

TOWN OF FREETOWN, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF FREETOWN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Freetown, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Freetown, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the Town of Freetown, 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* and should be read in conjunction with this report in considering the results of our audit.

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.

Pomeroy + Sullivan, LLC

February 26, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Freetown, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town of Freetown exceeded its liabilities at the close of the most recent fiscal year by \$21.2 million (net assets).
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$3 million, an increase of approximately \$1.4 in comparison with the prior year. Total fund balance represents 16% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) increased by \$203,000 during the current fiscal year. This was due to the issuance of short term BANS offset by principal payments on outstanding long-term debt.
- The Town has approximately \$743,000 of remaining contract balances for repairs to the Forge road and Gurney road bridges that were damaged as a result of the flooding that occurred in the spring of 2010. The Town anticipates being reimbursed, for 75% of eligible costs, by the Federal Emergency Management Agency.
- As of July 1, 2011, the Freetown and Lakeville elementary schools were regionalized to form a fully regionalized school district along with the previously regionalized high school, middle school and intermediate school. As a result, the Town's operating budget for education expenditures decreased by \$1.2 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Freetown's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, claims and judgments, and debt interest. The business-type activities include the activities of the water and sewer operations.

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 three categories: governmental funds, proprietary 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

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

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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Freetown's assets exceeded liabilities by \$21.2 million at the close of fiscal year 2012.

Net assets of \$19.5 million reflects its investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), 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 net assets, \$702,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* totals \$1 million.

At the end of the current fiscal year, the Town of Freetown is able to report positive balances in all three categories of net assets, for the Town as a whole, and for its governmental activities. Its business-type activities report positive balances in both categories.

The governmental and business-type activities of the Town are presented below.

Governmental Activities

The Town of Freetown’s assets exceeded liabilities for governmental activities by \$18.7 million at the close of fiscal year 2012.

	FY 2012 Governmental Activities	FY 2011 Governmental Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 7,677,973	\$ 7,001,026
Noncurrent assets (excluding capital).....	5,338,749	5,781,946
Capital assets.....	<u>19,868,370</u>	<u>18,021,091</u>
Total assets.....	<u>32,885,092</u>	<u>30,804,063</u>
Liabilities:		
Current liabilities (excluding debt).....	1,062,244	1,477,217
Noncurrent liabilities (excluding debt).....	4,654,112	4,436,059
Current debt.....	2,090,858	1,230,000
Noncurrent debt.....	<u>6,380,558</u>	<u>6,645,000</u>
Total liabilities.....	<u>14,187,772</u>	<u>13,788,276</u>
Net Assets:		
Capital assets net of related debt.....	17,190,639	17,165,520
Restricted.....	701,545	1,002,347
Unrestricted.....	<u>805,136</u>	<u>(1,152,080)</u>
Total net assets.....	<u>\$ 18,697,320</u>	<u>\$ 17,015,787</u>

	FY 2012 Governmental Activities	FY 2011 Governmental Activities
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 1,223,472	\$ 1,566,149
Operating grants and contributions.....	320,591	3,538,595
Capital grants and contributions.....	1,602,598	608,644
General Revenues:		
Real estate and personal property taxes.....	14,981,921	14,662,095
Tax liens.....	96,429	1,023
Motor vehicle and other excise taxes.....	1,444,348	1,256,459
Penalties and interest on taxes.....	198,701	176,434
Payments in lieu of taxes.....	-	8,160
Grants and contributions not restricted to specific programs.....	1,074,199	1,126,759
Unrestricted investment income.....	5,449	7,462
Other revenues.....	536,018	71,163
Transfers, net.....	33,010	29,247
Total revenues.....	<u>21,516,736</u>	<u>23,052,190</u>
Expenses:		
General government.....	1,762,787	1,689,034
Public safety.....	4,765,166	3,993,064
Education.....	10,522,744	14,519,575
Public works.....	1,976,601	2,591,012
Human services.....	330,478	264,251
Culture and recreation.....	185,911	164,721
Claims and judgments.....	-	-
Interest.....	291,516	304,121
Total expenses.....	<u>19,835,203</u>	<u>23,525,778</u>
Change in net assets.....	<u>\$ 1,681,533</u>	<u>\$ (473,588)</u>

The governmental expenses totaled \$19.8 million of which \$3.1 million (16%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$18.3 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

The governmental net assets increased by approximately \$1.7 million during the current fiscal year. This was primarily due to a \$945,000 surplus from general fund operations, an \$800,000 transfer into the stabilization fund that was transferred from the general fund (reducing the general fund surplus), and the recognition of \$1.6 million in capital grants from the Federal Emergency Management Agency (FEMA). These increases were offset by a \$424,000 increase in the OPEB liability, the recognition of \$673,000 of depreciation expense in excess of debt principal raised in the tax rates, and \$273,000 of timing differences between the receipt and expenditure of grant and revolving funds.

The \$4 million decrease in education expenditures and the \$3.2 million decrease in operating grants and contributions are due to the regionalization of the elementary school. As of July 1, 2011, the Freetown and Lakeville elementary schools were regionalized to form a fully regionalized school district along with the previously regionalized high school, middle school and intermediate school. As a result, the Town's operating budget for education expenditures decreased by \$1.2 million along with corresponding reductions in pension and employee benefit expenditures and grants and revolving fund expenditures.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.5 million at the close of fiscal year 2012.

	FY 2012 Business-type Activities	FY 2011 Business-type Activities
Assets:		
Current assets.....	\$ 239,766	\$ 387,460
Noncurrent assets (excluding capital).....	61,080	74,354
Capital assets.....	<u>2,400,218</u>	<u>2,472,977</u>
Total assets.....	<u>2,701,064</u>	<u>2,934,791</u>
Liabilities:		
Current liabilities (excluding debt).....	33,301	65,680
Current debt.....	30,000	43,000
Noncurrent debt.....	<u>104,000</u>	<u>134,000</u>
Total liabilities.....	<u>167,301</u>	<u>242,680</u>
Net Assets:		
Capital assets net of related debt.....	2,266,218	2,295,977
Unrestricted.....	<u>267,545</u>	<u>396,134</u>
Total net assets.....	<u>\$ 2,533,763</u>	<u>\$ 2,692,111</u>
Program revenues:		
Charges for services.....	\$ <u>687,295</u>	\$ <u>835,206</u>
Expenses:		
Water.....	677,995	579,469
Sewer.....	<u>134,638</u>	<u>110,318</u>
Total expenses.....	<u>812,633</u>	<u>689,787</u>
Increase (decrease) in net assets before transfers.....	(125,338)	145,419
Transfers.....	<u>(33,010)</u>	<u>(29,247)</u>
Change in net assets.....	<u>\$ (158,348)</u>	<u>\$ 116,172</u>

Business-type net assets of \$2.3 million (89%) represent the investment in capital assets while \$268,000 (11%) is unrestricted. The Town's business-type activities net assets decreased by \$158,000 in the current fiscal year, which is primarily due to the use of \$125,000 of retained earnings to balance the operating budget.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2.7 million, of which \$3 million relates to the general fund and a deficit of \$273,000 relates to the nonmajor

governmental funds. Cumulatively there was a decrease of \$82,000 in fund balances from the prior year that is comprised of a \$1.4 million increase in the general fund and a \$1.5 million decrease in the nonmajor funds.

The general fund is the chief operating fund. At the end of the current fiscal year, both unassigned fund balance and total fund balance is \$3 million. Committed fund balance consists of carry forward articles totaling \$76,000. Both unassigned fund balance and total fund balance represents 16% of total general fund expenditures.

The Town's general fund increased by \$1.4 million in fiscal year 2012, which is primarily due to actual revenues exceeding estimated revenues by \$775,000, as well as expenditures coming in under budget by \$391,000 and a \$541,000 net increase in the stabilization fund, which is reported in the general fund for the fund based presentation.

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund. The original fiscal year 2012 approved budget for the general fund authorized approximately \$19.5 million in appropriations and other amounts to be raised. During fiscal year 2012, Town Meeting also approved supplemental appropriations totaling approximately \$685,000. The most significant elements of this change included a \$260,000 appropriation for the stabilization fund, \$122,000 for health insurance and \$125,000 for the reserve fund.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$22.3 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, and infrastructure. The total additions to the Town's investment in capital assets for the current year are \$3.1 million.

The major governmental capital asset events during the current fiscal year consisted of the acquisition of vehicles, machinery and equipment, road resurfacing and reconstruction, and bridge reconstruction.

Debt Administration. As of June 30, 2012, the Town had general government outstanding long-term debt totaling \$6.6 million that was issued to finance school construction costs.

The water enterprise fund had outstanding long-term debt totaling \$134,000 that was issued to finance water infrastructure projects.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Freetown'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, 3 North Main Street, PO Box 438, Assonet, Massachusetts 02702.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,207,979	\$ 183,216	\$ 4,391,195
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	520,286	-	520,286
Tax liens.....	754,665	-	754,665
Motor vehicle and other excise taxes.....	146,274	-	146,274
Water fees.....	-	45,976	45,976
Departmental and other.....	179,351	-	179,351
Special assessments.....	-	10,574	10,574
Intergovernmental.....	1,586,681	-	1,586,681
Tax foreclosures.....	282,737	-	282,737
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	61,080	61,080
Intergovernmental.....	5,338,749	-	5,338,749
Capital assets, nondepreciable.....	2,858,090	-	2,858,090
Capital assets, net of accumulated depreciation.....	<u>17,010,280</u>	<u>2,400,218</u>	<u>19,410,498</u>
TOTAL ASSETS.....	<u>32,885,092</u>	<u>2,701,064</u>	<u>35,586,156</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	501,498	31,113	532,611
Accrued payroll.....	173,267	2,188	175,455
Tax refunds payable.....	71,000	-	71,000
Accrued interest.....	113,479	-	113,479
Capital lease obligations.....	169,858	-	169,858
Landfill closure.....	24,000	-	24,000
Compensated absences.....	8,000	-	8,000
Court judgments.....	171,000	-	171,000
Notes payable.....	1,476,000	-	1,476,000
Bonds payable.....	445,000	30,000	475,000
NONCURRENT:			
Capital lease obligations.....	180,558	-	180,558
Landfill closure.....	312,000	-	312,000
Compensated absences.....	75,000	-	75,000
Court judgments.....	555,000	-	555,000
Other postemployment benefits.....	3,712,112	-	3,712,112
Bonds payable.....	<u>6,200,000</u>	<u>104,000</u>	<u>6,304,000</u>
TOTAL LIABILITIES.....	<u>14,187,772</u>	<u>167,301</u>	<u>14,355,073</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	17,190,639	2,266,218	19,456,857
Restricted for:			
Permanent funds:			
Expendable.....	83,530	-	83,530
Nonexpendable.....	379,008	-	379,008
Gifts and grants.....	239,007	-	239,007
Unrestricted.....	<u>805,136</u>	<u>267,545</u>	<u>1,072,681</u>
TOTAL NET ASSETS.....	<u>\$ 18,697,320</u>	<u>\$ 2,533,763</u>	<u>\$ 21,231,083</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,762,787	\$ 567,986	\$ 13,646	\$ -	\$ (1,181,155)
Public safety.....	4,765,166	541,309	93,538	-	(4,130,319)
Education.....	10,522,744	150	63,211	-	(10,459,383)
Public works.....	1,976,601	63,065	27,117	1,602,598	(283,821)
Human services.....	330,478	45,925	12,868	-	(271,685)
Culture and recreation.....	185,911	5,037	18,172	-	(162,702)
Interest.....	291,516	-	92,039	-	(199,477)
Total Governmental Activities...	<u>19,835,203</u>	<u>1,223,472</u>	<u>320,591</u>	<u>1,602,598</u>	(16,688,542)
<i>Business-Type Activities:</i>					
Water.....	677,995	497,850	-	-	(180,145)
Sewer.....	<u>134,638</u>	<u>189,445</u>	<u>-</u>	<u>-</u>	<u>54,807</u>
Total Business-Type Activities..	<u>812,633</u>	<u>687,295</u>	<u>-</u>	<u>-</u>	(125,338)
Total Primary Government.....	<u>\$ 20,647,836</u>	<u>\$ 1,910,767</u>	<u>\$ 320,591</u>	<u>\$ 1,602,598</u>	<u>\$ (16,813,880)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page....	\$ (16,688,542)	\$ (125,338)	\$ (16,813,880)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	14,981,921	-	14,981,921
Tax liens.....	96,429	-	96,429
Motor vehicle and other excise taxes.....	1,444,348	-	1,444,348
Penalties and interest on taxes.....	198,701	-	198,701
Grants and contributions not restricted to specific programs.....	1,074,199	-	1,074,199
Unrestricted investment income.....	5,449	-	5,449
Miscellaneous.....	536,018	-	536,018
<i>Transfers, net.....</i>	<u>33,010</u>	<u>(33,010)</u>	<u>-</u>
Total general revenues and transfers.....	<u>18,370,075</u>	<u>(33,010)</u>	<u>18,337,065</u>
Change in net assets.....	1,681,533	(158,348)	1,523,185
<i>Net Assets:</i>			
Beginning of year.....	<u>17,015,787</u>	<u>2,692,111</u>	<u>19,707,898</u>
End of year.....	\$ <u><u>18,697,320</u></u>	\$ <u><u>2,533,763</u></u>	\$ <u><u>21,231,083</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 3,440,804	\$ 767,175	\$ 4,207,979
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	520,286	-	520,286
Tax liens.....	754,665	-	754,665
Motor vehicle and other excise taxes.....	146,274	-	146,274
Departmental and other.....	164,025	15,326	179,351
Intergovernmental.....	5,781,946	1,143,484	6,925,430
Tax foreclosures.....	<u>282,737</u>	<u>-</u>	<u>282,737</u>
TOTAL ASSETS.....	<u>\$ 11,090,737</u>	<u>\$ 1,925,985</u>	<u>\$ 13,016,722</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 222,013	\$ 279,485	\$ 501,498
Accrued payroll.....	167,594	5,673	173,267
Tax refunds payable.....	71,000	-	71,000
Deferred revenues.....	7,609,933	437,874	8,047,807
Notes payable.....	<u>-</u>	<u>1,476,000</u>	<u>1,476,000</u>
TOTAL LIABILITIES.....	<u>8,070,540</u>	<u>2,199,032</u>	<u>10,269,572</u>
 FUND BALANCES:			
Nonspendable.....	-	379,008	379,008
Restricted.....	-	700,401	700,401
Committed.....	75,961	-	75,961
Unassigned.....	<u>2,944,236</u>	<u>(1,352,456)</u>	<u>1,591,780</u>
TOTAL FUND BALANCES.....	<u>3,020,197</u>	<u>(273,047)</u>	<u>2,747,150</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 11,090,737</u>	<u>\$ 1,925,985</u>	<u>\$ 13,016,722</u>

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....	\$	2,747,150
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		19,868,370
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,047,807
Internal service funds are used by management to account for unemployment, health insurance, workers' compensation and liability insurance activities.		
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(113,479)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(6,645,000)	
Capital Leases.....	(350,416)	
Landfill closure.....	(336,000)	
Compensated absences.....	(83,000)	
Court judgment liability.....	(726,000)	
Other postemployment benefits.....	<u>(3,712,112)</u>	
Net effect of reporting long-term liabilities.....		<u>(11,852,528)</u>
Net assets of governmental activities.....	\$	<u><u>18,697,320</u></u>

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 14,920,517	\$ -	\$ 14,920,517
Tax liens.....	89,619	-	89,619
Motor vehicle and other excise taxes.....	1,392,028	-	1,392,028
Charges for services.....	-	150	150
Penalties and interest on taxes.....	198,701	-	198,701
Fees and rentals.....	905,221	28,676	933,897
Licenses and permits.....	209,372	-	209,372
Fines and forfeitures.....	81,953	-	81,953
Intergovernmental.....	1,970,408	1,152,020	3,122,428
Departmental and other.....	-	12,153	12,153
Contributions.....	-	36,135	36,135
Investment income.....	5,329	6,339	11,668
Miscellaneous.....	428,580	-	428,580
TOTAL REVENUES.....	20,201,728	1,235,473	21,437,201
EXPENDITURES:			
Current:			
General government.....	990,772	56,114	1,046,886
Public safety.....	3,030,913	262,637	3,293,550
Education.....	10,108,128	237,608	10,345,736
Public works.....	1,112,205	2,436,552	3,548,757
Human services.....	232,603	11,759	244,362
Culture and recreation.....	107,788	31,299	139,087
Pension benefits.....	754,176	-	754,176
Property and liability insurance.....	140,274	-	140,274
Employee benefits.....	1,267,106	-	1,267,106
Claims and judgments.....	206,298	-	206,298
State and county charges.....	224,840	-	224,840
Debt service:			
Principal.....	430,000	-	430,000
Interest.....	261,921	-	261,921
TOTAL EXPENDITURES.....	18,867,024	3,035,969	21,902,993
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,334,704	(1,800,496)	(465,792)
OTHER FINANCING SOURCES (USES):			
Capital lease financing.....	-	350,416	350,416
Transfers in.....	42,856	2,815	45,671
Transfers out.....	(2,815)	(9,846)	(12,661)
TOTAL OTHER FINANCING SOURCES (USES).....	40,041	343,385	383,426
NET CHANGE IN FUND BALANCES.....	1,374,745	(1,457,111)	(82,366)
FUND BALANCES AT BEGINNING OF YEAR....	1,645,452	1,184,064	2,829,516
FUND BALANCES AT END OF YEAR.....	\$ 3,020,197	\$ (273,047)	\$ 2,747,150

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**

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....	\$	(82,366)
<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.....	2,957,580	
Depreciation expense.....	<u>(1,103,142)</u>	
Net effect of reporting capital assets.....		1,854,438
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.....		(7,159)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred 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 deferred revenue.....</p>		
		53,684
<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 assets. 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.....	(350,416)	
Debt service principal payments.....	<u>430,000</u>	
Net effect of reporting long-term debt.....		79,584
<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.....	13,000	
Net change in accrued interest on long-term debt.....	6,405	
Net change in landfill closure liability.....	24,000	
Net change in court judgment liability.....	164,000	
Net change in other postemployment benefits.....	<u>(424,053)</u>	
Net effect of recording long-term liabilities.....		<u>(216,648)</u>
Change in net assets of governmental activities.....	\$	<u><u>1,681,533</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type		
	Sewer Enterprise	Water Enterprise	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 65,398	\$ 117,818	\$ 183,216
Receivables, net of allowance for uncollectibles:			
Water fees.....	-	45,976	45,976
Special assessments.....	-	10,574	10,574
Total current assets.....	<u>65,398</u>	<u>174,368</u>	<u>239,766</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	61,080	61,080
Capital assets, net of accumulated depreciation.....	-	2,400,218	2,400,218
Total noncurrent assets.....	<u>-</u>	<u>2,461,298</u>	<u>2,461,298</u>
TOTAL ASSETS.....	<u>65,398</u>	<u>2,635,666</u>	<u>2,701,064</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	-	31,113	31,113
Accrued payroll.....	-	2,188	2,188
Bonds and notes payable.....	-	30,000	30,000
Total current liabilities.....	<u>-</u>	<u>63,301</u>	<u>63,301</u>
NONCURRENT:			
Bonds and notes payable.....	-	104,000	104,000
TOTAL LIABILITIES.....	<u>-</u>	<u>167,301</u>	<u>167,301</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	-	2,266,218	2,266,218
Unrestricted.....	65,398	202,147	267,545
TOTAL NET ASSETS.....	<u>\$ 65,398</u>	<u>\$ 2,468,365</u>	<u>\$ 2,533,763</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type		
	Sewer Enterprise	Water Enterprise	Total
OPERATING REVENUES:			
Charges for services	\$ 189,445	\$ 491,866	\$ 681,311
Penalties and interest.....	-	5,554	5,554
TOTAL OPERATING REVENUES	189,445	497,420	686,865
OPERATING EXPENSES:			
Cost of service and administration.....	134,638	594,698	729,336
Depreciation.....	-	72,759	72,759
TOTAL OPERATING EXPENSES	134,638	667,457	802,095
OPERATING INCOME (LOSS).....	54,807	(170,037)	(115,230)
NONOPERATING REVENUES (EXPENSES):			
Special assessments.....	-	430	430
Interest expense.....	-	(10,538)	(10,538)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	-	(10,108)	(10,108)
INCOME (LOSS) BEFORE TRANSFERS.....	54,807	(180,145)	(125,338)
TRANSFERS:			
Transfers out.....	(1,474)	(31,536)	(33,010)
CHANGE IN NET ASSETS.....	53,333	(211,681)	(158,348)
NET ASSETS AT BEGINNING OF YEAR.....	12,065	2,680,046	2,692,111
NET ASSETS AT END OF YEAR.....	\$ 65,398	\$ 2,468,365	\$ 2,533,763

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type		
	Sewer Enterprise	Water Enterprise	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 189,445	\$ 588,777	\$ 778,222
Payments to vendors.....	(152,866)	(552,767)	(705,633)
Payments to employees.....	-	(56,082)	(56,082)
NET CASH FROM OPERATING ACTIVITIES.....	<u>36,579</u>	<u>(20,072)</u>	<u>16,507</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers out.....	(1,474)	(31,536)	(33,010)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Special assessments.....	-	14,114	14,114
Principal payments on bonds and notes.....	-	(43,000)	(43,000)
Interest expense.....	-	(10,538)	(10,538)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>-</u>	<u>(39,424)</u>	<u>(39,424)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	35,105	(91,032)	(55,927)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>30,293</u>	<u>208,850</u>	<u>239,143</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 65,398</u>	<u>\$ 117,818</u>	<u>\$ 183,216</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ 54,807	\$ (170,037)	\$ (115,230)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	-	72,759	72,759
Changes in assets and liabilities:			
Water fees.....	-	91,357	91,357
Warrants payable.....	(18,228)	(8,222)	(26,450)
Accrued liabilities.....	-	(8,117)	(8,117)
Accrued payroll.....	-	2,188	2,188
Total adjustments.....	<u>(18,228)</u>	<u>149,965</u>	<u>131,737</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 36,579</u>	<u>\$ (20,072)</u>	<u>\$ 16,507</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 14,796	\$ 215,260
Departmental and other.....	<u> -</u>	<u>60,123</u>
TOTAL ASSETS.....	<u>14,796</u>	<u>275,383</u>
LIABILITIES		
Warrants payable.....	-	39,269
Accrued payroll.....	-	23,418
Liabilities due depositors.....	<u> -</u>	<u>212,696</u>
TOTAL LIABILITIES.....	<u> -</u>	<u>275,383</u>
NET ASSETS		
Held in trust for other purposes.....	<u>\$ 14,796</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 967
Net investment income (loss):	
Interest.....	<u>195</u>
TOTAL ADDITIONS.....	<u>1,162</u>
CHANGE IN NET ASSETS.....	1,162
NET ASSETS AT BEGINNING OF YEAR.....	<u>13,634</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 14,796</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Freetown, 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 accounting policies are described herein.

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

Joint Ventures – The Town has entered into a joint venture with other municipalities to pool resources and share costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town is a participant in the Freetown-Lakeville Regional School District, which is located at 98 Howland Road, Lakeville, MA 02347. As of July 1, 2011, the Freetown and Lakeville elementary schools were regionalized to form a fully regionalized school district along with the previously regionalized high school, middle school and intermediate school. The Town's fiscal year 2012 assessment totaled \$8,261,105. The Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual 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, liabilities, 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, liabilities, 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a 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 fiscal 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 nonmajor governmental funds consist of special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund type is reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

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 that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship and elderly and disabled tax assistance trusts are accounted for in this fund.

The *agency fund* is used to account for monies held on behalf of parties other than the Town, such as abandoned property, planning deposits and police off-duty activity.

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

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. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds 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 Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal 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 and are recorded as receivables in the fiscal 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.

Water User Fees

User fees consist of water fees which are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in the subsequent year and are included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist of ambulance, veteran's and betterment receivables. Uncollectible ambulance receivables are written-off on a timely basis and therefore do not report an allowance for uncollectibles. The betterment receivables are secured via the lien process and therefore do not report an allowance for uncollectibles.

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.

F. 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.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains and similar items), are reported in the applicable governmental or business-type activity column of the

government-wide financial statements and in the proprietary fund 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 the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

<u>Capital Asset Type</u>	<u>Capitalization Threshold</u>
Land, buildings and improvements.....	\$ 50,000
Vehicles, machinery and equipment.....	5,000
Infrastructure.....	75,000

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Building Improvements.....	40
Machinery and equipment.....	5
Vehicles.....	5-21
Infrastructure.....	20-50

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 fiscal year of the purchase.

H. 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 between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as “internal balances”.

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.

I. 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 between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

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.

J. Deferred Revenue

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

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have been “restricted for” the following:

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

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

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. Town Meeting is the high level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“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. Assignments are made by management and exist until the purpose of the assignment has either been satisfied or management removes the assignment.

“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.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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.

M. Interest Expense

Interest on general long-term liabilities is generally considered an indirect expense. However, interest on long-term debt is included in direct expenses in those limited instances when borrowing is essential to the creation or continuing existence of a program and it would be misleading to exclude the interest from direct expenses of that program (for example, a new program that is highly leveraged in its early stages).

N. Compensated Absences

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

Government-Wide and Proprietary Fund 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.

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

P. 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.

Q. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2012 within the special revenue and capital project funds. These deficits will be funded with grant proceeds and bond proceeds in the subsequent fiscal year.

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's deposit policy for custodial risk states the Town's objectives include diversification of accounts and prudent selection of investment instruments, and choice of bank or brokerage house. At fiscal year-end, the carrying amount of deposits totaled \$4,620,918 and the bank balance totaled \$4,806,173. Of the bank balance, \$777,011 was covered by Federal Depository Insurance, \$2,042,636 was covered by the Depositors Insurance Fund and \$1,986,526 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2012, the Town's investments consisted of \$333 of shares in MMDT.

NOTE 3 - RECEIVABLES

At June 30, 2012, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	563,193	\$ (42,907)	\$ 520,286
Tax liens.....	754,665	-	754,665
Motor vehicle and other excise taxes.....	319,658	(173,384)	146,274
Departmental and other.....	179,351	-	179,351
Intergovernmental.....	<u>6,925,430</u>	<u>-</u>	<u>6,925,430</u>
 Total..... \$	 <u>8,742,297</u>	 <u>\$ (216,291)</u>	 <u>\$ 8,526,006</u>

At June 30, 2012, receivables for the water enterprise fund are as follows:

	<u>Gross Amount</u>	Allowance for <u>Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user fees.....	\$ 45,976	\$ -	\$ 45,976
Special assessments.....	<u>71,654</u>	<u>-</u>	<u>71,654</u>
Total.....	<u>\$ 117,630</u>	<u>\$ -</u>	<u>\$ 117,630</u>

Governmental funds report *deferred revenue* 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 *deferred revenue* reported in the governmental funds were as follows:

	<u>General Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<u>Receivables and other asset type:</u>			
Real estate and personal property taxes.....	\$ 480,286	\$ -	\$ 480,286
Tax liens.....	754,665	-	754,665
Motor vehicle and other excise taxes.....	146,274	-	146,274
Departmental and other.....	164,025	15,326	179,351
Intergovernmental.....	5,781,946	422,548	6,204,494
Tax foreclosures.....	<u>282,737</u>	<u>-</u>	<u>282,737</u>
Total.....	<u>\$ 7,609,933</u>	<u>\$ 437,874</u>	<u>\$ 8,047,807</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,384,460	\$ 6,810	\$ -	\$ 1,391,270
Construction in progress.....	440,358	1,114,529	(88,067)	1,466,820
Total capital assets not being depreciated.....	<u>1,824,818</u>	<u>1,121,339</u>	<u>(88,067)</u>	<u>2,858,090</u>
<u>Capital assets being depreciated:</u>				
Land Improvements.....	113,007	-	-	113,007
Buildings and building improvements.....	11,096,213	-	-	11,096,213
Machinery and equipment.....	1,023,263	184,460	(589,525)	618,198
Vehicles.....	2,675,934	621,068	-	3,297,002
Infrastructure.....	23,814,213	1,234,315	(169,454)	24,879,074
Total capital assets being depreciated.....	<u>38,722,630</u>	<u>2,039,843</u>	<u>(758,979)</u>	<u>40,003,494</u>
<u>Less accumulated depreciation for:</u>				
Land Improvements.....	(113,007)	-	-	(113,007)
Buildings.....	(3,424,936)	(260,325)	-	(3,685,261)
Machinery and equipment.....	(797,854)	(33,232)	582,366	(248,720)
Vehicles.....	(2,381,032)	(178,977)	-	(2,560,009)
Infrastructure.....	(15,809,528)	(630,608)	53,919	(16,386,217)
Total accumulated depreciation.....	<u>(22,526,357)</u>	<u>(1,103,142)</u>	<u>636,285</u>	<u>(22,993,214)</u>
Total capital assets being depreciated, net.....	<u>16,196,273</u>	<u>936,701</u>	<u>(122,694)</u>	<u>17,010,280</u>
Total governmental activities capital assets, net.....	<u>\$ 18,021,091</u>	<u>\$ 2,058,040</u>	<u>\$ (210,761)</u>	<u>\$ 19,868,370</u>
Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 25,325	\$ -	\$ -	\$ 25,325
Infrastructure.....	3,589,899	-	-	3,589,899
Total capital assets being depreciated.....	<u>3,615,224</u>	<u>-</u>	<u>-</u>	<u>3,615,224</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(25,325)	-	-	(25,325)
Infrastructure.....	(1,116,922)	(72,759)	-	(1,189,681)
Total accumulated depreciation.....	<u>(1,142,247)</u>	<u>(72,759)</u>	<u>-</u>	<u>(1,215,006)</u>
Total business-type activities capital assets, net.....	<u>\$ 2,472,977</u>	<u>\$ (72,759)</u>	<u>\$ -</u>	<u>\$ 2,400,218</u>

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

Governmental Activities:	
General government.....	\$ 22,937
Public safety.....	167,280
Education.....	203,118
Public works.....	707,239
Human services.....	<u>2,568</u>
Total depreciation expense - governmental activities.....	\$ <u>1,103,142</u>
Business-Type Activities:	
Water.....	\$ <u>72,759</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 2,815	\$ 2,815 (1)
Nonmajor Governmental Funds....	9,846	-	9,846 (2)
Water Enterprise Fund.....	31,536	-	31,536 (3)
Sewer Enterprise Fund.....	<u>1,474</u>	<u>-</u>	<u>1,474</u> (3)
	\$ <u>42,856</u>	\$ <u>2,815</u>	\$ <u>45,671</u>

- (1) Represents a budgeted transfer from the stabilization fund, which is combined with the general fund to comply with GASB 54, to the forge road capital project fund.
- (2) Represents budgeted transfers from other available funds to the general fund.
- (3) Represents budgeted transfers from the enterprise funds to the general fund for employee benefits and indirect costs.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

The town has entered into numerous non-cancelable long-term leases for the purchase of vehicles and equipment utilized by departments and operating divisions of the Town. These agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Governmental-Type Activities</u>
Equipment and Vehicles.....	\$ 687,105
Less: accumulated depreciation.....	<u>(107,569)</u>
Total.....	<u>\$ 579,536</u>

The following is a schedule of the future minimum lease payments under the capital leases, together with the net present value of the net minimum lease payments, as of June 30, 2012:

<u>Fiscal Years Ending June 30</u>	<u>Governmental-Type Activities</u>
2013.....	\$ 169,858
2014.....	97,477
2015.....	71,875
2016.....	<u>42,469</u>
Total minimum lease payments.....	381,679
Less: amounts representing interest.....	<u>(31,263)</u>
Present value of minimum lease payments.....	<u>\$ 350,416</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 fund and enterprise funds, respectively.

The Town had the following short-term debt activity for the fiscal year ended June 30, 2012.

Type	Purpose	Interest Rate (%)	Due Date	Outstanding at June 30, 2011	Proceeds	Payments	Outstanding at June 30, 2012
Governmental Activities:							
BAN	Flood damage.....	1.05	09/21/11	\$ 713,000	\$ -	\$ 713,000	\$ -
BAN	Flood damage.....	1.15	09/21/11	87,000	-	87,000	-
BAN	Flood damage.....	0.75	09/21/12	-	676,000	-	676,000
BAN	Flood damage.....	0.85	09/21/12	-	800,000	-	800,000
Total Governmental Activities Short-Term Debt.....				\$ 800,000	\$ 1,476,000	\$ 800,000	\$ 1,476,000

On September 21, 2012, \$260,000 of the outstanding BAN's was paid off while \$1,216,000 was rolled into a new BAN that is due on May 21, 2013 and carries a .54% interest rate.

NOTE 8 - LONG-TERM DEBT

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Proceeds	Payments	Outstanding at June 30, 2012
General Obligation Bonds of 2003.....	2024	\$ 9,650,000	3.0 - 4.0	\$ 7,075,000	\$ -	\$ 430,000	\$ 6,645,000

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2013.....	\$ 445,000	\$ 239,803	\$ 684,803
2014.....	460,000	223,966	683,966
2015.....	480,000	208,116	688,116
2016.....	500,000	191,816	691,816
2017.....	520,000	174,216	694,216
2018.....	540,000	155,261	695,261
2019.....	560,000	134,766	694,766
2020.....	580,000	112,961	692,961
2021.....	605,000	89,998	694,998
2022.....	630,000	65,600	695,600
2023.....	650,000	40,000	690,000
2024.....	675,000	13,500	688,500
Totals.....	\$ 6,645,000	\$ 1,650,003	\$ 8,295,003

Bonds and Notes Payable Schedule – Business-Type Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Proceeds	Payments	Outstanding at June 30, 2012
Water infrastructure.....	2012	\$ 66,000	5.10	\$ 13,000	\$ -	\$ 13,000	\$ -
Water infrastructure.....	2014	75,000	4.75	45,000	-	15,000	30,000
Water infrastructure.....	2019	149,438	6.50	119,000	-	15,000	104,000
Total Business-Type Activities Long-Term Debt.....				\$ 177,000	\$ -	\$ 43,000	\$ 134,000

Debt service requirements for principal and interest for Business-Type bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2013.....	\$ 30,000	\$ 8,185	\$ 38,185
2014.....	30,000	6,498	36,498
2015.....	15,000	4,810	19,810
2016.....	14,750	3,835	18,585
2017.....	14,750	2,876	17,626
2018.....	14,750	1,918	16,668
2019.....	14,750	959	15,709
Totals.....	\$ 134,000	\$ 29,081	\$ 163,081

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2012, \$529,523 of such assistance was received and \$6,354,276 will be received in future fiscal years. Of this amount, \$572,331 represents reimbursement of long-term interest costs, and \$5,781,945 represents reimbursement of approved construction costs. Accordingly, a \$5,781,945 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012 the Town had the following authorized and unissued debt.

Purpose	Amount
Water - Assonet Bay Shores.....	\$ 160,000
Water - Elm Street Bridge Repair.....	625,000
Spring Flood Borrowing.....	7,000,000
Total.....	\$ 7,785,000

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Capital lease obligations.....	\$ -	\$ 350,416	\$ -	\$ 350,416	\$ 169,858
Landfill closure.....	360,000	-	(24,000)	336,000	24,000
Compensated absences.....	96,000	-	(13,000)	83,000	8,000
Court judgments.....	890,000	-	(164,000)	726,000	171,000
Long-term bonds and notes.....	7,075,000	-	(430,000)	6,645,000	445,000
Other postemployment benefits.....	3,288,059	988,939	(564,886)	3,712,112	-
Total governmental.....	<u>\$ 11,709,059</u>	<u>\$ 1,339,355</u>	<u>\$ (1,195,886)</u>	<u>\$ 11,852,528</u>	<u>\$ 817,858</u>
Business-Type Activities:					
Long-term bonds and notes.....	<u>\$ 177,000</u>	<u>\$ -</u>	<u>\$ (43,000)</u>	<u>\$ 134,000</u>	<u>\$ 30,000</u>

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balances, 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.

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.

As of June 30, 2012, the governmental fund balances consisted of the following:

Fund Balances	Governmental Funds		
	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent fund principal..... \$	-	\$ 379,008	\$ 379,008
Restricted for:			
Town revolving funds.....	-	168,550	168,550
Town gift and grant funds.....	-	201,860	201,860
School federal grant funds.....	-	2,140	2,140
Special revenue trust funds.....	-	241,326	241,326
Capital project funds.....	-	2,995	2,995
Spendable permanent funds.....	-	83,530	83,530
Committed to:			
General government.....	60,961	-	60,961
Culture and recreation.....	15,000	-	15,000
Unassigned.....	2,944,236	(1,352,456)	1,591,780
Total Fund Balances (Deficit)..... \$	<u>3,020,197</u>	<u>\$ (273,047)</u>	<u>\$ 2,747,150</u>

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 Stabilization Fund is \$762,926 and is reported as unassigned fund balance within the General Fund.

NOTE 10 - RISK FINANCING

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

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the Bristol County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Bristol County Retirement Board. Substantially all employees are members of the System.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are funded by the Commonwealth and are deposited into the pension fund. Cost of living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's

Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts, 02780.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2012, 2011 and 2010 totaled \$754,176, \$764,129, and \$723,649, respectively, which equaled its required contribution for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic 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 liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Freetown administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which cover 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.

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 a variable portion of the cost of current-year premiums, which vary by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

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.....	\$	1,049,920
Interest on net OPEB obligation.....		131,522
Adjustment to annual required contribution.....		(284,357)
Amortization of actuarial (gains) / losses.....		<u>91,854</u>
Annual OPEB cost (expense).....		988,939
Contributions made.....		<u>(564,886)</u>
Increase in net OPEB obligation.....		424,053
Net OPEB obligation--beginning of year.....		<u>3,288,059</u>
Net OPEB obligation--end of year.....	\$	<u><u>3,712,112</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 988,939	57%	\$ 3,712,112
6/30/2011	1,338,511	31%	3,288,059
6/30/2010	1,445,375	21%	2,363,161

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$14,591,426, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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.

In the July 1, 2011, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected

yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 7% initially, graded to 5% by 2015 and included a 3.5% inflation assumption. The UAAL is being amortized over a 30 year period, with level funding. The remaining amortization period at June 30, 2012 is 26 years.

NOTE 13 - COMMITMENTS

The Town has approximately \$743,000 of remaining contract balances for repairs to the Forge road and Gurney road bridges that were damaged as a result of the flooding that occurred in the spring of 2010. The Town anticipates being reimbursed, for 75% of eligible costs, by the Federal Emergency Management Agency.

NOTE 14 - CONTINGENCIES

The Town participates in a number of Federal award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2012.

In November, 2005, the Town entered into a settlement agreement to resolve an ongoing legal matter. The settlement agreement called for the Town to pay \$2,250,000 (principal and interest) to the plaintiff over an eleven year period. The first payment totaled \$250,000 and was due within 15 days of the signing of the settlement agreement. Future payments including principal and interest are due annually, on September 15, and total \$200,000. The remaining principal payments have been recorded as a court judgment liability and total \$726,000 as of June 30, 2012.

NOTE 15 - LANDFILL CLOSURE

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town closed its landfill in fiscal 1999. The Town has reflected a \$336,000 post-closure care liability at June 30, 2012 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- The GASB issued *Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.

- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years. Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 15,062,216	\$ 15,062,216	\$ 15,062,216
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,252,000	1,252,000	1,252,000
Penalties and interest on taxes.....	-	175,000	175,000	175,000
Fees and rentals.....	-	831,000	831,000	831,000
Licenses and permits.....	-	196,500	196,500	196,500
Fines and forfeitures.....	-	63,000	63,000	63,000
Intergovernmental.....	-	1,885,951	1,885,951	1,885,951
Investment income.....	-	3,000	3,000	3,000
Miscellaneous.....	-	68,700	68,700	68,700
TOTAL REVENUES.....	-	19,537,367	19,537,367	19,537,367
EXPENDITURES:				
Current:				
General government.....	142,030	947,392	1,089,422	1,233,176
Public safety.....	-	3,034,439	3,034,439	3,129,856
Education.....	-	10,086,020	10,086,020	10,109,020
Public works.....	1,900	1,163,747	1,165,647	1,150,977
Human services.....	-	204,213	204,213	239,358
Culture and recreation.....	15,000	110,000	125,000	125,000
Pension benefits.....	-	754,176	754,176	754,176
Property and liability insurance.....	-	180,000	180,000	180,000
Employee benefits.....	-	1,163,346	1,163,346	1,295,405
Claims and judgments.....	-	200,000	200,000	200,000
State and county charges.....	-	225,207	225,207	225,207
Debt service:				
Principal.....	-	430,000	430,000	430,000
Interest.....	-	254,578	254,578	261,921
TOTAL EXPENDITURES.....	158,930	18,753,118	18,912,048	19,334,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(158,930)	784,249	625,319	203,271
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	5,000	5,000	297,716
Transfers out.....	-	(540,000)	(540,000)	(802,521)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(535,000)	(535,000)	(504,805)
NET CHANGE IN FUND BALANCE.....	(158,930)	249,249	90,319	(301,534)
BUDGETARY FUND BALANCE, Beginning of year.....	1,383,357	1,383,357	1,383,357	1,383,357
BUDGETARY FUND BALANCE, End of year.....	\$ 1,224,427	\$ 1,632,606	\$ 1,473,676	\$ 1,081,823

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 15,031,559	\$ -	\$ (30,657)
89,619	-	89,619
1,392,028	-	140,028
198,701	-	23,701
905,221	-	74,221
209,372	-	12,872
81,953	-	18,953
1,970,408	-	84,457
4,478	-	1,478
<u>428,580</u>	<u>-</u>	<u>359,880</u>
<u>20,311,919</u>	<u>-</u>	<u>774,552</u>
990,772	60,961	181,443
3,030,913	-	98,943
10,108,128	-	892
1,112,205	-	38,772
232,603	-	6,755
107,788	15,000	2,212
754,176	-	-
140,274	-	39,726
1,267,106	-	28,299
206,298	-	(6,298)
224,840	-	367
430,000	-	-
<u>261,921</u>	<u>-</u>	<u>-</u>
<u>18,867,024</u>	<u>75,961</u>	<u>391,111</u>
<u>1,444,895</u>	<u>(75,961)</u>	<u>1,165,663</u>
302,540	-	4,824
<u>(802,521)</u>	<u>-</u>	<u>-</u>
<u>(499,981)</u>	<u>-</u>	<u>4,824</u>
944,914	(75,961)	1,170,487
<u>1,383,357</u>	<u>-</u>	<u>-</u>
<u>\$ 2,328,271</u>	<u>\$ (75,961)</u>	<u>\$ 1,170,487</u>

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

BRISTOL COUNTY REGIONAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 447,114,412	\$ 690,292,202	\$ 243,177,790	64.8%	\$ 136,443,244	178.2%
01/01/09	396,683,194	697,604,462	300,921,268	56.9%	158,880,971	189.4%
01/01/07	390,706,411	593,767,462	203,061,051	65.8%	146,988,086	138.1%
01/01/05	334,319,614	535,755,874	201,436,260	62.4%	134,953,427	149.3%
01/01/03	291,903,656	440,692,634	148,788,978	66.2%	122,142,724	121.8%
01/01/01	275,463,114	373,562,277	98,099,163	73.7%	121,345,005	80.8%
01/01/99	226,836,196	311,255,734	84,419,538	72.9%	95,169,522	88.7%
01/01/98	185,852,667	281,492,555	95,639,888	66.0%	90,608,158	105.6%

The Town's share of the UAAL, as of January 1, 2010, is approximately 2.9%.

See notes to required supplementary information.

BRISTOL COUNTY REGIONAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	System Wide			Town of Freetown	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2012	\$ 27,049,058	\$ 27,049,058	100%	\$ 754,176	2.79%
2011	26,077,309	26,077,309	100%	764,129	2.93%
2010	29,154,746	29,154,746	100%	723,649	2.48%
2009	28,673,087	28,673,087	100%	676,528	2.36%
2008	27,438,341	27,438,341	100%	648,901	2.36%
2007	24,290,432	24,290,432	100%	586,305	2.41%
2006	20,940,103	20,940,103	100%	487,900	2.33%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefit 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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
7/1/2011	\$ -	\$ 14,591,426	\$ 14,591,426	0%	\$ N/A	N/A
7/1/2008	\$ -	\$ 13,962,026	\$ 13,962,026	0%	\$ 4,359,904	320.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2012	\$ 1,049,920	\$ 564,886	54%
6/30/2011	1,448,355	434,712	30%
6/30/2010	1,468,288	304,537	21%
6/30/2009	1,499,344	277,021	18%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2011
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year, level amortization of the unfunded AAL
Remaining amortization period.....	26 years as of June 30, 2012

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	7% grading down to 5% in year 2015 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependents....	76
Current active members.....	<u>51</u>
Total.....	<u><u>127</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by Town Meeting. The Board and Finance Committee present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, 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 majority vote of the Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget for the General Fund authorized approximately \$19.5 million in appropriations and other amounts to be raised. During fiscal year 2012, Town Meeting also approved supplemental appropriations totaling approximately \$685,000. The most significant elements of this change included a \$260,000 appropriation to the stabilization fund, \$122,000 for health insurance and \$125,000 for the reserve fund.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) 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 fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$ 944,914
<u>Perspective Difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	540,873
<u>Basis of accounting differences:</u>	
Net change in recording 60 day accrual.....	(40,042)
Net change in expenditure liabilities.....	<u>(71,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ 1,374,745</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, actual expenditures for claims and judgments exceeded appropriations. These over-expenditures will be raised on the fiscal 2013 tax recapitulation.

NOTE B - PENSION PLAN

The Town contributes to the Bristol County Contributory Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Bristol County Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

- Valuation Date..... January 1, 2010
- Actuarial Cost Method..... Individual Entry Age Normal Cost Method
- Amortization Method..... Increasing at 4.5% per year
- Remaining Amortization Period..... 17 years remaining as of January 1, 2010
- Asset Valuation Method..... The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%.

Actuarial Assumptions:

- Investment rate of return..... 8.25%
- Projected salary increases..... 4.50%
- Cost of living adjustments..... 3.00% of the lesser of the pension amount and \$12,000 per year.

Plan Membership:

Active participants.....	3,334
Retired participants and beneficiaries receiving benefits.....	1,835
Inactives.....	808
Disabled.....	<u>276</u>
Total.....	<u><u>6,253</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town 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 health and life insurance plans, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual 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 actuarially 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. The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

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 the sharing of benefit cost 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.