmental Activities	Business-type Activities	Sewer Enterprise	Water Enterprise
Prior year as presented	\$ 14,648,952	\$ 2,645,542	\$ 224,619	\$ 2,420,923
Land revalue adjustment	(302,374)	-	-	-
Tax foreclosure adjustment	(297,012)	-	-	-
Net pension liability	386,236	(51,227)	-	(51,227)
Prior year service bills not paid	-	(134,392)	(67,170)	(67,222)
As Restated	<u>\$ 14,435,802</u>	<u>\$ 2,459,923</u>	<u>\$ 157,449</u>	<u>\$ 2,302,474</u>
	Capital Projects Fund	Nonmajor Governmental Funds		
Prior year as presented	\$ -	\$ 970,736		
Reclassify capital projects	(103,971)	103,971		
As Restated	<u>\$ (103,971)</u>	<u>\$ 1,074,707</u>		

**TOWN OF FREETOWN, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2016**

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

*(dollar amounts are in thousands)*

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	2.558%	2.185%
Town's proportionate share of the net pension liability (asset)	\$ 8,607	\$ 5,892
Town's covered-employee payroll	\$ 3,277	\$ 3,101
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	262.6%	190.0%
Plan fiduciary net position as a percentage of the total pension liability	62.9%	67.1%

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

*(dollar amounts are in thousands)*

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 731	\$ 796
Contributions in relation to the actuarially determined contribution	<u>731</u>	<u>796</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,277	\$ 3,101
Contributions as a percentage of covered-employee payroll	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, 2016**

**SCHEDULE OF FUNDING PROGRESS**

**Other Postemployment Benefits**

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

**SCHEDULE OF CONTRIBUTION FUNDING**

**Other Postemployment Benefits**

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2016	\$ 1,033,458	\$ 763,121	73.8%
2015	1,018,871	764,995	75.1%
2014	1,049,306	627,594	59.8%
2013	1,049,111	608,155	58.0%
2012	1,049,920	564,886	53.8%
2011	1,448,355	434,712	30.0%

See accompanying independent auditors' report.

TOWN OF FREETOWN, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2016

	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	\$ 17,002,824	\$ 17,002,824	\$ 17,503,456	\$ -	\$ 17,503,456	\$ 500,632
Intergovernmental	2,118,483	2,118,483	2,122,017	-	2,122,017	3,534
Motor vehicle and other excises	1,397,200	1,397,200	1,714,656	-	1,714,656	317,456
License and permits	200,000	200,000	419,948	-	419,948	219,948
Departmental and other revenue	730,800	730,800	1,022,818	-	1,022,818	292,018
Penalties and interest on taxes	35,000	35,000	161,328	-	161,328	126,328
Fines and forfeitures	20,000	20,000	47,141	-	47,141	27,141
Investment income	2,000	2,000	2,408	-	2,408	408
Total Revenues	<u>21,506,307</u>	<u>21,506,307</u>	<u>22,993,772</u>	<u>-</u>	<u>22,993,772</u>	<u>1,487,465</u>
<b>EXPENDITURES</b>						
General government	1,828,673	1,710,025	1,230,366	362,209	1,592,575	117,450
Public safety	3,685,543	3,811,610	3,604,304	15,323	3,619,627	191,983
Education	11,273,457	11,312,457	11,253,587	-	11,253,587	58,870
Public works	1,152,056	1,962,680	2,070,180	7,039	2,077,219	(114,539)
Health and human services	408,876	413,170	365,091	1,511	366,602	46,568
Culture and recreation	136,237	137,681	116,683	15,000	131,683	5,998
State and county tax assessments	234,763	234,763	244,763	-	244,763	(10,000)
Pension and other fringe benefits	2,189,562	2,207,819	2,130,896	37,938	2,168,834	38,985
Court judgments	200,000	200,000	200,000	-	200,000	-
Debt service	707,400	707,400	707,400	-	707,400	-
Total Expenditures	<u>21,816,567</u>	<u>22,697,605</u>	<u>21,923,270</u>	<u>\$ 439,020</u>	<u>22,362,290</u>	<u>335,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	58,706	849,236	846,656	-	846,656	(2,580)
Transfers out	(425,000)	(1,497,539)	(1,497,539)	-	(1,497,539)	-
Total Other Financing Sources (Uses)	<u>(366,294)</u>	<u>(648,303)</u>	<u>(650,883)</u>		<u>(650,883)</u>	<u>(2,580)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	<u>(676,554)</u>	<u>(1,839,601)</u>	<u>\$ 419,619</u>		<u>\$ (19,401)</u>	<u>\$ 1,820,200</u>
<b>Other Budgetary Items:</b>						
Undesignated surplus (free cash)	185,000	1,348,047				
Prior year encumbrances	562,872	562,872				
Prior year snow and ice deficit	(256,803)	(256,803)				
Other amounts raised	(17,054)	(17,054)				
	<u>\$ (202,539)</u>	<u>\$ (202,539)</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, 2016**

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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 2016, Town Meeting approved approximately \$2.0 million in additional departmental appropriations and transfers from the original approved budget.

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

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2016, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 22,993,772
Stabilization investment income	\$ -	\$ 8,464	8,464
Property tax revenue recognition	(25,475)	-	(25,475)
Intergovernmental receivable adjustment	(178)	-	(178)
Revenues on a GAAP basis	<u>\$ (25,653)</u>	<u>\$ 8,464</u>	<u>\$ 22,976,583</u>
 Expenditures on a budgetary basis			 \$ 21,923,270
Indirect cost transfers reclassified as expenditures	\$ (54,304)	\$ -	(54,304)
Expenditures on a GAAP basis	<u>\$ (54,304)</u>	<u>\$ -</u>	<u>\$ 21,868,966</u>
 Other financing sources (uses) on a budgetary basis			 \$ (650,883)
Stabilization transfers	\$ -	\$ 545,000	545,000
Indirect cost transfers reclassified as expenditures	(54,126)	-	(54,126)
Other financing sources (uses) on a GAAP basis	<u>\$ (54,126)</u>	<u>\$ 545,000</u>	<u>\$ (160,009)</u>

*Appropriation Deficits* – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$145,098. This over-expenditure will be funded through available funds during fiscal year 2017.



**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, 2016, 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 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Roselli Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 14, 2016