

TOWN OF FREETOWN, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2014

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2014

TOWN OF FREETOWN, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 30, 2014

Management's Discussion and Analysis

As the management of the Town of Freetown, Massachusetts (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$22.1 million (*total net position*). Approximately \$19.4 million represented net position of governmental activities and \$2.7 million represented net position of the business-type activities.
- The government's total net position was consistent year over year as results approximated expectations
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$4.1 million (19.9% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$4.4 million (21.2% of General Fund expenditures). The Town reported \$0.7 million and \$0.4 million in Restricted and Nonspendable Fund Balance respectively in the Combined Nonmajor Governmental Funds.
- The Town's long-term debt in the governmental funds decreased by approximately \$6.3 million during the fiscal year. This was due to approximately \$5.8 million in payments to an escrow agent as a result of a refunding of debt that crossed fiscal years from 2013 to 2014. The remainder was due to regular scheduled maturities of debt. Debt in the business – type activities is not significant.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
		As Restated		As Restated		As Restated
<u>Assets</u>						
Current and other assets	\$ 12,432,807	\$ 18,224,245	\$ 580,458	\$ 340,148	\$ 13,013,265	\$ 18,564,393
Capital assets, net	19,714,559	20,351,784	2,254,700	2,327,459	21,969,259	22,679,243
Total assets	32,147,366	38,576,029	2,835,158	2,667,607	34,982,524	41,243,636
Deferred outflows of resources	-	-	-	-	-	-
<u>Liabilities</u>						
Long-term liabilities	12,439,917	18,424,570	74,000	89,000	12,513,917	18,513,570
Other liabilities	300,246	721,466	83,235	71,980	383,481	793,446
Total liabilities	12,740,163	19,146,036	157,235	160,980	12,897,398	19,307,016
Deferred inflows of resources	-	-	-	-	-	-
<u>Net Position</u>						
Net investment in capital assets	12,614,466	12,694,900	2,180,700	2,238,459	14,795,166	14,933,359
Restricted	5,265,259	5,471,418	-	-	5,265,259	5,471,418
Unrestricted	1,527,478	1,263,675	497,223	268,168	2,024,701	1,531,843
Net Position	\$ 19,407,203	\$ 19,429,993	\$ 2,677,923	\$ 2,506,627	\$ 22,085,126	\$ 21,936,620

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$22.1 million (*total net position*).

By far the largest portion (approximately \$14.8 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its

capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$5.3 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance (approximately \$2.0 million) represents *unrestricted net position*, which the Town may use to meet current obligations.

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

	Governmental activities		Business activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
		As Restated		As Restated		As Restated
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,139,076	\$ 1,223,472	\$ 820,337	\$ 687,295	\$ 1,959,413	\$ 1,910,767
Operating grants and contributions	1,963,571	320,591	-	-	1,963,571	320,591
Capital grants and contributions	379,904	1,602,598	2,884	-	382,788	1,602,598
General revenues:						
Property taxes	15,784,981	14,981,921	-	-	15,784,981	14,981,921
Grants and contributions not restricted to specific programs	463,550	1,074,199	-	-	463,550	1,074,199
Other	1,914,260	2,280,945	-	-	1,914,260	2,280,945
Total revenues	21,645,342	21,483,726	823,221	687,295	22,468,563	22,171,021
<u>Expenses</u>						
General government	1,779,399	1,762,787	-	-	1,779,399	1,762,787
Public safety	4,947,955	4,765,166	-	-	4,947,955	4,765,166
Education	11,547,778	10,522,744	-	-	11,547,778	10,522,744
Public works	2,624,872	1,976,601	-	-	2,624,872	1,976,601
Health and human services	524,754	330,478	-	-	524,754	330,478
Culture and recreation	175,623	185,911	-	-	175,623	185,911
Interest expense	100,761	291,516	-	-	100,761	291,516
Water	-	-	574,246	677,995	574,246	677,995
Sewer	-	-	111,615	134,638	111,615	134,638
Total expenses	21,701,142	19,835,203	685,861	812,633	22,387,003	20,647,836
Change in net position before transfers	(55,800)	1,648,523	137,360	(125,338)	81,560	1,523,185
Transfers	33,010	33,010	(33,010)	(33,010)	-	-
Change in net position	(22,790)	1,681,533	104,350	(158,348)	81,560	1,523,185
Net position, beginning of year	19,429,993	17,748,460	2,573,573	2,731,921	22,003,566	20,480,381
Net position, end of year	<u>\$ 19,407,203</u>	<u>\$ 19,429,993</u>	<u>\$ 2,677,923</u>	<u>\$ 2,573,573</u>	<u>\$ 22,085,126</u>	<u>\$ 22,003,566</u>

Governmental Activities - The Town relies significantly on property taxes, which, during 2014, made up approximately 72.9% of total revenues, as compared with 69.7% in the prior year. The slight increase was compositional only as the Town has more revenues from grants in the prior year. No other individual revenues were greater than 10% of total revenues in 2014 or 2013.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 53.2% which was consistent year to year over the prior year 53.1%. Public safety expenditures represented 22.8% which was slightly lower than the prior year of 24.0%. Public works expenditures comprised about 12.1% as compared to about 10.0% in the prior year. Current year public works costs were higher due to more adverse weather conditions as well as a new

methodology for allocating benefits. No other expense types were greater than 10% of total expenses in 2014 or 2013.

Business-type Activities - Major revenue sources consist of revenue from water and sewer user charges which represented almost 100% of total revenues. Water and sewer expenses represented 83.7% and 16.3% of total business-type expenses, respectively.

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$4.1 million, while total fund balance reached approximately \$4.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 19.9% of total general fund expenditures, while total fund balance represents approximately 21.2% of that same amount.

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$5.5 million. This was lower by \$5.2 million when compared to the prior year. This was due primarily to the payments to escrow agent from the Town's Debt Service Fund of about \$5.8 million as previously discussed.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer funds were approximately \$2.5 million and \$0.2 million, respectively.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to approximately \$22.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and reflects a decrease of approximately \$0.6 million as depreciation of approximately \$1.5 million was offset by additions of approximately \$0.9 million.

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

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$6.5 million which is fully accounted for as general obligation bonds within the governmental activities. The Town's debt in its business-type activities was not significant.

The Town's long-term debt in the governmental funds decreased by approximately \$6.3 million during the fiscal year. This was due to approximately \$5.8 million in payments to an escrow agent as a result of a refunding of debt that crossed fiscal years from 2013 to 2014. The remainder was due to regular scheduled maturities of debt.

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

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

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

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have stabilized over the past two years and now are approaching levels they were prior to the recession.
- The Town's real estate tax base is made up of approximately 74.3% residential real estate tax. Its commercial, industrial and personal property taxes make up the remainder of the tax base at 25.7%. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's housing market has stabilized from the recent downward trend; however, housing prices are still well below their 2005 peaks.
- In May 2014, the Town voted an initial general fund appropriation budget for fiscal year 2015 that was in balance. It is expected the tax rate will be certified prior to December 31, 2014.

The above items were considered when the Town developed its budget for fiscal year 2015.

Requests for Information

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

TOWN OF FREETOWN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,501,953	\$ 217,867	\$ 5,719,820
Receivables, net of allowance for uncollectibles:			
Property taxes	1,973,236	-	1,973,236
User fees	-	308,361	308,361
Special assessments		54,230	54,230
Departmental and other	184,022	-	184,022
Intergovernmental	4,476,584	-	4,476,584
Tax foreclosures	297,012	-	297,012
Capital assets, not being depreciated	1,566,092	-	1,566,092
Capital assets, net of depreciation	18,148,467	2,254,700	20,403,167
Total Assets	32,147,366	2,835,158	34,982,524
Deferred Outflows of Resources			
	-	-	-
Liabilities			
Current liabilities:			
Warrants and accounts payable	300,246	83,235	383,481
Noncurrent liabilities:			
Due in one year or less	1,091,843	15,000	1,106,843
Due in more than one year	11,348,074	59,000	11,407,074
Total Liabilities	12,740,163	157,235	12,897,398
Deferred Inflows of Resources			
	-	-	-
Net Position			
Net investment in capital assets	12,614,466	2,180,700	14,795,166
Restricted for:			
Nonexpendable permanent funds	383,568	-	383,568
MSBA grant	4,302,705	-	4,302,705
Other purposes	578,986	-	578,986
Unrestricted	1,527,478	497,223	2,024,701
Total Net Position	\$ 19,407,203	\$ 2,677,923	\$ 22,085,126

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

PERIOD ENDING JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 1,779,399	\$ 265,848	\$ 75,310	\$ -	\$ (1,438,241)		\$ (1,438,241)
Public safety	4,947,955	473,966	113,639	-	(4,360,350)		(4,360,350)
Education	11,547,778	6,000	957,269	-	(10,584,509)		(10,584,509)
Public works	2,624,872	332,636	455,918	379,904	(1,456,414)		(1,456,414)
Health and human services	524,754	60,290	253,498	-	(210,966)		(210,966)
Culture and recreation	175,623	336	12,330	-	(162,957)		(162,957)
Interest expense	100,761	-	95,607	-	(5,154)		(5,154)
Total Governmental Activities	21,701,142	1,139,076	1,963,571	379,904	(18,218,591)		(18,218,591)
<u>Business-Type Activities:</u>							
Sewer	111,615	195,733	-	-		84,118	84,118
Water	574,246	624,604	-	2,884		53,242	53,242
Total Primary Government	<u>\$ 22,387,003</u>	<u>\$ 1,959,413</u>	<u>\$ 1,963,571</u>	<u>\$ 382,788</u>	<u>(18,218,591)</u>	<u>137,360</u>	<u>(18,081,231)</u>
<u>General Revenues:</u>							
					15,784,981	-	15,784,981
						-	
					463,550	-	463,550
					1,833,211	-	1,833,211
					86,500	-	86,500
					4,579	-	4,579
					(10,030)	-	(10,030)
					33,010	(33,010)	-
					18,195,801	(33,010)	18,162,791
					(22,790)	104,350	81,560
					19,429,993	2,573,573	22,003,566
					<u>\$ 19,407,203</u>	<u>\$ 2,677,923</u>	<u>\$ 22,085,126</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,429,465	\$ -	\$ 1,072,488	\$ 5,501,953
Receivables, net of allowance				
Property taxes	1,973,236	-	-	1,973,236
Other	166,601	-	17,421	184,022
Due from other government	4,402,226	-	74,358	4,476,584
Tax foreclosures	297,012	-	-	297,012
Total Assets	<u>11,268,540</u>	<u>-</u>	<u>1,164,267</u>	<u>12,432,807</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 11,268,540</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,164,267</u></u>	<u><u>\$ 12,432,807</u></u>
Liabilities				
Warrants and accounts payable	\$ 263,748	\$ -	\$ 36,498	\$ 300,246
Total Liabilities	<u>263,748</u>	<u>-</u>	<u>36,498</u>	<u>300,246</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	1,945,490	-	-	1,945,490
Unavailable revenue - MSBA	4,302,756	-	-	4,302,756
Unavailable revenue - other	325,806	-	40,509	366,315
Total Deferred Inflows of Resources	<u>6,574,052</u>	<u>-</u>	<u>40,509</u>	<u>6,614,561</u>
Fund Balances				
Nonspendable	-	-	383,568	383,568
Restricted	-	-	703,692	703,692
Committed	283,681	-	-	283,681
Unassigned	4,147,059	-	-	4,147,059
Total Fund Balances	<u>4,430,740</u>	<u>-</u>	<u>1,087,260</u>	<u>5,518,000</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 11,268,540</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,164,267</u></u>	<u><u>\$ 12,432,807</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances	\$ 5,518,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,714,559
Other long-term assets are unavailable to pay for current-period expenditures	6,614,561
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(6,255,000)
Unamortized bond premiums	(237,022)
Capital lease obligations	(608,071)
Landfill monitoring	(336,000)
Compensated absences	(101,203)
Court judgments	(400,000)
Other postemployment benefits	(4,502,621)
Net Position of Governmental Activities	<u>\$ 19,407,203</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

	General	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes, net	\$ 15,472,538	\$ -	\$ -	\$ 15,472,538
Intergovernmental	2,861,992	-	629,629	3,491,621
Motor vehicle and other excises	1,732,739	-	-	1,732,739
License and permits	264,444	-	-	264,444
Departmental and other revenue	919,690	-	19	919,709
Penalties and interest on taxes	86,500	-	-	86,500
Fines and forfeitures	78,595	-	-	78,595
Investment income	4,524	-	55	4,579
Contributions and donations	-	-	90,424	90,424
Total Revenues	<u>21,421,022</u>	<u>-</u>	<u>720,127</u>	<u>22,141,149</u>
Expenditures:				
Current:				
General government	1,313,135	-	82,674	1,395,809
Public safety	3,187,585	-	192,770	3,380,355
Education	10,739,804	-	2,593	10,742,397
Public works	1,343,178	-	424,375	1,767,553
Health and human services	289,069	-	140,418	429,487
Culture and recreation	113,831	-	10,043	123,874
Pensions and other fringes	2,705,302	-	-	2,705,302
Court judgments	200,000	-	-	200,000
State and county tax assessments	228,390	-	-	228,390
Debt service:				
Principal payback	478,601	-	-	478,601
Interest expense	257,061	-	-	257,061
Total Expenditures	<u>20,855,956</u>	<u>-</u>	<u>852,873</u>	<u>21,708,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>565,066</u>	<u>-</u>	<u>(132,746)</u>	<u>432,320</u>
Other Financing Sources (Uses):				
Proceeds from capital lease financing	-	-	107,946	107,946
Payments to refunding escrow agent	-	(5,797,399)	-	(5,797,399)
Transfers in	39,763	-	-	39,763
Transfers out	-	-	(6,753)	(6,753)
Total Other Financing Sources (Uses)	<u>39,763</u>	<u>(5,797,399)</u>	<u>101,193</u>	<u>(5,656,443)</u>
Net Change in Fund Balances	604,829	(5,797,399)	(31,553)	(5,224,123)
Fund Balances - Beginning	<u>3,825,911</u>	<u>5,797,399</u>	<u>1,118,813</u>	<u>10,742,123</u>
Fund Balances - Ending	<u>\$ 4,430,740</u>	<u>\$ -</u>	<u>\$ 1,087,260</u>	<u>\$ 5,518,000</u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (5,224,123)**

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

Capital Outlays	\$ 869,389
Depreciation Expense	<u>(1,506,618)</u>

Net effect of reporting capital assets (637,229)

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

Proceeds from capital lease obligations	(107,946)
Amortization of bond premiums	30,614
Repayments of capital lease obligations	240,759
Payments to refunding escrow agent	5,797,399
Repayments of bonds and notes	<u>478,601</u>

Net effect of reporting long-term debt 6,439,427

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

125,686

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

(485,777)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Landfill monitoring	9,000
Court judgments	155,000
Compensated absences	(11,203)
Other postemployment benefits	<u>(393,571)</u>

Net effect of reporting long-term liabilities (240,774)

Change in Net Position of Governmental Activities **\$ (22,790)**

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Business-Type Activities		Total Enterprise Funds
	Sewer	Water	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 148,406	\$ 69,461	\$ 217,867
User fees, net of allowance	66,951	241,410	308,361
Special assessments	-	5,659	5,659
Total current assets	<u>215,357</u>	<u>316,530</u>	<u>531,887</u>
Noncurrent assets:			
Special assessments	-	48,571	48,571
Capital assets, net of depreciation	-	2,254,700	2,254,700
Total noncurrent assets	<u>-</u>	<u>2,303,271</u>	<u>2,303,271</u>
Total Assets	<u>215,357</u>	<u>2,619,801</u>	<u>2,835,158</u>
Liabilities:			
Current liabilities:			
Warrants payable and other liabilities	13,393	69,842	83,235
Bond indebtedness	-	15,000	15,000
Total current liabilities	<u>13,393</u>	<u>84,842</u>	<u>98,235</u>
Noncurrent liabilities:			
Bond indebtedness	-	59,000	59,000
Total noncurrent liabilities	<u>-</u>	<u>59,000</u>	<u>59,000</u>
Total Liabilities	<u>13,393</u>	<u>143,842</u>	<u>157,235</u>
Net Position:			
Net investment in capital assets	-	2,180,700	2,180,700
Unrestricted	<u>201,964</u>	<u>295,259</u>	<u>497,223</u>
Total Net Position	<u><u>\$ 201,964</u></u>	<u><u>\$ 2,475,959</u></u>	<u><u>\$ 2,677,923</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities		
	Sewer	Water	Total Enterprise Funds
Operating Revenues:			
Usage charges	\$ 195,637	\$ 624,604	\$ 820,241
Other fees	96	-	96
Total Operating Revenues	<u>195,733</u>	<u>624,604</u>	<u>820,337</u>
Operating Expenses:			
Operating costs	111,615	495,702	607,317
Depreciation	-	72,759	72,759
Total Operating Expenses	<u>111,615</u>	<u>568,461</u>	<u>680,076</u>
Total Operating Income	<u>84,118</u>	<u>56,143</u>	<u>140,261</u>
Nonoperating Income (Expenses):			
Special assessments	-	2,884	2,884
Interest expense	-	(5,785)	(5,785)
Total Nonoperating Revenues (Expenses), net	<u>-</u>	<u>(2,901)</u>	<u>(2,901)</u>
Income (Loss) Before Transfers	<u>84,118</u>	<u>53,242</u>	<u>137,360</u>
Transfers out	<u>(1,474)</u>	<u>(31,536)</u>	<u>(33,010)</u>
Change in Net Position	<u>82,644</u>	<u>21,706</u>	<u>104,350</u>
Net Position - Beginning, as restated	<u>119,320</u>	<u>2,454,253</u>	<u>2,573,573</u>
Net Position - Ending	<u><u>\$ 201,964</u></u>	<u><u>\$ 2,475,959</u></u>	<u><u>\$ 2,677,923</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities		
	Sewer	Water	Total Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from users	\$ 185,452	\$ 514,585	\$ 700,037
Payments to vendors	(169,045)	(456,513)	(625,558)
Payments to employees	-	(62,240)	(62,240)
Net Cash Provided by Operating Activities	16,407	(4,168)	12,239
Cash Flows from Noncapital Related Financing Activities:			
Transfers out	(1,474)	(31,536)	(33,010)
Net Cash Used for Noncapital Related Financing Activities	(1,474)	(31,536)	(33,010)
Cash Flows from Capital and Related Financing Activities:			
Special assessments	-	10,884	10,884
Principal payments on bonds	-	(15,000)	(15,000)
Interest expense	-	(5,785)	(5,785)
Net Cash Used for Capital and Related Financing Activities	-	(9,901)	(9,901)
Net Change in Cash and Cash Equivalents	14,933	(45,605)	(30,672)
Cash and Cash Equivalents:			
Beginning of year	133,473	115,066	248,539
End of year	<u><u>\$ 148,406</u></u>	<u><u>\$ 69,461</u></u>	<u><u>\$ 217,867</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 84,118	\$ 56,143	\$ 140,261
Depreciation	-	72,759	72,759
Changes in assets and liabilities:			
Receivables (net)	(10,281)	(110,019)	(120,300)
Liabilities (net)	(57,430)	(23,051)	(80,481)
Net Cash Provided From Operating Activities	<u><u>\$ 16,407</u></u>	<u><u>\$ (4,168)</u></u>	<u><u>\$ 12,239</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 100,001	\$ 14,850	\$ 72,276
Receivables:			
Departmental	-	-	50,688
Total Assets	<u>100,001</u>	<u>14,850</u>	<u>122,964</u>
Liabilities:			
Warrants and accounts payables	-	-	33,655
Other liabilities	-	-	89,309
Total Liabilities	<u>-</u>	<u>-</u>	<u>122,964</u>
Net Position:			
Held in trust for:			
Other post employment benefits	100,001	-	-
Private purposes	-	14,850	-
Total Net Position	<u><u>\$ 100,001</u></u>	<u><u>\$ 14,850</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u>Trust Fund</u>	<u>Trust Funds</u>
ADDITIONS		
Contributions:		
Employer	\$ 727,594	\$ -
Employee	627,594	-
Private donations	-	109
Total contributions	<u>1,355,188</u>	<u>109</u>
Investment income:		
Interest and dividends	<u>1</u>	<u>346</u>
Net investment earnings	<u>1</u>	<u>346</u>
Total Additions	<u>1,355,189</u>	<u>455</u>
DEDUCTIONS		
Life and health insurance premiums paid for retirees	<u>1,255,188</u>	<u>-</u>
Total Deductions	<u>1,255,188</u>	<u>-</u>
CHANGE IN NET POSITION	100,001	455
NET POSITION AT BEGINNING OF YEAR	<u>-</u>	<u>14,395</u>
NET POSITION AT END OF YEAR	<u><u>\$ 100,001</u></u>	<u><u>\$ 14,850</u></u>

See accompanying notes to basic financial statements.

TOWN OF FREETOWN, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

The Town is a member community of the Freetown-Lakeville Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2014, the Town's share of the operating and debt service expenses was \$9,054,088. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 98 Howland Road, Lakeville, MA 02347.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

Debt Service Fund – is used to account for debt refunding activities that occurred in fiscal years 2013 and 2014.

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

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

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

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

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

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

The government reports the following major proprietary fund:

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

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

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

The government reports the following fiduciary funds:

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

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

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

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

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

Investments for the Town are reported at fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$2,155,117 at June 30, 2014 and is reported as unassigned fund balance in the General Fund.

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

The Town reports \$281,558 of encumbrances from Town Meeting votes in the general fund as committed. The Town does not report any encumbrances from normal purchasing activity at June 30, 2014.

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

	General	Nonmajor Governmental Funds	Total
Nonspendable:			
Nonexpendable trust funds	\$ -	\$ 383,568	\$ 383,568
Restricted:			
General government	-	231,196	231,196
Public safety	-	97,476	97,476
Public works	-	110,190	110,190
Health and human services	-	146,621	146,621
Culture and recreation	-	118,209	118,209
Committed:			
General government	222,667	-	222,667
Other purposes	61,014	-	61,014
Unassigned	4,147,059	-	4,147,059
	<u>\$ 4,430,740</u>	<u>\$ 1,087,260</u>	<u>\$ 5,518,000</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice costs by \$189,632. These over-expenditures will be funded through available funds during fiscal year 2015.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets,

certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's deposit policy for custodial risk states the Town's objectives include diversification of accounts and prudent selection of investment instruments, and choice of bank or brokerage house. At year-end, the carrying amount of the Town's deposits was \$5,906,614 and the bank balance was \$6,222,379. Of the Town's bank balance, \$2,203,162 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

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

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 822,884	\$ -	\$ 822,884
Tax liens	962,661	-	962,661
Motor Vehicle and other excise taxes	187,691	-	187,691
Ambulance	308,888	(173,947)	134,941
Departmental and other	49,081	-	49,081
Intergovernmental	4,476,584	-	4,476,584
Total	<u>\$ 6,807,789</u>	<u>\$ (173,947)</u>	<u>\$ 6,633,842</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 241,410	\$ -	\$ 241,410
Water special assessments	54,230	-	54,230
Sewer user fees	66,951	-	66,951
Total	<u>\$ 362,591</u>	<u>\$ -</u>	<u>\$ 362,591</u>

School Building Assistance Reimbursement – As of June 30, 2014, the Town expects to receive the balance of grants from the Commonwealth of Massachusetts totaling \$4,794,730 that are applicable to approved school construction costs which includes both principal and interest. These costs are reimbursed to the Town in equal installments over the life of the related bond issues and are subject to appropriation only by the State Legislature. In the Governmental funds, a receivable totaling \$4,302,705 under the caption Intergovernmental has been recorded in the General Fund which represents the reimbursable portion of the principal balance as of June 30, 2014.

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

	Transfers In General Fund	
Transfers Out		
Nonmajor Governmental Funds	6,753	(1)
Water Enterprise Fund	31,536	(2)
Sewer Enterprise Fund	1,474	(2)
Total	<u>\$ 39,763</u>	

(1) Represents budgeted transfers from other available funds to the general fund.

(2) Represents budget transfers from the enterprise funds for employee benefits and indirect cost.

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 1,402,468	\$ 3,077	\$ -	\$ 1,405,545
Construction in Progress	10,030	160,547	(10,030)	160,547
Total capital assets not being depreciated	1,412,498	163,624	(10,030)	1,566,092
Capital assets being depreciated:				
Land Improvements	113,007	49,642	-	162,649
Building and building improvements	11,113,985	181,492	-	11,295,477
Machinery and equipment	1,388,892	6,143	-	1,395,035
Vehicles	3,397,614	129,795	-	3,527,409
Infrastructure	27,100,084	348,723	-	27,448,807
Total capital assets being depreciated	43,113,582	715,795	-	43,829,377
Less accumulated depreciation for:				
Land Improvements	(113,007)	(1,241)	-	(114,248)
Building	(3,946,030)	(263,482)	-	(4,209,512)
Machinery and equipment	(852,029)	(99,119)	-	(951,148)
Vehicles	(2,294,061)	(257,895)	-	(2,551,956)
Infrastructure	(16,969,165)	(884,881)	-	(17,854,046)
Total accumulated depreciation	(24,174,292)	(1,506,618)	-	(25,680,910)
Total capital assets being depreciated, net	18,939,290	(790,823)	-	18,148,467
Governmental activities capital assets, net	\$ 20,351,788	\$ (627,199)	\$ (10,030)	\$ 19,714,559
<u><i>Business-Type Activities:</i></u>				
Capital assets being depreciated:				
Infrastructure	\$ 3,589,899	\$ -	\$ -	\$ 3,589,899
Machinery and equipment	25,325	-	-	25,325
Total capital assets being depreciated	3,615,224	-	-	3,615,224
Less accumulated depreciation for:				
Infrastructure	(1,262,440)	(72,759)	-	(1,335,199)
Machinery and equipment	(25,325)	-	-	(25,325)
Total accumulated depreciation	(1,287,765)	(72,759)	-	(1,360,524)
Total capital assets being depreciated, net	2,327,459	(72,759)	-	2,254,700
Business-type activities capital assets, net	\$ 2,327,459	\$ (72,759)	\$ -	\$ 2,254,700

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 26,602	Water	\$ 72,759
Public safety	245,449		
Education	242,387	Total Business-Type Activities	<u>\$ 72,759</u>
Public Works	989,432		
Health and Human Services	2,568		
Total Governmental Activities	<u>\$ 1,506,438</u>		

E. Leases

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

Assets acquired through capital leases are as follows:

	<u>Amount</u>
<i>Assets:</i>	
Vehicles and equipment	\$ 1,216,036
Less: accumulated depreciation	<u>(297,230)</u>
Total	<u>\$ 918,806</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2014, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 240,556
2016	182,339
2017	101,941
2018	65,910
2019	<u>65,910</u>
Total minimum lease payments	656,656
Less: amounts representing interest	<u>(48,585)</u>
Present value of minimum lease payments	<u>\$ 608,071</u>

F. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. There were no temporary notes outstanding at any time during the year ended June 30, 2014.

G. Long-Term Obligations

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

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

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note indebtedness	\$ 12,531,000	\$ -	\$ (6,276,000)	\$ 6,255,000	\$ 585,000
Unamortized bond premium	267,636	-	(30,614)	237,022	43,835
Capital lease obligations	740,884	107,946	(240,759)	608,071	217,828
Landfill closure	345,000	-	(9,000)	336,000	30,000
Compensated absences	90,000	20,203	(9,000)	101,203	15,180
Court judgments	555,000	45,000	(200,000)	400,000	200,000
Other postemployment benefits	4,109,050	1,021,165	(627,594)	4,502,621	-
Total Governmental Activities	<u>\$ 18,638,570</u>	<u>\$ 1,194,314</u>	<u>\$ (7,392,967)</u>	<u>\$ 12,439,917</u>	<u>\$ 1,091,843</u>
Business-type Activities:					
Long-term bonds and notes	\$ 89,000	\$ -	\$ (15,000)	\$ 74,000	\$ 15,000
Total Business-type Activities	<u>\$ 89,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 74,000</u>	<u>\$ 15,000</u>
Total Long-term Obligations	<u>\$ 18,727,570</u>	<u>\$ 1,194,314</u>	<u>\$ (7,407,967)</u>	<u>\$ 12,513,917</u>	<u>\$ 1,106,843</u>

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

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2014:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities</u></i>					
General Obligation Bonds	2.0 - 4.0%	\$ 6,916,000	\$ -	\$ (6,276,000)	\$ 640,000
Redfunding Bonds	2.00%	5,615,000	-	-	5,615,000
Total Governmental Activities		12,531,000	-	(6,276,000)	6,255,000
Add: Unamortized Premium		267,636	-	(30,614)	237,022
Total Governmental Activities, net		<u>\$ 12,798,636</u>	<u>\$ -</u>	<u>\$ (6,306,614)</u>	<u>\$ 6,492,022</u>
<i><u>Business-Type Activities</u></i>					
State House Notes	6.50%	\$ 89,000	\$ -	\$ (15,000)	\$ 74,000
Total Business-Type Activities		<u>\$ 89,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 74,000</u>
Total Bond and Note Debt		<u>\$ 12,887,636</u>	<u>\$ -</u>	<u>\$ (6,321,614)</u>	<u>\$ 6,566,022</u>

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 585,000	\$ 119,250	\$ 704,250
2016	600,000	107,400	707,400
2017	605,000	95,350	700,350
2018	615,000	83,150	698,150
2019	625,000	70,750	695,750
2020 - 2024	3,225,000	160,650	3,385,650
Total	<u>\$ 6,255,000</u>	<u>\$ 636,550</u>	<u>\$ 6,891,550</u>

Year Ending June 30,	Business-type Activities - Water		
	Principal	Interest	Total
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
2020	14,750		
Total	<u>\$ 74,000</u>	<u>\$ 14,398</u>	<u>\$ 88,398</u>

III. Other Information

A. Retirement System

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

The BCRS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the BCRB and are borne by the BCRS. The BCRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC) that includes financial statements and required supplementary information. The report may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA 02780.

Funding Policy – Plan members are required to contribute to the BCRS at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the BCRS for its share of the system-wide actuarial determined contribution that 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 BCRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$766,476, \$781,306; and \$754,176 respectively, which equaled its required contribution for each year.

The schedules of funding progress and contribution funding are included 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 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.

B. Massachusetts Teachers' Retirement System

Teachers and certain administrative employees of the Town's previous School Department (prior to creation of the Freetown-Lakeville Regional School District) participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$559,777 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. 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.

D. Other Postemployment Benefits (OPEB)

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

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

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

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

Annual required contribution (ARC)	\$ 1,049,306
Interest on net OPEB obligation	164,362
Adjustment to ARC	<u>(192,503)</u>
Annual OPEB cost	1,021,165
Contributions made	<u>(627,594)</u>
Increase in net OPEB obligation	393,571
Net OPEB obligation at beginning of year	<u>4,109,050</u>
Net OPEB obligation at end of year	<u><u>\$ 4,502,621</u></u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,021,165	62%	\$ 4,502,621
June 30, 2013	\$ 1,005,093	61%	\$ 4,109,050
June 30, 2012	\$ 988,939	57%	\$ 3,712,112

The AOPEBC at June 30, 2014 was charged to the following functional programs: General Government \$196,197; Public Safety \$655,832; Education \$1,295; Public Works \$106,128; Health and Human Services \$40,902; and Culture and Recreation \$20,811.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2014 for the most recent actuarial valuation performed as of July 1, 2011, was as follows:

Actuarial value of plan assets	\$ -
Actuarial accrued liability (AAL)	\$ 14,591,426
Unfunded actuarial accrued liability (UAAL)	\$ 14,591,426
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (annually payroll of active employees covered by the plan)	Not available
UAAL as a percentage of covered payroll	Not available

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

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

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

Valuation date:	July 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period:	24 years at June 30, 2014
Interest discount rate:	4.0%
Inflation rate:	3.5%
Healthcare/Medical cost trend rate:	7.0%, grading down to 5.0% in year 2015 and thereafter

- E. Commitments and Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2014.

In November 2005, the Town entered into a settlement agreement to resolve an ongoing legal matter. The settlement agreement called for the Town to pay \$2,250,000 to the plaintiff over an eleven year period. The first payment totaled \$250,000 and was due within fifteen days of the signing of the agreement. Future payments are due annually and total \$200,000 per year through fiscal year 2016. The remaining payments totaling \$400,000 have been recorded as a court judgment liability in the governmental activities at June 30, 2014.

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

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

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$336,000 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Implementation of New GASB Pronouncements

Current Year Implementation

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of GASB 65 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial*

Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of GASB 66 became effective for the District in fiscal year 2014 and did not have a material effect on its financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of GASB 67 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the Town in fiscal year 2014 and did not have a material effect on its financial statements.

Future Year Implementation

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (fiscal year 2015). The Town believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

15, 2014 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatement

The prior period ending net position of the governmental activities has been decreased by \$602,074 from \$20,032,067 to \$19,429,993. This is the result of an adjustment to the MSBA receivable.

The prior period ending net position of the sewer enterprise fund has been increased by \$14,088 from \$105,232 to \$119,320. This is the result of recognizing a revenue accrual for unbilled user charges of \$56,669, which was reduced by an expenditure accrual totaling \$42,582 for unpaid invoices.

The prior period ending net position of the water enterprise fund has been increased by \$52,858 from \$2,401,395 to \$2,454,253. This is the result of recognizing a revenue accrual for unbilled user charges of \$102,012, which was reduced by an expenditure accrual totaling \$49,154 for unpaid invoices.

As a result of these restatements, the prior period ending net position of the business-type activities has been increased from \$2,506,627 to \$2,573,573.

TOWN OF FREETOWN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
01/01/12	\$ 460,572,977	\$ 776,734,414	\$ 316,161,437	59.3%	\$ 137,231,288	230.4%
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%

Other Postemployment Benefits

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

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended June 30,	Bristol County Contributory Retirement System			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2014	\$ 31,070,816	\$ 31,070,816	100%	\$ 766,476	2.5%
2013	29,709,917	29,709,917	100%	781,306	2.6%
2012	27,049,058	27,049,058	100%	754,176	2.8%

Other Postemployment Benefits

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

See accompanying independent auditor's report.

TOWN OF FREETOWN, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
REVENUES						
Real estate and personal property taxes, net	\$ 15,328,296	\$ 15,328,296	\$ 15,407,337	\$ -	\$ 15,407,337	\$ 79,041
Intergovernmental	2,050,927	2,050,927	2,202,745	-	2,202,745	151,818
Motor vehicle and other excises	1,302,500	1,302,500	1,732,739	-	1,732,739	430,239
License and permits	390,000	390,000	264,444	-	264,444	(125,556)
Departmental and other revenue	904,100	904,100	918,477	-	918,477	14,377
Penalties and interest on taxes	75,000	75,000	86,500	-	86,500	11,500
Fines and forfeitures	50,000	50,000	78,595	-	78,595	28,595
Investment income	2,000	2,000	3,286	-	3,286	1,286
Total Revenues	20,102,823	20,102,823	20,694,123	-	20,694,123	591,300
EXPENDITURES						
General government	1,551,793	1,615,260	1,313,135	222,667	1,535,802	79,458
Public safety	3,368,832	3,407,309	3,187,585	20,000	3,207,585	199,724
Education	10,894,106	10,894,106	10,739,804	2,508	10,742,312	151,794
Public works	1,195,083	1,224,045	1,343,178	21,383	1,364,561	(140,516)
Health and human services	286,511	305,242	289,069	-	289,069	16,173
Culture and recreation	130,695	130,695	113,831	15,000	128,831	1,864
State and county tax assessments	232,151	232,151	228,390	-	228,390	3,761
Pension and other fringe benefits	2,191,843	2,191,843	2,045,525	-	2,045,525	146,318
Court judgments	200,000	200,000	200,000	-	200,000	-
Debt service	783,965	783,965	735,662	-	735,662	48,303
Total Expenditures	20,834,979	20,984,616	20,196,179	\$ 281,558	20,477,737	506,879
OTHER FINANCING SOURCES (USES)						
Transfers in	33,010	37,010	40,976		40,976	3,966
Transfers out	(580,000)	(1,370,000)	(1,370,000)		(1,370,000)	-
Total Other Financing Sources (Uses)	(546,990)	(1,332,990)	(1,329,024)		(1,329,024)	3,966
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(1,279,146)	(2,214,783)	\$ (831,080)		\$ (1,112,638)	\$ 1,102,145
Other Budgetary Items:						
Undesignated surplus (free cash)	958,392	1,894,029				
Prior year encumbrances	475,600	475,600				
Prior year snow and ice deficit	(153,413)	(153,413)				
Other amounts raised	(1,433)	(1,433)				
	\$ -	\$ -				

See accompanying independent auditor's report.

See accompanying notes to required supplementary information.

TOWN OF FREETOWN, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2014

I. Budgetary Basis of Accounting

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2014, Town Meeting approved approximately \$150,000 in additional departmental appropriations from the original approved budget.

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

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2014, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 20,694,123
Stabilization investment income	-	1,238	1,238
Agency transfers	-	1,213	1,213
On-behalf payments by other government	559,777	-	559,777
Change in recording accrued revenue	164,671	-	164,671
Revenues on a GAAP basis	<u>\$ 724,448</u>	<u>\$ 2,451</u>	<u>\$ 21,421,022</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 20,196,179
Other post employment trust transfers	-	100,000	100,000
On-behalf payments by other government	559,777	-	559,777
Expenditures on a GAAP basis	<u>\$ 559,777</u>	<u>\$ 100,000</u>	<u>\$ 20,855,956</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ (1,329,024)
Stabilization transfers	-	1,270,000	1,270,000
Agency transfers	-	(1,213)	(1,213)
Other post employment trust transfers	-	100,000	100,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,368,787</u>	<u>\$ 39,763</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Freetown, Massachusetts (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 30, 2014