

Powers & Sullivan, LLC

Certified Public Accountants



TOWN OF REHOBOTH, MASSACHUSETTS

*REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS*

YEAR ENDED JUNE 30, 2017

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Rehoboth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rehoboth, Massachusetts, as of and for the year ended June 30, 2017, 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, each major fund, and the aggregate remaining fund information of the Town of Rehoboth, Massachusetts, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017, on our consideration of the Town of Rehoboth, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rehoboth, Massachusetts' internal control over financial reporting and compliance.



October 16, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Rehoboth, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Rehoboth's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required 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 finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements report functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities include general government, public safety, education, public works, human services, community preservation, culture and recreation, and interest.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 activities* 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The Town's general fund, highway fund, and community preservation funds are considered major funds for presentation purposes. These major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

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.

Notes to the basic 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.

Financial Highlights

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Rehoboth's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$13.2 million at the close of the most recent year. Key components of the Town's activities are presented below.

Governmental Activities

	2017	2016
Assets:		
Current assets.....	\$ 11,293,374	\$ 10,914,123
Capital assets.....	13,279,436	13,554,998
Total assets.....	24,572,810	24,469,121
Deferred outflows of resources.....	1,318,427	1,564,138
Liabilities:		
Current liabilities (excluding debt).....	369,213	932,808
Noncurrent liabilities (excluding debt).....	11,683,687	11,237,140
Current debt.....	163,068	100,000
Noncurrent debt.....	169,183	-
Total liabilities.....	12,385,151	12,269,948
Deferred outflows of resources.....	265,660	239,350
Net Position:		
Net investment in capital assets.....	12,947,185	13,454,998
Restricted.....	1,631,413	1,401,986
Unrestricted.....	(1,338,172)	(1,333,023)
Total net position.....	\$ 13,240,426	\$ 13,523,961

Net position of \$12.9 million reflects the investment in capital assets (e.g., land, infrastructure, buildings and improvements, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 governmental net position amounting to \$1.6 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a deficit of \$1.3 million as a result of recognizing the Town's OPEB and net pension liabilities of \$4.3 million and \$7.3 million, respectively.

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 1,213,293	\$ 1,324,187
Operating grants and contributions.....	671,546	1,094,641
Capital grants and contributions.....	660,934	623,686
General Revenues:		
Real estate and personal property taxes.....	20,888,720	19,887,791
Tax liens.....	155,536	208,652
Motor vehicle and other excise taxes.....	2,059,204	1,962,612
Sale of tax foreclosures.....	202,457	43,780
Community preservation taxes.....	197,915	191,288
Penalties and interest on taxes.....	175,135	174,317
Nonrestricted grants and contributions.....	1,087,312	1,088,714
Miscellaneous.....	74,217	32,399
Unrestricted investment income.....	27,537	23,471
Total revenues.....	<u>27,413,806</u>	<u>26,655,538</u>
Expenses:		
General Government.....	2,395,987	2,293,561
Public Safety.....	5,332,231	4,872,657
Education.....	16,904,991	16,041,367
Public Works.....	2,240,482	1,886,286
Human Services.....	561,011	602,689
Culture and recreation.....	241,113	234,304
Community preservation.....	17,151	209,692
Interest.....	4,375	9,375
Total expenses.....	<u>27,697,341</u>	<u>26,149,931</u>
Change in net position.....	(283,535)	505,607
Net position - beginning.....	<u>13,523,961</u>	<u>13,018,354</u>
Net position - ending.....	<u>\$ 13,240,426</u>	<u>\$ 13,523,961</u>

The governmental activities net position decreased by \$284,000 during the current year compared to an increase in net position of \$506,000 in the prior year. Revenues increased in total by 2.8% while expenses increased by 5.9%. Revenue increased in most categories including \$1.0 million from increased real estate and personal property collections. Operating grants and contributions from various special revenue sources were down approximately \$423,000 due to timing of when funds are received.

The governmental expenses increased by \$1.5 million from increases in depreciation expense and employee benefits, including the liabilities for OPEB and pensions.

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 year.

As of the end of the current year governmental funds reported combined ending fund balances of \$8.8 million, an increase of \$601,000 from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.4% of total general fund expenditures, while total fund balance represents 20.5% of that same amount.

The general fund balance increased by \$143,000 for the year ended June 30, 2017, as a result of increased revenue collections outpacing increases in expenditures.

The Chapter 90 highway fund had revenues (including capital lease financing) and expenses each of \$728,000, resulting in a fund balance of zero at June 30, 2017. The capital lease financing relates to the purchase of vehicles financed through the Commonwealth's Highway Program.

The Community Preservation fund had an ending fund balance as of June 30, 2017, of \$1.3 million, which is an increase of \$171,000 from the prior year. The increase relates to the timing of when expenditures occur.

Budgetary Highlights

The Town of Rehoboth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Actual revenues were greater than budgeted amounts by \$707,000 or 2.8%. Actual expenditures, including carryovers, were less than the budgeted amount by \$317,000. The Town has carried over \$377,000 in appropriations to year 2018.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2017, amounted to \$13.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, vehicles, waterways and dams, and infrastructure.

Debt Administration. The Town made a final payment on its outstanding long-term debt this year in the amount of \$100,000.

In addition, the Town entered into a capital lease agreement that is being funded by the Commonwealth's Chapter 90 Highway Fund to purchase vehicles in the amount of approximately \$508,000. The lease has a 3 year payment term expiring in 2019.

Please refer to the notes to the basic financial statements for further discussion of the major capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Rehoboth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 148 Peck Street, Rehoboth, Massachusetts 02769.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>
	Governmental Activities
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 8,920,132
Receivables, net of allowance for uncollectibles:	
Real estate and personal property taxes.....	314,735
Tax liens.....	665,502
Motor vehicle excise taxes.....	253,646
Departmental and other.....	112,629
Intergovernmental.....	891,883
Tax foreclosures.....	134,847
NONCURRENT:	
Capital assets, net of accumulated depreciation:	
Nondepreciable.....	807,245
Depreciable.....	12,472,191
TOTAL ASSETS.....	24,572,810
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions.....	1,318,427
LIABILITIES	
CURRENT:	
Warrants payable.....	195,251
Accrued payroll.....	70,613
Payroll withholdings.....	35,217
Other liabilities.....	5,178
Capital lease obligations.....	163,068
Compensated absences.....	62,954
NONCURRENT:	
Compensated absences.....	56,000
Capital lease obligations.....	169,183
Pension liability.....	7,326,000
Other post employment benefits.....	4,301,687
TOTAL LIABILITIES.....	12,385,151
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions.....	265,660
NET POSITION	
Net investment in capital assets.....	12,947,185
Restricted for:	
Permanent funds:	
Expendable.....	155,596
Nonexpendable.....	58,457
Gifts and grants.....	26,466
Community preservation.....	1,390,894
Unrestricted.....	(1,338,172)
TOTAL NET POSITION.....	\$ 13,240,426

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,395,987	\$ 534,279	\$ 297,411	\$ -	\$ (1,564,297)
Public safety.....	5,332,231	548,258	225,008	-	(4,558,965)
Education.....	16,904,991	-	-	-	(16,904,991)
Public works.....	2,240,482	130,756	443	613,064	(1,496,219)
Human services.....	561,011	-	129,884	-	(431,127)
Culture and recreation.....	241,113	-	18,800	-	(222,313)
Community preservation.....	17,151	-	-	47,870	30,719
Interest.....	4,375	-	-	-	(4,375)
Total Governmental Activities.....	\$ 27,697,341	\$ 1,213,293	\$ 671,546	\$ 660,934	\$ (25,151,568)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

		Primary Government
		Governmental Activities
Changes in Net Position:		
Net (expense) revenue from previous page.....	\$	(25,151,568)
<i>General revenues:</i>		
Real estate and personal property taxes, net of tax refunds payable.....		20,888,720
Tax liens.....		155,536
Motor vehicle excise taxes.....		2,059,204
Sale of tax foreclosures.....		202,457
Community preservation tax.....		197,915
Penalties and interest on taxes.....		175,135
Grants and contributions not restricted to specific programs.....		1,087,312
Unrestricted investment income.....		27,537
Miscellaneous.....		74,217
Total general revenues.....		24,868,033
Change in net position.....		(283,535)
<i>Net position:</i>		
Beginning of year.....		13,523,961
End of year.....	\$	13,240,426
		(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

ASSETS	General	Chapter 90 Highway Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 5,386,821	\$ -	\$ 1,335,907	\$ 2,197,404	\$ 8,920,132
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	314,735	-	-	-	314,735
Tax liens.....	658,998	-	6,504	-	665,502
Motor vehicle excise taxes.....	253,646	-	-	-	253,646
Departmental and other.....	112,629	-	-	-	112,629
Intergovernmental.....	-	843,400	48,483	-	891,883
Tax foreclosures.....	134,847	-	-	-	134,847
Due from other funds.....	28,379	-	-	-	28,379
TOTAL ASSETS.....	\$ 6,890,055	\$ 843,400	\$ 1,390,894	\$ 2,197,404	\$ 11,321,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 160,625	\$ 11,618	\$ -	\$ 23,008	\$ 195,251
Accrued payroll.....	69,318	-	-	1,295	70,613
Payroll withholdings.....	35,217	-	-	-	35,217
Other liabilities.....	5,178	-	-	-	5,178
Due to other funds.....	-	28,379	-	-	28,379
TOTAL LIABILITIES.....	270,338	39,997	-	24,303	334,638
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue.....	1,374,700	803,403	54,987	-	2,233,090
FUND BALANCES:					
Nonspendable.....	-	-	-	58,457	58,457
Restricted.....	-	-	1,335,907	2,114,644	3,450,551
Committed.....	362,635	-	-	-	362,635
Assigned.....	934,865	-	-	-	934,865
Unassigned.....	3,947,517	-	-	-	3,947,517
TOTAL FUND BALANCES.....	5,245,017	-	1,335,907	2,173,101	8,754,025
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 6,890,055	\$ 843,400	\$ 1,390,894	\$ 2,197,404	\$ 11,321,753

See notes to basic financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total governmental fund balances.....	\$	8,754,025
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		13,279,436
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,233,090
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		1,052,767
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Capital lease obligations.....	(332,251)	
Compensated absences.....	(118,954)	
Other postemployment benefits.....	(4,301,687)	
Pension liability.....	<u>(7,326,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(12,078,892)</u>
Net position of governmental activities.....	\$	<u>13,240,426</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	General	Chapter 90 Highway Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 20,792,285	\$ -	\$ -	\$ -	\$ 20,792,285
Tax liens.....	154,201	-	1,335	-	155,536
Motor vehicle excise taxes.....	2,035,670	-	-	-	2,035,670
Sale of tax foreclosures.....	202,457	-	-	-	202,457
Penalties and interest on taxes.....	175,135	-	-	-	175,135
Licenses and permits.....	543,862	-	-	-	543,862
Fines and forfeitures.....	22,713	-	-	-	22,713
Intergovernmental.....	1,394,569	218,502	39,657	548,517	2,201,245
Departmental and other.....	369,608	-	-	279,408	649,016
Community preservation taxes.....	-	-	197,915	-	197,915
Contributions.....	-	-	-	150	150
Investment income.....	22,450	-	3,457	1,630	27,537
Miscellaneous.....	73,972	-	-	-	73,972
TOTAL REVENUES.....	25,786,922	218,502	242,364	829,705	27,077,493
EXPENDITURES:					
Current:					
General government.....	1,346,615	-	-	159,215	1,505,830
Public safety.....	3,587,361	-	-	181,286	3,768,647
Education.....	16,715,451	-	-	-	16,715,451
Public works.....	1,003,207	726,280	-	169,091	1,898,578
Human services.....	426,400	-	-	14,868	441,268
Culture and recreation.....	222,563	-	-	18,550	241,113
Pension benefits.....	682,958	-	-	-	682,958
Employee benefits.....	1,200,071	-	-	-	1,200,071
Community preservation.....	-	-	71,151	-	71,151
State and county charges.....	354,607	-	-	-	354,607
Debt service:					
Principal.....	100,000	-	-	-	100,000
Interest.....	5,000	-	-	-	5,000
TOTAL EXPENDITURES.....	25,644,233	726,280	71,151	543,010	26,984,674
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	142,689	(507,778)	171,213	286,695	92,819
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	-	507,778	-	-	507,778
Transfers in.....	27	-	-	-	27
Transfers out.....	-	-	-	(27)	(27)
TOTAL OTHER FINANCING SOURCES (USES).....	27	507,778	-	(27)	507,778
NET CHANGE IN FUND BALANCES.....	142,716	-	171,213	286,668	600,597
FUND BALANCES AT BEGINNING OF YEAR.....	5,102,301	-	1,164,694	1,886,433	8,153,428
FUND BALANCES AT END OF YEAR.....	\$ 5,245,017	\$ -	\$ 1,335,907	\$ 2,173,101	\$ 8,754,025

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 600,597
<p>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.</p>		
Capital outlay.....	1,032,953	
Depreciation expense.....	<u>(1,308,515)</u>	
Net effect of reporting capital assets.....		(275,562)
<p>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 (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		336,312
<p>The issuance of long-term debt (e.g., bonds and leases) 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 transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....	(507,778)	
Principal payments on capital leases.....	175,527	
Debt service principal payments.....	<u>100,000</u>	
Net effect of reporting long-term debt.....		(232,251)
<p>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.</p>		
Net change in compensated absences accrual.....	12,312	
Net change in accrued interest on long-term debt.....	625	
Net change in other postemployment benefits accrual.....	(510,223)	
Net change in deferred outflows/(inflow) of resources related to pensions.....	(272,021)	
Net change in pension liability.....	<u>56,676</u>	
Net effect of recording long-term liabilities.....		<u>(712,631)</u>
Change in net position of governmental activities.....		\$ <u>(283,535)</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 6,149	\$ 116,434
LIABILITIES		
Liabilities due depositors.....	-	116,434
NET POSITION		
Held in trust for private purposes.....	\$ 6,149	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income:	
Interest.....	\$ <u>17</u>
NET POSITION AT BEGINNING OF YEAR.....	<u>6,132</u>
NET POSITION AT END OF YEAR.....	\$ <u><u>6,149</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Rehoboth, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Joint Venture – The following is the only joint venture for the Town.

The Town is a member of the Dighton-Rehoboth Regional School District that provides for the education of the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2017 assessment was \$16,100,189.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

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

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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 the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Chapter 90 highway fund* is a special revenue fund used to account for costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

The *Community Preservation fund* is used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The nonmajor governmental funds consist of other special revenue, capital projects 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:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principle, may be used for purposes that support the governmental programs.

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

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Cash Equivalents

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are billed quarterly during each year and are due by August 1st, November 1st, February 1st, and May 1st, respectively, and are subject to penalties and interest if they are not paid by the respective due dates. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed by the last day in September following the last billing cycle and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year earned. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, buildings, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at acquisition cost as of the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings & improvements.....	40
Machinery & equipment.....	5-10
Office equipment.....	3-10
Vehicles.....	5
Waterway and dams.....	50
Infrastructure.....	40

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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 reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of net 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 currently has no elements required to be reported in this category.

Government Fund Financial Statements

In addition to liabilities, the government funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the entity-wide (full accrual) financial statements.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

L. 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.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds – expendable" represents amounts held in trust for which expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Gifts and grants" represents restrictions placed on assets from outside parties.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation.

Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Bristol County Regional Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

R. Use of Estimates

Government-Wide and Fund Financial Statements

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 year. Actual results could vary from estimates that were used.

S. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH 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 the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

At year-end, the carrying amount of deposits totaled \$8,914,224 and the bank balance totaled \$9,046,665. Of the bank balance, \$1,522,361 was covered by Federal Depository Insurance, \$6,178,754 was covered by the Depositors Insurance Fund, \$54,219 was covered by Share Insurance Fund, and \$1,291,331 was uncollateralized.

Investments

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

As of June 30, 2017, the Town of Rehoboth had \$128,491 invested in MMDT; classified as a cash equivalent in the financial statements.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer.

Fair Market Value of Investments

The Town holds investments in the MMDT Cash Portfolio which are valued at amortized cost. The total value of the portfolio as of June 30, 2017, is \$128,491. Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by MMDT's adviser, Federated Investment Counseling.

NOTE 3 – RECEIVABLES

At June 30, 2017, receivables for the individual major governmental funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 358,520	\$ (43,785)	\$ 314,735
Tax liens.....	665,502	-	665,502
Motor vehicle and other excise taxes.....	377,959	(124,313)	253,646
Departmental and other.....	112,629	-	112,629
Intergovernmental.....	891,883	-	891,883
Total.....	<u>\$ 2,406,493</u>	<u>\$ (168,098)</u>	<u>\$ 2,238,395</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. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 216,698	\$ -	\$ 216,698
Tax liens.....	658,998	6,504	665,502
Tax foreclosures.....	134,847	-	134,847
Motor vehicle excise.....	253,646	-	253,646
Departmental and other.....	110,511	-	110,511
Intergovernmental.....	-	851,886	851,886
Total.....	<u>\$ 1,374,700</u>	<u>\$ 858,390</u>	<u>\$ 2,233,090</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 753,245	\$ 54,000	\$ -	\$ 807,245
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	13,983,619	113,831	-	14,097,450
Machinery and equipment.....	3,297,634	685,265	(98,845)	3,884,054
Office equipment.....	48,102	-	-	48,102
Vehicles.....	1,618,386	136,884	(156,352)	1,598,918
Waterway and dams.....	452,559	-	-	452,559
Infrastructure.....	24,076,692	42,974	-	24,119,666
Total capital assets being depreciated.....	43,476,992	978,953	(255,197)	44,200,748
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(10,668,995)	(278,037)	-	(10,947,032)
Machinery and equipment.....	(1,909,264)	(228,830)	98,845	(2,039,249)
Office equipment.....	(41,033)	(2,411)	-	(43,444)
Vehicles.....	(1,117,005)	(194,477)	156,352	(1,155,130)
Waterway and dams.....	(86,737)	(9,145)	-	(95,882)
Infrastructure.....	(16,852,205)	(595,615)	-	(17,447,820)
Total accumulated depreciation.....	(30,675,239)	(1,308,515)	255,197	(31,728,557)
Total capital assets being depreciated, net.....	12,801,753	(329,562)	-	12,472,191
Total governmental activities capital assets, net.....	\$ 13,554,998	\$ (275,562)	\$ -	\$ 13,279,436

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 72,293
Public safety.....	281,323
Education.....	189,540
Public works.....	718,888
Human services.....	46,471
Total depreciation expense - governmental activities.....	\$ 1,308,515

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2017, the Town had an interfund receivable and payable between the general fund and the Chapter 90 highway fund in the amount of \$28,379. The purpose of this balance was to cover a deficit cash balance for expenditures that will be reimbursed by the state grants.

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

	Transfers In:
Transfers Out:	General Fund
Nonmajor Governmental Funds.....	\$ <u>27</u> (1)

(1) Represents budgeted transfers from various nonmajor funds to the general fund.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of DPW vehicles which is being funded through the Commonwealth’s Chapter 90 Highway Fund. The lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The following identifies the assets acquired through the capital lease agreement:

	Governmental Activities
<u>Asset:</u>	
Equipment.....	\$ 507,778
Less: accumulated depreciation.....	<u>(45,000)</u>
Total.....	\$ <u>462,778</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2017, are as follows:

Years Ending June 30,	Governmental Activities
2018.....	\$ 175,527
2019.....	<u>175,527</u>
Total minimum lease payments.....	351,054
Less: amounts representing interest.....	<u>(18,803)</u>
Present value of minimum lease payments.....	\$ <u>332,251</u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general and enterprise funds, respectively.

The Town had no short-term debt activity during the year and has no outstanding balance at June 30, 2017.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Senior Center.....	3.5 - 5.0	\$ 100,000	\$ -	\$ 100,000	\$ -

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2017	Due Within One Year
Governmental Activities:							
Long-Term Bonds and Notes.....	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -	\$ -	\$ -
Capital Lease Obligations.....	-	-	-	507,778	(175,527)	332,251	163,068
Other Postemployment Benefits..	3,791,464	-	-	790,778	(280,555)	4,301,687	-
Net Pension Liability.....	7,382,676	-	-	841,627	(898,303)	7,326,000	-
Compensated Absences.....	131,266	-	-	55,954	(68,266)	118,954	62,954
Total governmental activity long-term liabilities.....	\$ 11,405,406	\$ -	\$ (100,000)	\$ 2,196,137	\$ (1,422,651)	\$ 12,078,892	\$ 226,022

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementation of GASB 54 is required for years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the general stabilization and capital stabilization funds are \$1,367,119, and \$903,256, respectively. The Town's stabilization funds are reported as unassigned fund balance within the general fund.

The Town has classified its fund balances with the following hierarchy.

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances				
Nonspendable:				
Cemetery principal.....	\$ -	\$ -	\$ 58,457	\$ 58,457
Restricted for:				
Community preservation fund.....	-	1,335,907	-	1,335,907
Other special revenue.....	-	-	1,563,447	1,563,447
Capital projects.....	-	-	395,601	395,601
Cemetery fund.....	-	-	100	100
Cemetery perpetual care.....	-	-	902	902
Agriculture.....	-	-	80,867	80,867
Conservation.....	-	-	55,089	55,089
Baker Horton.....	-	-	440	440
Municipal Buildings.....	-	-	73	73
Stewardship.....	-	-	5,043	5,043
COA Donation.....	-	-	13,082	13,082
Committed for special articles to:				
General government.....	124,418	-	-	124,418
Public safety.....	188,570	-	-	188,570
Public works.....	49,647	-	-	49,647
Assigned for carryover encumbrances and subsequent year expenditures to:				
Subsequent year expenditures.....	934,865	-	-	934,865
Unassigned.....	3,947,517	-	-	3,947,517
Total Fund Balances.....	<u>\$ 5,245,017</u>	<u>\$ 1,335,907</u>	<u>\$ 2,173,101</u>	<u>\$ 8,754,025</u>

NOTE 10 – RISK FINANCING

Insurances

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 a premium-based health care plan for its active and retired employees and a premium-based workers compensation plan for all active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

NOTE 11 – PENSION PLAN*Plan Description*

The Town is a member of the Bristol County Retirement System (BCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 39 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts 02780 or by visiting www.bristolcountyretirement.org or www.mass.gov/perac.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 which was \$682,958, or 22.10% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$7,326,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31,

2016, the Town's proportion was 2.19%, which did not change from the proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$898,303. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$1,318,427, from the net difference between projected and actual investment earnings on pension plan investments, as well as from the differences between expected and actual experience, and from changes in proportionate share. The Town also reported \$265,660 of deferred inflows of resources related to pensions for changes of assumptions.

The balances of deferred outflows and inflows at June 30, 2017, consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 299,148	\$ -	\$ 299,148
Changes of assumptions.....	-	(175,693)	(175,693)
Difference between projected and actual earnings.....	986,108	-	986,108
Changes in proportionate share of contributions.....	<u>33,171</u>	<u>(89,967)</u>	<u>(56,796)</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 1,318,427</u>	<u>\$ (265,660)</u>	<u>\$ 1,052,767</u>

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018.....	\$ 373,576
2019.....	373,576
2020.....	280,708
2021.....	<u>24,907</u>
Total.....	<u>\$ 1,052,767</u>

Actuarial Assumptions

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method.....	Level percentage, open group
Remaining amortization period.....	12 years
Asset valuation method.....	Actuarially valued using a five-year smoothing of asset returns greater than or less than the assumed rate of return
Inflation rate.....	4.0%
Projected salary increases.....	3.0%
Cost of living adjustments.....	3.0% of the first \$18,000 of retirement income
Rates of retirement.....	Varies based upon age for general employees, police and fire employees
Rates of disability.....	For general employees, it was assumed that 35% of all disabilities are ordinary (65% are service connected) For police and fire employees, 5% of all disabilities are assumed to be ordinary (95% are service connected)
Mortality Rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational
Healthy Retiree.....	Group 1 & 2 retirees are represented by the RP-2000 Mortality Table set forward five years for males and three years for females, fully generational. Group 4 retirees are represented by the RP-2000 Mortality Table set forward three years for males and six years for females, fully generational
Disabled Retiree.....	Group 1 & 2 disabled retirees are represented by the RP-2000 Mortality Table set forward six years. Group 4 disabled retirees are represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014
Investment rate of return/Discount rate....	7.75%
Long-term expected real rate of investment return.....	3.75%, nominal rate of 7.75% less inflation of 4%

Investment policy

The pension plan does not have a formal investment policy. The Retirement Board is in the process of formalizing an investment policy.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Weight</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity.....	46.50%	3.80%
Fixed income.....	24.50%	1.00%
Private equity.....	8.50%	7.30%
Real estate funds.....	7.50%	2.30%
Hedge funds.....	5.00%	3.10%
Infrastructure.....	5.00%	4.00%
Timber.....	3.00%	3.50%
	<u>100.0%</u>	

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%, down from 8% in the previous valuation. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan'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 of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>		<u>Current Discount (7.75%)</u>		<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ 10,055,539	\$	7,326,000	\$	5,395,175

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Rehoboth administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At July 1, 2014, the Plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	41
Current active members.....	<u>60</u>
Total.....	<u><u>101</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For 2017, the Town contributed approximately \$281,000 towards these benefits.

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

The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual Required Contribution.....	\$	827,045
Interest on the net OPEB obligation.....		151,659
Adjustment to the annual required contribution.....		<u>(187,926)</u>
Annual OPEB cost/expense.....		790,778
Contributions made.....		<u>(280,555)</u>
Increase in net OPEB obligation.....		510,223
Net OPEB obligation - beginning of year.....		<u>3,791,464</u>
Net OPEB obligation - end of year.....	\$	<u><u>4,301,687</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2017, and the two previous years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 790,778	35%	\$ 4,301,687
6/30/2016	757,778	33%	3,791,464
6/30/2015	724,911	31%	3,280,044

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2014, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	\$ -	\$ 9,457,237	\$ 9,457,237	0.00%	\$ 3,260,038	290.10%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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 plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Amortization payments increasing at 4.0%
Remaining amortization period.....	24 years as of July 1, 2016

Actuarial Assumptions:

Investment rate of return.....	4.00%
Projected salary increases.....	2.50%
Medical/drug cost trend rate.....	9.00%, ultimate medical trend rate of 4.75% in 2019.

NOTE 13 – CONTINGENCIES

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2017, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

Budgetary Comparison Schedules

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 21,108,032	\$ 21,108,032	\$ 20,925,332	\$ -	\$ (182,700)
Motor vehicle excise taxes.....	1,653,253	1,653,253	2,035,670	-	382,417
Sale of tax foreclosures.....	-	-	202,457	-	202,457
Penalties and interest on taxes.....	174,346	174,346	175,135	-	789
Licenses and permits.....	383,848	383,848	543,862	-	160,014
Fines and forfeitures.....	25,340	25,340	22,713	-	(2,627)
Intergovernmental.....	1,293,960	1,293,960	1,394,569	-	100,609
Departmental and other.....	365,062	365,062	369,608	-	4,546
Investment income.....	8,499	8,499	10,734	-	2,235
Miscellaneous.....	34,652	34,652	73,972	-	39,320
TOTAL REVENUES.....	25,046,992	25,046,992	25,754,052	-	707,060
EXPENDITURES:					
Current:					
General government.....	1,428,907	1,579,947	1,346,606	135,375	97,966
Public safety.....	3,276,436	3,826,146	3,587,361	189,139	49,646
Education.....	16,709,492	16,719,518	16,715,451	-	4,067
Public works.....	899,995	1,134,404	1,002,921	49,647	81,836
Human services.....	573,935	501,905	426,400	2,606	72,899
Culture and recreation.....	223,680	223,873	222,563	-	1,310
Pension benefits.....	682,958	682,958	682,958	-	-
Employee benefits.....	1,278,712	1,208,327	1,200,071	-	8,256
State and county charges.....	355,421	355,564	354,607	-	957
Debt service:					
Principal.....	100,000	100,000	100,000	-	-
Interest.....	5,000	5,000	5,000	-	-
TOTAL EXPENDITURES.....	25,534,536	26,337,642	25,643,938	376,767	316,937
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(487,544)	(1,290,650)	110,114	(376,767)	1,023,997
OTHER FINANCING SOURCES (USES):					
Transfers in.....	-	27	27	-	-
NET CHANGE IN FUND BALANCE.....	(487,544)	(1,290,623)	110,141	(376,767)	1,023,997
BUDGETARY FUND BALANCE, Beginning of year.....	2,767,612	2,767,612	2,767,612	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 2,280,068	\$ 1,476,989	\$ 2,877,753	\$ (376,767)	\$ 1,023,997

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
BRISTOL COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	2.29%	2.19%	2.19%
Town's proportionate share of the net pension liability (asset)..... \$	6,531,950	\$ 7,382,676	\$ 7,326,000
Town's covered employee payroll..... \$	3,243,480	\$ 3,012,202	\$ 3,090,344
Net pension liability as a percentage of covered-employee payroll.....	201.39%	245.09%	237.06%
Plan fiduciary net position as a percentage of the total pension liability.....	67.11%	62.95%	64.17%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
BRISTOL COUNTY CONTRIBUTORY RETIREMENT SYSTEM

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution..... \$	649,504	707,424	682,958
Contributions in relation to the actuarially determined contribution.....	649,504	707,424	682,958
Contribution deficiency (excess)..... \$	-	-	-
Covered-employee payroll..... \$	3,243,480	3,012,202	3,090,344
Contributions as a percentage of covered- employee payroll.....	20.02%	23.49%	22.10%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	\$ -	\$ 9,457,237	\$ 9,457,237	0.00%	\$ 3,260,038	290.10%
7/1/2011	-	8,493,161	8,493,161	0.00%	3,480,278	244.04%
7/1/2008	-	5,794,492	5,794,492	0.00%	3,409,066	169.97%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 827,045	\$ 280,555	33.92%
6/30/2016	785,103	246,358	31.38%
6/30/2015	744,735	225,062	30.22%
6/30/2014	801,855	238,833	29.79%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2017

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Amortization payments increasing at 4.0%
Remaining amortization period.....	24 years as of July 1, 2016

Actuarial Assumptions:

Investment rate of return.....	4.00%
Projected salary increases.....	2.50%
Medical/drug cost trend rate.....	9.00%, ultimate medical trend rate of 4.75% in 2019.

Plan Membership:

Current retirees, beneficiaries, and dependents.....	41
Current active members.....	<u>60</u>
Total.....	<u>101</u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations among departments require the approval of Town Meeting. Transfers within departments, between certain categories of expenditures, can be made with finance committee approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget authorized approximately \$25.5 million in appropriations and other amounts to be raised. During 2017, the original budget was increased by \$803,000 in supplemental appropriations, mainly for general government, public safety, public works, and human services expenditures.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

	<u>General Fund</u>
Net change in fund balance - budgetary basis.....	\$ 110,141
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	11,430
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts	<u>21,145</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>142,716</u></u>

NOTE B – PENSION PLAN***Pension Plan Schedules*****A. Schedule of the City's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Changes in Assumptions

The most recent actuarial valuation as of January 1, 2016, included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 8.00% down to 7.75%, as well as changes in the applied mortality tables, rates of disability, and cost of living adjustments

D. Changes in Plan Provisions

There were no changes in plan provisions.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("the Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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 plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

***Report on Internal Control over
Financial Reporting and on Compliance***



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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

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Rehoboth, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rehoboth, Massachusetts, (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 16, 2017.

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

Purpose of this Report

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



October 16, 2017