

TOWN OF FREETOWN, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2009

TOWN OF FREETOWN, MASSACHUSETTS
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JUNE 30, 2009

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Freetown, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Freetown, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freetown, Massachusetts, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2010, on our consideration of the Town of Freetown, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, schedule of funding progress, and schedule of employer contributions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

April 23, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Freetown, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The assets of the Town of Freetown exceeded its liabilities at the close of the most recent fiscal year by \$21.3 million (net assets).
- Of this amount, 2% or \$450,000 (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$625,000 a decrease of approximately \$92,000 in comparison with the prior year. Total fund balance represents 3% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$401,000 during the current fiscal year. This was due to principal payments on outstanding debt.
- The Town implemented GASB Statement #45 which resulted in the recognition of post-employment health care liabilities totaling \$1.2 million.

Overview of the Financial Statements

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Freetown's assets exceeded liabilities by \$21.3 million at the close of FY2009.

Net assets of \$20.1 million (94%) reflects its investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$739,000 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$450,000 (2%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities

The Town of Freetown's assets exceeded liabilities for governmental activities by \$18.6 million at the close of Fiscal 2009.

	FY 2009 Governmental Activities	FY 2008 Governmental Activities	Increase (Decrease)
Assets:			
Current assets.....	\$ 5,232,959	\$ 4,841,443	\$ 391,516
Noncurrent assets (excluding capital).....	6,651,762	7,079,180	(427,418)
Capital assets.....	<u>18,563,795</u>	<u>18,814,855</u>	<u>(251,060)</u>
Total assets.....	<u>30,448,516</u>	<u>30,735,478</u>	<u>(286,962)</u>
Liabilities:			
Current liabilities (excluding debt).....	1,100,427	1,054,421	46,006
Noncurrent liabilities (excluding debt).....	2,875,323	1,830,000	1,045,323
Current debt.....	395,000	380,000	15,000
Noncurrent debt.....	<u>7,485,000</u>	<u>7,880,000</u>	<u>(395,000)</u>
Total liabilities.....	<u>11,855,750</u>	<u>11,144,421</u>	<u>711,329</u>
Net Assets:			
Capital assets net of related debt.....	17,762,975	18,056,747	(293,772)
Restricted.....	739,130	1,039,336	(300,206)
Unrestricted.....	<u>90,661</u>	<u>494,974</u>	<u>(404,313)</u>
Total net assets.....	<u>\$ 18,592,766</u>	<u>\$ 19,591,057</u>	<u>\$ (998,291)</u>
Program revenues:			
Charges for services.....	\$ 1,467,599	\$ 1,279,076	\$ 188,523
Operating grants and contributions.....	2,731,833	2,690,147	41,686
Capital grants and contributions.....	311,739	311,334	405
General Revenues:			
Real estate and personal property taxes.....	13,540,778	12,931,494	609,284
Motor vehicle and other excise taxes.....	1,424,429	1,536,615	(112,186)
Penalties and interest on taxes.....	127,253	73,537	53,716
Payments in lieu of taxes.....	7,241	10,030	(2,789)
Fines and forfeitures.....	62,167	71,295	(9,128)
Grants and contributions not restricted to specific programs.....	1,403,704	1,483,618	(79,914)
Unrestricted investment income.....	27,525	63,898	(36,373)
Other revenues.....	<u>236,429</u>	<u>113,406</u>	<u>123,023</u>
Total revenues.....	<u>21,340,697</u>	<u>20,564,450</u>	<u>776,247</u>
Expenses:			
General government.....	1,647,050	1,590,402	56,648
Public safety.....	3,953,860	3,790,103	163,757
Education.....	14,139,814	13,534,191	605,623
Public works.....	1,892,092	1,751,949	140,143
Human services.....	223,949	221,146	2,803
Culture and recreation.....	139,993	163,678	(23,685)
Interest.....	<u>342,230</u>	<u>358,554</u>	<u>(16,324)</u>
Total expenses.....	<u>22,338,988</u>	<u>21,410,023</u>	<u>928,965</u>
Change in net assets.....	<u>\$ (998,291)</u>	<u>\$ (845,573)</u>	<u>\$ (152,718)</u>

The governmental expenses totaled \$22.3 million of which \$4.5 million (20%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$16.8 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

The governmental net assets decreased by approximately \$998,000 during the current fiscal year. This was primarily due to the implementation of GASB Statement #45, which required the recognition of a \$1.2 million liability for Other Post-Employment Benefits (OPEB) and was offset by the recognition of \$312,000 of capital grant proceeds for street improvements.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.7 million at the close of Fiscal 2009.

	FY 2009 Business-type Activities	FY 2008 Business-type Activities	Increase (Decrease)
Assets:			
Current assets.....	\$ 442,821	\$ 346,061	\$ 96,760
Noncurrent assets (excluding capital).....	79,387	92,311	(12,924)
Capital assets.....	2,616,569	2,688,365	(71,796)
Total assets.....	3,138,777	3,126,737	12,040
Liabilities:			
Current liabilities (excluding debt).....	163,407	8,369	155,038
Current debt.....	59,277	34,912	24,365
Noncurrent debt.....	234,447	293,725	(59,278)
Total liabilities.....	457,131	337,006	120,125
Net Assets:			
Capital assets net of related debt.....	2,322,845	2,359,728	(36,883)
Unrestricted.....	358,801	430,003	(71,202)
Total net assets.....	\$ 2,681,646	\$ 2,789,731	\$ (108,085)
Program revenues:			
Charges for services.....	\$ 475,174	\$ 601,492	\$ (126,318)
Capital grants and contributions.....	-	626	(626)
Total revenues.....	475,174	602,118	(126,944)
Expenses:			
Water.....	583,259	518,201	65,058
Change in net assets.....	\$ (108,085)	\$ 83,917	\$ (192,002)

Business-type net assets of \$2.3 million (87%) represent the investment in capital assets while \$359,000 (13%) is unrestricted. The Town's business-type activities net assets decreased by \$108,000 in the current fiscal year, which is primarily due to a decrease in water consumption.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2.5 million, of which \$625,000 is for the general fund, \$412,000 is for the stabilization fund and \$1.5 million is for non-major governmental funds. Cumulatively there was an increase of \$455,000 in fund balances from the prior year that is comprised of a \$92,000 decrease in the general fund, a \$352,000 increase in the stabilization fund and a \$195,000 increase in the other major non-major funds.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$508,000, while total fund balance is \$625,000. Reservations of fund balance for encumbrances and continuing appropriations totaled \$117,000. Unreserved fund balance represents 3.2% of total general fund expenditures, while total fund balance represents 2.6% of that same amount.

The Town's general fund decreased by \$92,000 in fiscal 2009, which was primarily due to a \$384,000 interfund transfer to the stabilization fund, that was offset by the results of general fund operations.

The stabilization fund increased by \$352,000 in fiscal 2009, which was due to an interfund transfer from the general fund.

General Fund Budgetary Highlights

The \$549,000 increase between the original budget and the final amended budget was primarily due to increases in interfund transfers, and the general government and public works budgets.

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, 2009, amounts to \$21.2 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current year was approximately \$323,000.

The major governmental capital asset events during the current fiscal year consisted of road construction, the purchase of police cruisers, an ambulance, computers and accounting software.

Debt Administration. Outstanding long-term debt of the general government, as of June 30, 2009, totaled \$7.9 million to finance school construction projects.

The water enterprise fund had outstanding long-term debt totaling \$263,000 to finance water infrastructure projects.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Freetown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 3 North Main Street, PO Box 438, Assonet, Massachusetts 02702.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 2,927,791	\$ 247,537	\$ 3,175,328
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	660,699	-	660,699
Tax liens.....	360,623	-	360,623
Motor vehicle and other excise taxes.....	154,747	-	154,747
Water fees.....	-	97,727	97,727
Departmental and other.....	169,820	78,552	248,372
Special assessments.....	-	19,005	19,005
Intergovernmental.....	683,352	-	683,352
Tax foreclosures.....	275,927	-	275,927
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	79,387	79,387
Intergovernmental.....	6,651,762	-	6,651,762
Capital assets, nondepreciable.....	1,384,460	-	1,384,460
Capital assets, net of accumulated depreciation.....	<u>17,179,335</u>	<u>2,616,569</u>	<u>19,795,904</u>
TOTAL ASSETS.....	<u>30,448,516</u>	<u>3,138,777</u>	<u>33,587,293</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	598,972	163,407	762,379
Accrued payroll.....	81,829	-	81,829
Accrued interest.....	131,875	-	131,875
Payroll withholdings.....	90,682	-	90,682
Other liabilities.....	1,069	-	1,069
Capital lease obligations.....	-	15,839	15,839
Landfill closure.....	30,000	-	30,000
Compensated absences.....	14,000	-	14,000
Court judgments.....	152,000	-	152,000
Bonds and notes payable.....	395,000	43,438	438,438
NONCURRENT:			
Capital lease obligations.....	-	14,447	14,447
Landfill closure.....	477,000	-	477,000
Compensated absences.....	128,000	-	128,000
Court judgments.....	1,048,000	-	1,048,000
Other post-employment benefits.....	1,222,323	-	1,222,323
Bonds and notes payable.....	<u>7,485,000</u>	<u>220,000</u>	<u>7,705,000</u>
TOTAL LIABILITIES.....	<u>11,855,750</u>	<u>457,131</u>	<u>12,312,881</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	17,762,975	2,322,845	20,085,820
Restricted for:			
Permanent funds:			
Expendable.....	119,633	-	119,633
Nonexpendable.....	333,503	-	333,503
Gifts and grants.....	285,994	-	285,994
Unrestricted.....	<u>90,661</u>	<u>358,801</u>	<u>449,462</u>
TOTAL NET ASSETS.....	<u>\$ 18,592,766</u>	<u>\$ 2,681,646</u>	<u>\$ 21,274,412</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,647,050	\$ 141,427	\$ 34,946	\$ -	\$ (1,470,677)
Public safety.....	3,953,860	361,247	107,419	5,296	(3,479,898)
Education.....	14,139,814	562,897	2,396,414	-	(11,180,503)
Public works.....	1,892,092	312,003	57,045	306,443	(1,216,601)
Human services.....	223,949	76,880	16,189	-	(130,880)
Culture and recreation.....	139,993	13,145	13,010	-	(113,838)
Interest.....	342,230	-	106,810	-	(235,420)
Total Governmental Activities...	<u>22,338,988</u>	<u>1,467,599</u>	<u>2,731,833</u>	<u>311,739</u>	<u>(17,827,817)</u>
<i>Business-Type Activities:</i>					
Water.....	<u>583,259</u>	<u>475,174</u>	<u>-</u>	<u>-</u>	<u>(108,085)</u>
Total Primary Government.....	<u>\$ 22,922,247</u>	<u>\$ 1,942,773</u>	<u>\$ 2,731,833</u>	<u>\$ 311,739</u>	<u>\$ (17,935,902)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page....	\$ (17,827,817)	\$ (108,085)	\$ (17,935,902)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	13,540,778	-	13,540,778
Tax liens.....	118,484	-	118,484
Motor vehicle and other excise taxes.....	1,424,429	-	1,424,429
Penalties and interest on taxes.....	127,253	-	127,253
Payments in lieu of taxes.....	7,241	-	7,241
Fines and forfeitures.....	62,167	-	62,167
Grants and contributions not restricted to specific programs.....	1,403,704	-	1,403,704
Unrestricted investment income.....	27,525	-	27,525
Miscellaneous.....	117,945	-	117,945
Total general revenues and transfers.....	16,829,526	-	16,829,526
 Change in net assets.....	 (998,291)	 (108,085)	 (1,106,376)
<i>Net Assets:</i>			
Beginning of year.....	19,591,057	2,789,731	22,380,788
 End of year.....	 \$ 18,592,766	 \$ 2,681,646	 \$ 21,274,412

(Concluded)

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

ASSETS	<u>General</u>	<u>Stabilization Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 1,112,073	\$ 412,267	\$ 1,403,451	\$ 2,927,791
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	660,699	-	-	660,699
Tax liens.....	360,623	-	-	360,623
Motor vehicle and other excise taxes.....	154,747	-	-	154,747
Departmental and other.....	168,749	-	1,071	169,820
Intergovernmental.....	7,079,180	-	255,934	7,335,114
Tax foreclosures.....	<u>275,927</u>	<u>-</u>	<u>-</u>	<u>275,927</u>
TOTAL ASSETS.....	<u>\$ 9,811,998</u>	<u>\$ 412,267</u>	<u>\$ 1,660,456</u>	<u>\$ 11,884,721</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 424,070	\$ -	\$ 174,902	\$ 598,972
Accrued payroll.....	81,829	-	-	81,829
Payroll withholdings.....	72,355	-	18,327	90,682
Other liabilities.....	-	-	1,069	1,069
Deferred revenues.....	<u>8,608,548</u>	<u>-</u>	<u>1,071</u>	<u>8,609,619</u>
TOTAL LIABILITIES.....	<u>9,186,802</u>	<u>-</u>	<u>195,369</u>	<u>9,382,171</u>
 FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations...	117,067	-	-	117,067
Perpetual permanent funds.....	-	-	333,503	333,503
Unreserved:				
Undesignated, reported in:				
General fund.....	508,129	-	-	508,129
Special revenue funds.....	-	412,267	1,011,951	1,424,218
Permanent funds.....	<u>-</u>	<u>-</u>	<u>119,633</u>	<u>119,633</u>
TOTAL FUND BALANCES.....	<u>625,196</u>	<u>412,267</u>	<u>1,465,087</u>	<u>2,502,550</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 9,811,998</u>	<u>\$ 412,267</u>	<u>\$ 1,660,456</u>	<u>\$ 11,884,721</u>

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances.....		\$ 2,502,550
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		18,563,795
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,609,619
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(131,875)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....	(7,880,000)	
Landfill closure.....	(507,000)	
Compensated absences.....	(142,000)	
Court judgement liability.....	(1,200,000)	
Other post-employment benefits.....	<u>(1,222,323)</u>	
Net effect of reporting long-term liabilities.....		<u>(10,951,323)</u>
Net assets of governmental activities.....		<u>\$ 18,592,766</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization Fund	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 13,520,709	\$ -	\$ -	\$ -	\$ 13,520,709
Tax liens.....	23,113	-	-	-	23,113
Motor vehicle and other excise taxes.....	1,378,291	-	-	-	1,378,291
Penalties and interest on taxes.....	127,253	-	-	-	127,253
Fees and rentals.....	707,401	-	-	571,326	1,278,727
Payments in lieu of taxes.....	7,241	-	-	-	7,241
Licenses and permits.....	133,611	-	-	-	133,611
Fines and forfeitures.....	62,167	-	-	-	62,167
Intergovernmental.....	3,759,257	-	162,678	1,186,509	5,108,444
Departmental and other.....	-	-	-	9,590	9,590
Contributions.....	-	-	-	62,845	62,845
Investment income.....	27,524	3,814	-	14,745	46,083
Miscellaneous.....	118,513	-	-	-	118,513
TOTAL REVENUES.....	19,865,080	3,814	162,678	1,845,015	21,876,587
EXPENDITURES:					
Current:					
General government.....	948,672	-	-	87,975	1,036,647
Public safety.....	2,576,429	-	-	33,960	2,610,389
Education.....	11,096,533	-	162,678	880,123	12,139,334
Public works.....	1,024,180	-	-	605,619	1,629,799
Human services.....	144,913	-	-	9,857	154,770
Culture and recreation.....	81,882	-	-	16,702	98,584
Pension benefits.....	1,086,528	-	-	-	1,086,528
Property and liability insurance.....	172,411	-	-	-	172,411
Employee benefits.....	1,447,025	-	-	-	1,447,025
Claims and judgments.....	200,000	-	-	-	200,000
State and county charges.....	172,887	-	-	-	172,887
Debt service:					
Principal.....	380,000	-	-	-	380,000
Interest.....	293,428	-	-	-	293,428
TOTAL EXPENDITURES.....	19,624,888	-	162,678	1,634,236	21,421,802
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	240,192	3,814	-	210,779	454,785
OTHER FINANCING SOURCES (USES):					
Transfers in.....	52,228	383,988	-	-	436,216
Transfers out.....	(383,988)	(36,228)	-	(16,000)	(436,216)
TOTAL OTHER FINANCING SOURCES (USES).....	(331,760)	347,760	-	(16,000)	-
NET CHANGE IN FUND BALANCES.....	(91,568)	351,574	-	194,779	454,785
FUND BALANCES AT BEGINNING.....	716,764	60,693	-	1,270,308	2,047,765
FUND BALANCES AT END OF YEAR.....	\$ 625,196	\$ 412,267	\$ -	\$ 1,465,087	\$ 2,502,550

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds..... \$ 454,785

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.

Capital outlay.....	833,612
Depreciation expense.....	<u>(1,084,672)</u>

Net effect of reporting capital assets..... (251,060)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (535,891)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt service principal payments..... 380,000

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.

Net change in compensated absences accrual.....	(4,000)
Net change in accrued interest on long-term debt.....	5,198
Net change in landfill closure liability.....	29,000
Net change in court judgement liability.....	146,000
Net change in other post-employment benefits.....	<u>(1,222,323)</u>

Net effect of recording long-term liabilities and amortizing deferred losses... (1,046,125)

Change in net assets of governmental activities..... \$ (998,291)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

		Business-type Activities
		Water Enterprise
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	247,537
Receivables, net of allowance for uncollectibles:		
Water fees.....		97,727
Departmental and other.....		78,552
Special assessments.....		19,005
Total current assets.....		442,821
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Special assessments.....		79,387
Capital assets, net of accumulated depreciation.....		2,616,569
Total noncurrent assets.....		2,695,956
TOTAL ASSETS.....		3,138,777
LIABILITIES		
CURRENT:		
Warrants payable.....		163,407
Capital lease obligations.....		15,839
Bonds and notes payable.....		43,438
Total current liabilities.....		222,684
NONCURRENT:		
Capital lease obligations.....		14,447
Bonds and notes payable.....		220,000
Total noncurrent liabilities.....		234,447
TOTAL LIABILITIES.....		457,131
NET ASSETS		
Invested in capital assets, net of related debt.....		2,322,845
Unrestricted.....		358,801
TOTAL NET ASSETS.....	\$	2,681,646

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities
	Water Enterprise
<u>OPERATING REVENUES:</u>	
Charges for services	\$ 451,283
Penalties and interest.....	9,521
TOTAL OPERATING REVENUES	460,804
<u>OPERATING EXPENSES:</u>	
Cost of service and administration.....	502,163
Depreciation.....	71,796
TOTAL OPERATING EXPENSES	573,959
OPERATING INCOME (LOSS).....	(113,155)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Special assessments.....	14,370
Interest expense.....	(9,300)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	5,070
CHANGE IN NET ASSETS.....	(108,085)
NET ASSETS AT BEGINNING OF YEAR.....	2,789,731
NET ASSETS AT END OF YEAR.....	\$ 2,681,646

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities
	Water Enterprise
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 331,993
Payments to vendors.....	(306,591)
Payments to employees.....	(40,534)
NET CASH FROM OPERATING ACTIVITIES.....	(15,132)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Special assessments.....	26,183
Principal payments on bonds and notes.....	(20,560)
Principal payments on capital lease obligations.....	(14,352)
Interest expense.....	(9,300)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(18,029)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(33,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	280,698
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 247,537
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (113,155)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	71,796
Changes in assets and liabilities:	
Water fees.....	(52,758)
Departmental and other receivables.....	(76,053)
Warrants payable.....	163,289
Other liabilities.....	(8,251)
Total adjustments.....	98,023
NET CASH FROM OPERATING ACTIVITIES.....	\$ (15,132)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 12,748	\$ 73,642
LIABILITIES		
Warrants payable.....	-	2,340
Liabilities due depositors.....	-	71,302
TOTAL LIABILITIES.....	-	73,642
NET ASSETS		
Held in trust for other purposes.....	\$ 12,748	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income (loss):	
Interest.....	\$ <u>324</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>200</u>
CHANGE IN NET ASSETS.....	124
NET ASSETS AT BEGINNING OF YEAR.....	<u>12,624</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>12,748</u></u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

Joint Ventures – The Town has entered into a joint venture with other municipalities to pool resources and share costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town is a participant in the Freetown-Lakeville Regional School District, which is located at 98 Howland Road, Lakeville, MA 02347. The Town's fiscal 2009 assessment totaled \$5,333,154. The Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *stabilization fund* is used to account for the accumulation of resources to provide general and/or capital reserves.

The *state fiscal stabilization fund* is used to account for federal funds that were received through the American Recovery and Reinvestment Act.

The nonmajor governmental funds consist of special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

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

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

The following major proprietary fund type is reported:

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

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

The following fiduciary fund types are reported:

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

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

Government-Wide and Fund Financial Statements

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

funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains and similar items) are reported in the applicable governmental or business-type activity column of the government-wide financial statements and in the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been “restricted for” the following:

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

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

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

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Interest Expense

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

Q. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2009, within the special revenue funds. These deficits will be funded with grant proceeds and user charges in the subsequent fiscal year.

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$3,261,388 and the bank balance totaled \$3,433,572. Of the bank balance, \$768,374 was covered by Federal Depository Insurance, \$289,938 was covered by the Depositors Insurance Fund, \$1,395,803 was collateralized and \$979,457 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2009, the Town's investments consisted of \$330 of shares in MMDT.

NOTE 3 - RECEIVABLES

At June 30, 2009, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 682,892	\$ (22,193)	\$ 660,699
Tax liens.....	360,623	-	360,623
Motor vehicle and other excise taxes.....	295,848	(141,101)	154,747
Departmental and other.....	169,820	-	169,820
Intergovernmental.....	<u>7,335,114</u>	<u>-</u>	<u>7,335,114</u>
Total.....	<u>\$ 8,844,297</u>	<u>\$ (163,294)</u>	<u>\$ 8,681,003</u>

At June 30, 2009, receivables for the water enterprise fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 97,727	\$ -	\$ 97,727
Departmental and other.....	78,552	-	78,552
Special assessments.....	<u>98,392</u>	<u>-</u>	<u>98,392</u>
Total.....	<u>\$ 274,671</u>	<u>\$ -</u>	<u>\$ 274,671</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset type:</u>			
Real estate and personal property taxes.....	\$ 569,323	\$ -	\$ 569,323
Tax liens.....	360,623	-	360,623
Motor vehicle and other excise taxes.....	154,747	-	154,747
Departmental and other.....	168,749	1,071	169,820
Intergovernmental.....	7,079,179	-	7,079,179
Tax foreclosures.....	<u>275,927</u>	<u>-</u>	<u>275,927</u>
Total.....	<u>\$ 8,608,548</u>	<u>\$ 1,071</u>	<u>\$ 8,609,619</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,384,460	\$ -	\$ -	\$ 1,384,460
<u>Capital assets being depreciated:</u>				
Land Improvements.....	113,007	-	-	113,007
Buildings and building improvements.....	11,096,213	-	-	11,096,213
Machinery and equipment.....	3,110,220	227,993	-	3,338,213
Infrastructure.....	22,900,675	605,619	(184,537)	23,321,757
Total capital assets being depreciated.....	<u>37,220,115</u>	<u>833,612</u>	<u>(184,537)</u>	<u>37,869,190</u>
<u>Less accumulated depreciation for:</u>				
Land Improvements.....	(101,706)	(5,650)	-	(107,356)
Buildings.....	(2,634,946)	(263,330)	-	(2,898,276)
Machinery and equipment.....	(2,543,626)	(176,941)	-	(2,720,567)
Infrastructure.....	(14,509,442)	(638,751)	184,537	(14,963,656)
Total accumulated depreciation.....	<u>(19,789,720)</u>	<u>(1,084,672)</u>	<u>184,537</u>	<u>(20,689,855)</u>
Total capital assets being depreciated, net.....	<u>17,430,395</u>	<u>(251,060)</u>	<u>-</u>	<u>17,179,335</u>
Total governmental activities capital assets, net.....	<u>\$ 18,814,855</u>	<u>\$ (251,060)</u>	<u>\$ -</u>	<u>\$ 18,563,795</u>
Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 25,325	\$ -	\$ -	\$ 25,325
Infrastructure.....	3,589,899	-	-	3,589,899
Total capital assets being depreciated.....	<u>3,615,224</u>	<u>-</u>	<u>-</u>	<u>3,615,224</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(25,325)	-	-	(25,325)
Infrastructure.....	(901,534)	(71,796)	-	(973,330)
Total accumulated depreciation.....	<u>(926,859)</u>	<u>(71,796)</u>	<u>-</u>	<u>(998,655)</u>
Total business-type activities capital assets, net.....	<u>\$ 2,688,365</u>	<u>\$ (71,796)</u>	<u>\$ -</u>	<u>\$ 2,616,569</u>

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

Governmental Activities:	
General government.....	\$ 1,150
Public safety.....	109,251
Education.....	284,206
Public works.....	687,565
Human services.....	<u>2,500</u>
Total depreciation expense - governmental activities.....	\$ <u>1,084,672</u>
Business-Type Activities:	
Water.....	\$ <u>71,796</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Total</u>
General Fund.....	\$ -	\$ 383,988	\$ 383,988 (1)
Stabilization Fund.....	36,228	-	36,228 (2)
Nonmajor Governmental Funds....	<u>16,000</u>	<u>-</u>	<u>16,000</u> (3)
	\$ <u>52,228</u>	\$ <u>383,988</u>	\$ <u>436,216</u>

- (1) Represents a budgeted transfer from the general fund to the stabilization fund.
- (2) Represents a budgeted transfer from the stabilization fund to the general fund.
- (3) Represents budgeted transfers from receipts reserved for appropriation to the general fund.

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, are as follows:

Type	Purpose	Interest Rate (%)	Due Date	Outstanding at June 30, 2008	Proceeds	Payments	Outstanding at June 30, 2009
Business-Type Activities:							
BAN	Water infrastructure.....	3.95	07/25/08	\$ 3,360	\$ -	\$ 3,360	\$ -
BAN	Water infrastructure.....	2.33	04/03/09	4,200	-	4,200	-
Total Business-Type Activities Short-Term Debt.....				\$ 7,560	\$ -	\$ 7,560	\$ -

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Town has entered into a non-cancelable long-term lease for the purchase of infrastructure utilized by departments and operating divisions of the Town. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

Asset:	Business-Type Activities
Infrastructure.....	\$ 61,480
Less: accumulated depreciation.....	(3,074)
Total.....	\$ 58,406

The following is a schedule of the future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments, as of June 30, 2009:

Fiscal Years Ending June 30	Business-Type Activities
2010.....	\$ 18,132
2011.....	15,110
Total minimum lease payments.....	33,242
Less: amounts representing interest.....	(2,956)
Present value of minimum lease payments.....	\$ 30,286

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Activities

Project	Interest Rate (%)	Outstanding at June 30, 2008	Proceeds	Payments	Outstanding at June 30, 2009
School construction.....	3.0 - 4.0	\$ 8,260,000	\$ -	\$ 380,000	\$ 7,880,000

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 395,000	\$ 281,309	\$ 676,309
2011.....	410,000	268,228	678,228
2012.....	430,000	254,578	684,578
2013.....	445,000	239,803	684,803
2014.....	460,000	223,966	683,966
2015.....	480,000	208,116	688,116
2016.....	500,000	191,816	691,816
2017.....	520,000	174,216	694,216
2018.....	540,000	155,261	695,261
2019.....	560,000	134,766	694,766
2020.....	580,000	112,961	692,961
2021.....	605,000	89,998	694,998
2022.....	630,000	65,600	695,600
2023.....	650,000	40,000	690,000
2024.....	675,000	13,500	688,500
Totals.....	\$ 7,880,000	\$ 2,454,118	\$ 10,334,118

Bonds and Notes Payable Schedule – Business-Type Activities

Project	Interest Rate (%)	Outstanding at June 30, 2008	Proceeds	Payments	Outstanding at June 30, 2009
Water infrastructure.....	5.10	\$ 52,000	\$ -	\$ 13,000	\$ 39,000
Water infrastructure.....	4.75	75,000	-	-	75,000
Water infrastructure.....	6.50	<u>149,438</u>	<u>-</u>	<u>-</u>	<u>149,438</u>
Total Business-Type Activities Long-Term Debt.....		<u>\$ 276,438</u>	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 263,438</u>

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 43,438	\$ 15,265	\$ 58,703
2011.....	43,000	12,886	55,886
2012.....	43,000	10,536	53,536
2013.....	30,000	8,185	38,185
2014.....	30,000	6,498	36,498
2015.....	15,000	4,810	19,810
2016.....	14,750	3,835	18,585
2017.....	14,750	2,876	17,626
2018.....	14,750	1,918	16,668
2019.....	<u>14,750</u>	<u>959</u>	<u>15,709</u>
Totals.....	<u>\$ 263,438</u>	<u>\$ 67,768</u>	<u>\$ 331,206</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the MSBA provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, \$529,523 of such assistance was received and \$7,942,845 will be received in future fiscal years. Of this amount, \$863,666 represents reimbursement of long-term interest costs, and \$7,079,179 represents reimbursement of approved construction costs. Accordingly, a \$7,079,179 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009 the Town had the following authorized and unissued debt.

Purpose	Amount
Water - Assonet Bay Shores.....	\$ 160,000
Water - Elm Street Bridge Repair.....	<u>625,000</u>
Total.....	<u>\$ 785,000</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Landfill closure.....	\$ 536,000	\$ -	\$ (29,000)	\$ 507,000	\$ 30,000
Compensated absences.....	138,000	18,000	(14,000)	142,000	14,000
Court judgements.....	1,346,000	-	(146,000)	1,200,000	152,000
Long-term bonds and notes.....	8,260,000	-	(380,000)	7,880,000	395,000
Other post-employment benefits....	-	1,499,344	(277,021)	1,222,323	-
Total governmental.....	<u>\$ 10,280,000</u>	<u>\$ 1,517,344</u>	<u>\$ (846,021)</u>	<u>\$ 10,951,323</u>	<u>\$ 591,000</u>
Business-Type Activities:					
Capital lease obligations.....	\$ 44,639	-	\$ (14,353)	\$ 30,286	\$ 15,839
Long-term bonds and notes.....	<u>276,438</u>	<u>-</u>	<u>(13,000)</u>	<u>263,438</u>	<u>43,438</u>
Total business-type.....	<u>\$ 321,077</u>	<u>\$ -</u>	<u>\$ (27,353)</u>	<u>\$ 293,724</u>	<u>\$ 59,277</u>

NOTE 9 - RISK FINANCING

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

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Bristol County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Bristol County Retirement Board. Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are funded by the Commonwealth. The amount of these on-behalf payments totaled approximately \$410,000 for the fiscal year ended June 30, 2009, and, accordingly, is reported in the General Fund as Intergovernmental Revenues and Pension Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are funded by the Commonwealth and are deposited into the pension fund. Cost of living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts, 02780.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008 and 2007 totaled \$676,528, \$648,901 and \$586,305 respectively, which equaled its required contribution for each fiscal year.

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

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Post-Employment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which vary by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

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

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

Normal cost.....	\$	665,306
Amortization of unfunded actuarial accrued liability.....		776,370
*Adjustment for timing.....		<u>57,668</u>
Annual OPEB cost (expense).....		1,499,344
Contributions made.....		<u>(277,021)</u>
Increase in net OPEB obligation.....		1,222,323
Net OPEB obligation--beginning of year.....		<u>-</u>
Net OPEB obligation--end of year.....	\$	<u><u>1,222,323</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 1,499,344	18.5%	\$ 1,222,323

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$13,962,026 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,359,904, and the ratio of the UAAL to the covered payroll was 320.2 percent.

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

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

In the July 1, 2008, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.00% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 6 years and included a 3.5% inflation assumption. The UAAL is being amortized over a 30 year period, with level funding. The remaining amortization period at June 30, 2009 is 29 years.

NOTE 12- CONTINGENCIES

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

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

In November, 2005, the Town entered into a settlement agreement to resolve an ongoing legal matter. The settlement agreement called for the Town to pay \$2,250,000 (principal and interest) to the plaintiff over an eleven year period. The first payment totaled \$250,000 and was due within 15 days of the signing of the settlement agreement. Future payments are due annually, on September 15, and total \$200,000. The remaining principal payments have been recorded as a court judgment liability and total \$1,200,000 as of June 30, 2009.

NOTE 13- LANDFILL CLOSURE

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town closed its landfill in fiscal 1999. The Town has reflected a \$507,000 post-closure care liability at June 30, 2009 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 14- IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. This pronouncement required additional disclosure and has impacted the basic financial statements.

The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The basic financial statements were not impacted by this pronouncement.

The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which was implemented in fiscal year 2009. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The basic financial statements were not impacted by this pronouncement.

Future implementation of GASB pronouncements:

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented in fiscal year 2012. Management expects that this pronouncement will not require additional disclosure or impact the basic financial statements.

The GASB issued Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which is required to be implemented in fiscal year 2010. Management expects that this pronouncement will not require additional disclosure or impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 13,473,118	\$ 13,473,118	\$ 13,473,118
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,400,550	1,400,550	1,396,550
Penalties and interest on taxes.....	-	80,000	80,000	84,000
Fees and rentals.....	-	845,450	845,450	845,000
Payments in lieu of taxes.....	-	4,000	4,000	4,000
Licenses and permits.....	-	166,000	166,000	166,000
Fines and forfeitures.....	-	70,000	70,000	70,000
Intergovernmental.....	-	3,655,451	3,655,451	3,640,915
Investment income.....	-	70,000	70,000	70,000
Miscellaneous.....	-	10,000	10,000	10,000
TOTAL REVENUES.....	-	19,774,569	19,774,569	19,759,583
EXPENDITURES:				
Current:				
General government.....	205,895	812,379	1,018,274	1,097,815
Public safety.....	7,040	2,572,569	2,579,609	2,628,195
Education.....	-	11,234,603	11,234,603	11,238,157
Public works.....	17,910	850,241	868,151	885,131
Human services.....	-	148,982	148,982	148,982
Culture and recreation.....	15,000	67,000	82,000	98,000
Pension benefits.....	-	676,743	676,743	676,743
Property and liability insurance.....	-	175,000	175,000	175,000
Employee benefits.....	-	1,998,841	1,998,841	1,998,841
Claims and judgments.....	-	200,000	200,000	200,000
State and county charges.....	-	203,303	203,303	203,303
Debt service:				
Principal.....	-	380,000	380,000	380,000
Interest.....	-	293,428	293,428	293,428
TOTAL EXPENDITURES.....	245,845	19,613,089	19,858,934	20,023,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(245,845)	161,480	(84,365)	(264,012)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	-	-	36,228
Transfers out.....	-	-	-	(383,988)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	(347,760)
NET CHANGE IN FUND BALANCE.....	(245,845)	161,480	(84,365)	(611,772)
BUDGETARY FUND BALANCE, Beginning of year.....	810,149	810,149	810,149	810,149
BUDGETARY FUND BALANCE, End of year.....	\$ 564,304	\$ 971,629	\$ 725,784	\$ 198,377

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	13,409,296	\$ -	\$ (63,822)
	23,113	-	23,113
	1,378,291	-	(18,259)
	127,253	-	43,253
	707,401	-	(137,599)
	7,241	-	3,241
	133,611	-	(32,389)
	62,167	-	(7,833)
	3,349,257	-	(291,658)
	27,524	-	(42,476)
	45,164	-	35,164
	<u>19,270,318</u>	<u>-</u>	<u>(489,265)</u>
	948,672	84,272	64,871
	2,576,429	5,549	46,217
	11,096,533	-	141,624
	1,024,180	12,246	(151,295)
	144,913	-	4,069
	81,882	15,000	1,118
	676,528	-	215
	172,411	-	2,589
	1,447,025	-	551,816
	200,000	-	-
	172,887	-	30,416
	380,000	-	-
	293,428	-	-
	<u>19,214,888</u>	<u>117,067</u>	<u>691,640</u>
	<u>55,430</u>	<u>(117,067)</u>	<u>202,375</u>
	52,228	-	16,000
	(383,988)	-	-
	<u>(331,760)</u>	<u>-</u>	<u>16,000</u>
	(276,330)	(117,067)	218,375
	<u>810,149</u>	<u>-</u>	<u>-</u>
\$	<u>533,819</u>	<u>(117,067)</u>	<u>\$ 218,375</u>

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

**Bristol County Regional Retirement System
Schedule of Funding Progress**

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

The Town's share of the UAAL, as of January 1, 2009, is approximately 2.4%.

See notes to required supplementary information.

**Bristol County Regional Retirement System
Schedule of Employer Contributions**

Fiscal Year Ended June 30	System Wide			Town of Freetown	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2009	\$ 28,673,087	\$ 28,673,087	100%	\$ 676,583	2.36%
2008	27,438,341	27,438,341	100%	648,901	2.36%
2007	24,290,432	24,290,432	100%	598,261	2.46%
2006	20,940,103	20,940,103	100%	487,900	2.33%

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

See notes to required supplementary information.

Other Post-Employment Benefit Plan Schedules

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

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

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

OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2008	\$ -	\$ 13,962,026	\$ 13,962,026	0%	\$ 4,359,904	320.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2009	\$ 1,499,344	\$ 277,021	18%

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

See notes to required supplementary information.

OTHER POST-EMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

JUNE 30, 2009

Actuarial Methods:

Valuation date.....	July 1, 2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year, level amortization of the unfunded AAL
Remaining amortization period.....	29 years as of June 30, 2009

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	10% grading down to 5% in year 2014 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependents....	48
Current active members.....	<u>117</u>
Total.....	<u><u>165</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the General Fund authorized approximately \$19,859,000 in appropriations and other amounts to be raised. During fiscal year 2009, Town Meeting also approved subsequent budget increases totaling approximately \$549,000.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2009, is presented below:

Net change in fund balance - budgetary basis.....	\$ (276,330)
<u>Basis of accounting differences:</u>	
Net change in recording 60 day accrual.....	91,377
Net change in recording accrued liabilities.....	93,385
Recognition of revenue for on-behalf payments.....	410,000
Recognition of expenditures for on-behalf payments.....	<u>(410,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ (91,568)</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, actual expenditures for snow and ice removal exceeded appropriations. These over-expenditures will be raised on the fiscal 2010 Tax Recapitulation.

NOTE B - PENSION PLAN

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

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

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

- Valuation Date..... January 1, 2009
- Actuarial Cost Method..... Individual Entry Age Normal Cost Method
- Amortization Method..... Increasing at 4.5% per year, level dollar for ERI liability for certain units
- Remaining Amortization Period..... 21 years remaining as of January 1, 2009
- Asset Valuation Method..... The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value

Actuarial Assumptions:

- Investment rate of return..... 8.25%
- Projected salary increases..... 4.50%
- Cost of living adjustments..... 3.0% for the first \$12,000 of retirement income

Plan Membership:

Active participants.....	3,963
Retired participants and beneficiaries receiving benefits.....	1,788
Inactives.....	900
Disabled.....	<u>267</u>
 Total.....	 <u><u>6,918</u></u>

NOTE C – OTHER POST-EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s health and life insurance plans, which covers both active and retired members, including teachers.

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

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town’s initial year of implementation of GASB Statement 45, information for prior years is not available. The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

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

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