

TOWN OF MEDFIELD, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF MEDFIELD, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Medfield, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medfield, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of the Town of Medfield, Massachusetts' internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Medfield, Massachusetts' internal control over financial reporting and compliance.



January 9, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Medfield (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented 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 and deferred out flows of resources of the Town exceeded its liabilities at the close of the most recent year by \$103.7 million (net position).
- Governmental net position decreased by \$2.8 million.
- The Town's long-term debt was \$39.2 million at year end, a net increase of \$6.8 million during the current year due to the proceeds of debt of \$10.9 million offset by current year total Town principal payments of \$4.1 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$28.2 million, an increase of \$1.5 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability increased by \$2.1 million and totals \$14 million as of June 30, 2014.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in

this statement for some items that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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.

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 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*.

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization funds are reported within the general fund.

The Town of Medfield 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. The budgetary comparison statement is presented as required supplementary information after the notes to the basic financial statements.

Proprietary funds. The Town of Medfield maintains two types of proprietary funds:

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two different fiduciary funds. The private purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments. The agency fund is used to account for assets held in a purely custodial capacity.

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 position may serve, over time, as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded liabilities by \$103.7 million at the close of 2014. Key components of the Town’s governmental and business-type financial position follow.

A significant portion of the Town’s net position, \$84.8 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$13.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$5.3 million and may be used to meet the government’s ongoing obligations to citizens and creditors.

Governmental Activities. For the Town’s governmental activities, assets and deferred outflows of resources exceeded liabilities by \$94.8 million at the close of 2014.

	2014	2013
Assets:		
Current assets.....	\$ 33,899,413	\$ 31,204,156
Noncurrent assets (excluding capital).....	2,658,717	3,536,677
Capital assets.....	112,761,659	106,738,984
Total assets.....	149,319,789	141,479,817
Deferred outflows of resources.....	528,766	-
Liabilities:		
Current liabilities (excluding debt).....	4,841,423	3,416,362
Noncurrent liabilities (excluding debt).....	14,374,723	12,295,635
Current debt.....	4,109,243	3,735,899
Noncurrent debt.....	31,740,635	24,457,912
Total liabilities.....	55,066,024	43,905,808
Net Position:		
Net investment in capital assets.....	78,074,660	79,179,286
Restricted.....	13,564,687	14,956,599
Unrestricted.....	3,143,184	3,438,124
Total net position.....	\$ 94,782,531	\$ 97,574,009

The governmental activities net position decreased by \$2.8 million during the current year. The decrease is primarily due to a \$2.1 million increase in the liability relating to GASB Statement #45, which requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Also affecting the decrease was the planned use of reserves to fund general fund operations and the timing of grant revenues/expenditures reported in the nonmajor governmental funds.

	<u>2014</u>	<u>2013</u>
Program Revenues:		
Charges for services.....	\$ 3,950,443	\$ 3,735,275
Operating grants and contributions.....	12,595,040	12,338,786
Capital grants and contributions.....	12,806	517,765
General Revenues:		
Real estate and personal property taxes.....	36,749,670	35,824,349
Motor vehicle and other excise taxes.....	1,900,462	1,863,855
Penalties and Interest.....	104,500	109,428
Nonrestricted grants.....	1,370,660	1,342,112
Unrestricted investment income (loss).....	250,131	(15,420)
Miscellaneous.....	102,048	270,691
Total revenues.....	\$ 57,035,760	\$ 55,986,841
Expenses:		
General government.....	\$ 3,060,892	\$ 3,119,583
Public safety.....	5,447,833	5,512,744
Education.....	43,405,162	42,566,264
Public works.....	4,721,514	4,767,656
Human services.....	705,720	719,200
Culture and recreation.....	1,849,479	1,869,085
Interest.....	979,964	769,169
Total expenses.....	60,170,564	59,323,701
Excess (deficiency) before transfers.....	(3,134,804)	(3,336,860)
Transfers.....	343,326	573,796
Change in net position.....	(2,791,478)	(2,763,064)
Net position - beginning of year.....	97,574,009	100,337,073
Net position - end of year.....	\$ 94,782,531	\$ 97,574,009

Governmental expenses totaled \$60.2 million of which \$16.6 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$40.5 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 24% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered are set by Town Meeting and Town boards.

Operating and capital grants and contributions account for 76% of the governmental program revenues. Most of these resources apply to education operations. These resources offset costs of the school department over and above the general fund operating budget.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 64% of all revenues. Other taxes comprise 3% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$43.4 million was expended for education, of which \$14.1 million was funded by program revenues. The remaining \$29.3 million was funded by taxes and other revenue. Public safety is the second largest activity of the Town as \$5.4 million was expended, of which \$986,000 was funded by program sources, and the balance was funded by taxes and other revenues.

Business-type Activities. Business-type activities increased the Town's net position by \$157,000. Key elements of this increase are as follows:

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 2,670,786	\$ 2,961,891
Capital assets.....	<u>11,084,477</u>	<u>11,106,762</u>
Total assets.....	13,755,263	14,068,653
Deferred outflows of resources.....	28,500	-
Liabilities:		
Current liabilities (excluding debt).....	87,176	90,125
Noncurrent liabilities (excluding debt).....	260,144	224,949
Current debt.....	503,577	502,421
Noncurrent debt.....	<u>4,016,056</u>	<u>4,491,133</u>
Total liabilities.....	4,866,953	5,308,628
Net Position:		
Net investment in capital assets.....	6,758,344	6,609,417
Unrestricted.....	<u>2,158,466</u>	<u>2,150,608</u>
Total net position.....	\$ <u>8,916,810</u>	\$ <u>8,760,025</u>
Program Revenues:		
Charges for services.....	\$ 2,977,660	\$ 3,158,378
Capital grants and contributions.....	-	30,327
Total revenues.....	<u>2,977,660</u>	<u>3,188,705</u>
Expenses.....		
Sewer.....	1,363,899	1,289,945
Water.....	<u>1,113,650</u>	<u>1,036,748</u>
Total expenses.....	<u>2,477,549</u>	<u>2,326,693</u>
Excess before transfers.....	500,111	862,012
Transfers.....	<u>(343,326)</u>	<u>(573,796)</u>
Change in net position.....	156,785	288,216
Net position - beginning of year.....	<u>8,760,025</u>	<u>8,471,809</u>
Net position - end of year.....	\$ <u>8,916,810</u>	\$ <u>8,760,025</u>

Business-type net position of \$6.8 million (76%) represents investments in capital assets net of related debt. The remaining \$2.2 million (24%) is available to be used for the ongoing operation of the Town's sewer and water enterprises.

Net position of the water enterprise fund increased \$309,000 during 2014. This increase is primarily due to the fact that rates are designed to cover debt service principle and capital costs.

Net position of the sewer enterprise fund decreased \$152,000 during 2014. This decrease is primarily due to an 7% increase in operating expenditures.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$28.2 million. Of this amount \$22 million is for the general fund, \$2.2 million relates to the capital project fund and \$4 million is comprised of nonmajor funds. Cumulatively there was an increase of \$1.5 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$4.3 million while total fund balance was \$22 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 7.7% of the total general fund budgetary expenditures, while total fund balance represents 39.6% of that same amount. Unassigned fund balance includes \$512,000 of the general stabilization fund, \$1.7 million of the betterment stabilization fund and \$708,000 of the OPEB stabilization fund.

The general fund balance decreased by \$1.1 million during the current year. This was due to an increase of \$1.1 million in education expenditures, the majority of which related to salaries.

The capital project fund balance increased by \$2.4 million during the current year. This was due to bond proceeds of \$10.9 million, offset by expenditures related to the DPW garage project of \$7 million and the purchase of Red Gate Farm for \$1.4 million.

The nonmajor funds increased by \$166,000 during the current year. This was due to a decrease in Chapter 90 expenditures during 2014.

General Fund Budgetary Highlights

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$53.9 million. Changes during the year consisted largely of allocations between and among departments. The net decrease to the final budget totaled \$168,000.

General fund revenues came in approximately \$665,000 more than budgeted while general fund expenditures came in \$1.1 million less than budgeted. Mostly all departments came in under budget. The exception was snow and ice costs and state and county charges which in total exceeded appropriations by \$169,000. The snow and ice deficit will be raised on the FY15 recap and paid through available funds.

Capital Asset and Debt Administration

In conjunction with the annual operating budget the Town of Medfield annually prepares a capital budget for the upcoming year.

Capital assets. The Town of Medfield's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$123.8 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, vehicles, textbooks and software and infrastructure.

Debt Administration. Outstanding long-term debt of the general government, as of June 30, 2014, totaled \$35.8 million. During 2014, the Town issued \$10.9 million in general obligation bonds for the construction of the DPW garage and for land acquisition. The Town paid down \$3.6 million in debt principal expense.

The sewer enterprise fund has outstanding long-term debt totaling \$2.4 million. The Town paid down \$221,000 in debt principal expense.

The water enterprise fund has outstanding long-term debt totaling \$2.2 million. The Town paid down \$285,000 in debt principal expense.

The Town maintains an "Aa1" bond rating from Moody's.

Please refer to notes 4, 6 and 7 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 Medfield'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, 459 Main Street, Medfield, MA 02052.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 15,814,175	\$ 1,325,330	\$ 17,139,505
Investments.....	14,555,085	-	14,555,085
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	503,794	-	503,794
Tax liens.....	466,620	-	466,620
Motor vehicle and other excise taxes.....	63,565	-	63,565
Water fees.....	-	741,954	741,954
Sewer fees.....	-	603,502	603,502
Departmental and other.....	108,604	-	108,604
Special assessments.....	375,689	-	375,689
Intergovernmental.....	324,914	-	324,914
Prepaid expenses.....	1,686,967	-	1,686,967
Total current assets.....	<u>33,899,413</u>	<u>2,670,786</u>	<u>36,570,199</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	2,658,717	-	2,658,717
Capital assets, nondepreciable.....	27,830,238	1,360,766	29,191,004
Capital assets, net of accumulated depreciation.....	<u>84,931,421</u>	<u>9,723,711</u>	<u>94,655,132</u>
Total noncurrent assets.....	<u>115,420,376</u>	<u>11,084,477</u>	<u>126,504,853</u>
TOTAL ASSETS.....	<u>149,319,789</u>	<u>13,755,263</u>	<u>163,075,052</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	528,766	28,500	557,266
LIABILITIES			
CURRENT:			
Warrants payable.....	2,156,121	-	2,156,121
Accrued liabilities.....	7,062	-	7,062
Accrued payroll.....	1,549,486	19,521	1,569,007
Accrued interest.....	316,323	41,655	357,978
Payroll withholdings.....	142,371	-	142,371
Other liabilities.....	59,049	-	59,049
Unearned revenue.....	90,011	-	90,011
Landfill closure.....	23,000	-	23,000
Compensated absences.....	498,000	26,000	524,000
Bonds payable.....	4,109,243	503,577	4,612,820
Total current liabilities.....	<u>8,950,666</u>	<u>590,753</u>	<u>9,541,419</u>
NONCURRENT:			
Landfill closure.....	161,000	-	161,000
Compensated absences.....	488,000	7,000	495,000
Other postemployment benefits obligation.....	13,725,723	253,144	13,978,867
Bonds payable.....	<u>31,740,635</u>	<u>4,016,056</u>	<u>35,756,691</u>
Total noncurrent liabilities.....	<u>46,115,358</u>	<u>4,276,200</u>	<u>50,391,558</u>
TOTAL LIABILITIES.....	<u>55,066,024</u>	<u>4,866,953</u>	<u>59,932,977</u>
NET POSITION			
Net investment in capital assets.....	78,074,660	6,758,344	84,833,004
Restricted for:			
Debt service.....	10,832,999	-	10,832,999
Permanent funds:			
Expendable.....	751,540	-	751,540
Nonexpendable.....	1,297,519	-	1,297,519
Gifts and grants.....	682,629	-	682,629
Unrestricted.....	<u>3,143,184</u>	<u>2,158,466</u>	<u>5,301,650</u>
TOTAL NET POSITION.....	<u>\$ 94,782,531</u>	<u>\$ 8,916,810</u>	<u>\$ 103,699,341</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

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.....	\$ 3,060,892	\$ 659,207	\$ 67,157	\$ -	\$ (2,334,528)
Public safety.....	5,447,833	985,953	-	-	(4,461,880)
Education.....	43,405,162	1,630,385	12,448,597	9,857	(29,316,323)
Public works.....	4,721,514	168,558	-	2,949	(4,550,007)
Human services.....	705,720	60,368	15,938	-	(629,414)
Culture and recreation.....	1,849,479	445,972	46,915	-	(1,356,592)
Interest.....	979,964	-	16,433	-	(963,531)
Total Governmental Activities.....	<u>60,170,564</u>	<u>3,950,443</u>	<u>12,595,040</u>	<u>12,806</u>	<u>(43,612,275)</u>
<i>Business-Type Activities:</i>					
Sewer.....	1,363,899	1,439,580	-	-	75,681
Water.....	<u>1,113,650</u>	<u>1,538,080</u>	<u>-</u>	<u>-</u>	<u>424,430</u>
Total Business-Type Activities.....	<u>2,477,549</u>	<u>2,977,660</u>	<u>-</u>	<u>-</u>	<u>500,111</u>
Total Primary Government.....	<u>\$ 62,648,113</u>	<u>\$ 6,928,103</u>	<u>\$ 12,595,040</u>	<u>\$ 12,806</u>	<u>\$ (43,112,164)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (43,612,275)	\$ 500,111	\$ (43,112,164)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	36,749,670	-	36,749,670
Motor vehicle and other excise taxes.....	1,900,462	-	1,900,462
Penalties and interest on taxes.....	104,500	-	104,500
Grants and contributions not restricted to specific programs.....	1,370,660	-	1,370,660
Unrestricted investment income (loss).....	250,131	-	250,131
Miscellaneous.....	102,048	-	102,048
<i>Transfers, net</i>	<u>343,326</u>	<u>(343,326)</u>	<u>-</u>
 Total general revenues and transfers.....	 <u>40,820,797</u>	 <u>(343,326)</u>	 <u>40,477,471</u>
 Change in net position.....	 (2,791,478)	 156,785	 (2,634,693)
<i>Net Position:</i>			
Beginning of year.....	<u>97,574,009</u>	<u>8,760,025</u>	<u>106,334,034</u>
End of year.....	\$ <u><u>94,782,531</u></u>	\$ <u><u>8,916,810</u></u>	\$ <u><u>103,699,341</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 10,231,836	\$ 3,082,057	\$ 2,500,282	\$ 15,814,175
Investments.....	12,946,025	-	1,609,060	14,555,085
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	503,794	-	-	503,794
Tax liens.....	466,620	-	-	466,620
Motor vehicle and other excise taxes.....	63,565	-	-	63,565
Departmental and other.....	108,604	-	-	108,604
Special assessments.....	3,034,406	-	-	3,034,406
Intergovernmental.....	324,914	-	-	324,914
Prepaid expenses.....	1,686,967	-	-	1,686,967
TOTAL ASSETS.....	\$ 29,366,731	\$ 3,082,057	\$ 4,109,342	\$ 36,558,130
LIABILITIES				
Warrants payable.....	\$ 1,264,515	\$ 891,606	\$ -	\$ 2,156,121
Accrued liabilities.....	7,062	-	-	7,062
Accrued payroll.....	1,485,620	-	63,866	1,549,486
Payroll withholdings.....	142,371	-	-	142,371
Other liabilities.....	59,049	-	-	59,049
Unearned revenues.....	-	-	90,011	90,011
TOTAL LIABILITIES.....	2,958,617	891,606	153,877	4,004,100
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	4,404,023	-	-	4,404,023
FUND BALANCES				
Nonspendable.....	-	-	1,297,519	1,297,519
Restricted.....	14,672,055	-	2,657,946	17,330,001
Committed.....	332,457	2,190,451	-	2,522,908
Assigned.....	2,734,625	-	-	2,734,625
Unassigned.....	4,264,954	-	-	4,264,954
TOTAL FUND BALANCES.....	22,004,091	2,190,451	3,955,465	28,150,007
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 29,366,731	\$ 3,082,057	\$ 4,109,342	\$ 36,558,130

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....	\$	28,150,007
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		112,761,659
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,404,023
Deferred loss on refunding.....		528,766
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(316,323)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(35,849,878)	
Landfill liability.....	(184,000)	
Compensated absences.....	(986,000)	
Other postemployment benefits obligation.....	<u>(13,725,723)</u>	
Net effect of reporting long-term liabilities.....		<u>(50,745,601)</u>
Net position of governmental activities.....	\$	<u>94,782,531</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 36,696,594	\$ -	\$ -	\$ 36,696,594
Tax liens.....	67,788	-	-	67,788
Motor vehicle and other excise taxes.....	1,949,254	-	-	1,949,254
Charges for services.....	-	-	2,458,643	2,458,643
Penalties and interest on taxes.....	81,875	-	-	81,875
Fees.....	62,062	-	-	62,062
Rentals.....	306,695	-	-	306,695
Payments in lieu of taxes.....	4,871	-	-	4,871
Licenses and permits.....	491,597	-	-	491,597
Fines and forfeitures.....	17,754	-	104,299	122,053
Intergovernmental.....	12,953,691	-	1,112,711	14,066,402
Departmental and other.....	588,436	-	48,606	637,042
Special assessments.....	594,409	-	-	594,409
Contributions.....	-	-	178,300	178,300
Investment income.....	227,247	-	22,884	250,131
Miscellaneous.....	-	-	28,153	28,153
TOTAL REVENUES.....	54,042,273	-	3,953,596	57,995,869
EXPENDITURES:				
Current:				
General government.....	1,927,676	1,352,470	177,058	3,457,204
Public safety.....	4,352,787	-	188,090	4,540,877
Education.....	34,064,380	-	2,766,684	36,831,064
Public works.....	2,915,568	7,073,446	2,806	9,991,820
Human services.....	433,511	-	94,438	527,949
Culture and recreation.....	1,006,955	-	485,309	1,492,264
Pension benefits.....	1,626,689	-	-	1,626,689
Property and liability insurance.....	146,104	-	-	146,104
Employee benefits.....	4,027,052	-	-	4,027,052
State and county charges.....	471,164	-	-	471,164
Debt service:				
Principal.....	3,576,774	-	-	3,576,774
Interest.....	1,086,972	-	-	1,086,972
TOTAL EXPENDITURES.....	55,635,632	8,425,916	3,714,385	67,775,933
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,593,359)	(8,425,916)	239,211	(9,780,064)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds and notes.....	-	10,860,000	-	10,860,000
Premium from issuance of refunding bonds.....	46,200	-	49	46,249
Transfers in.....	565,389	-	85,000	650,389
Transfers out.....	(149,207)	-	(157,856)	(307,063)
TOTAL OTHER FINANCING SOURCES (USES).....	462,382	10,860,000	(72,807)	11,249,575
NET CHANGE IN FUND BALANCES.....	(1,130,977)	2,434,084	166,404	1,469,511
FUND BALANCES AT BEGINNING OF YEAR.....	23,135,068	(243,633)	3,789,061	26,680,496
FUND BALANCES AT END OF YEAR.....	\$ 22,004,091	\$ 2,190,451	\$ 3,955,465	\$ 28,150,007

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 1,469,511
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	9,774,785	
Depreciation expense.....	<u>(3,752,110)</u>	
Net effect of reporting capital assets.....		6,022,675
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,006,358)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(10,860,000)	
Amortization of bond premiums.....	249,364	
Debt service principal payments.....	<u>3,576,774</u>	
Net effect of reporting long-term debt.....		(7,033,862)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	6,000	
Net change in landfill liability.....	23,000	
Net change in accrued interest on long-term debt.....	(48,917)	
Amortization of deferred charge on refunding.....	(93,439)	
Net change in other postemployment benefits obligation.....	<u>(2,130,088)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(2,243,444)</u>
Change in net position of governmental activities.....		<u>\$ (2,791,478)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Sewer Enterprise	Water Enterprise	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 623,826	\$ 701,504	\$ 1,325,330
Receivables, net of allowance for uncollectibles:			
Water fees.....	-	741,954	741,954
Sewer fees.....	603,502	-	603,502
Total current assets.....	<u>1,227,328</u>	<u>1,443,458</u>	<u>2,670,786</u>
NONCURRENT:			
Capital assets, nondepreciable.....	-	1,360,766	1,360,766
Capital assets, depreciable.....	5,188,186	4,535,525	9,723,711
Total noncurrent assets.....	<u>5,188,186</u>	<u>5,896,291</u>	<u>11,084,477</u>
TOTAL ASSETS.....	<u>6,415,514</u>	<u>7,339,749</u>	<u>13,755,263</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	28,500	-	28,500
LIABILITIES			
CURRENT:			
Accrued payroll.....	9,977	9,544	19,521
Accrued interest.....	22,227	19,428	41,655
Compensated absences.....	9,000	17,000	26,000
Bonds payable.....	217,177	286,400	503,577
Total current liabilities.....	<u>258,381</u>	<u>332,372</u>	<u>590,753</u>
NONCURRENT:			
Compensated absences.....	-	7,000	7,000
Other postemployment benefits obligation.....	125,101	128,043	253,144
Bonds payable.....	2,142,156	1,873,900	4,016,056
Total noncurrent liabilities.....	<u>2,267,257</u>	<u>2,008,943</u>	<u>4,276,200</u>
TOTAL LIABILITIES.....	<u>2,525,638</u>	<u>2,341,315</u>	<u>4,866,953</u>
NET POSITION			
Net investment in capital assets.....	2,862,353	3,895,991	6,758,344
Unrestricted.....	1,056,023	1,102,443	2,158,466
TOTAL NET POSITION.....	<u>\$ 3,918,376</u>	<u>\$ 4,998,434</u>	<u>\$ 8,916,810</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Sewer Enterprise	Water Enterprise	Total
OPERATING REVENUES:			
Charges for services	\$ 1,439,580	\$ 1,538,080	\$ 2,977,660
OPERATING EXPENSES:			
Cost of services and administration	1,017,929	788,670	1,806,599
Depreciation.....	276,683	249,949	526,632
TOTAL OPERATING EXPENSES	1,294,612	1,038,619	2,333,231
OPERATING INCOME (LOSS).....	144,968	499,461	644,429
NONOPERATING REVENUES (EXPENSES):			
Interest expense.....	(69,287)	(75,031)	(144,318)
INCOME (LOSS) BEFORE TRANSFERS.....	75,681	424,430	500,111
TRANSFERS:			
Transfers in.....	-	139,207	139,207
Transfers out.....	(227,708)	(254,825)	(482,533)
TOTAL TRANSFERS.....	(227,708)	(115,618)	(343,326)
CHANGE IN NET POSITION.....	(152,027)	308,812	156,785
NET POSITION AT BEGINNING OF YEAR.....	4,070,403	4,689,622	8,760,025
NET POSITION AT END OF YEAR.....	\$ 3,918,376	\$ 4,998,434	\$ 8,916,810

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Fund		
	Sewer Enterprise	Water Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 1,477,704	\$ 1,539,227	\$ 3,016,931
Payments to vendors.....	(755,459)	(484,016)	(1,239,475)
Payments to employees.....	(238,234)	(291,871)	(530,105)
NET CASH FROM OPERATING ACTIVITIES.....	484,011	763,340	1,247,351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	-	139,207	139,207
Transfers out.....	(227,708)	(254,825)	(482,533)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(227,708)	(115,618)	(343,326)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets.....	(138,781)	(365,566)	(504,347)
Principal payments on bonds and notes.....	(220,921)	(285,300)	(506,221)
Interest paid on capital debt.....	(71,246)	(77,845)	(149,091)
Amortization of deferred loss on refundings.....	3,800	-	3,800
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(427,148)	(728,711)	(1,155,859)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(170,845)	(80,989)	(251,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	794,671	782,493	1,577,164
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 623,826	\$ 701,504	\$ 1,325,330
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 144,968	\$ 499,461	\$ 644,429
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	276,683	249,949	526,632
Changes in assets and liabilities:			
Sewer fees.....	38,124	1,147	39,271
Accrued payroll.....	1,804	(2,980)	(1,176)
Accrued compensated absences.....	1,000	1,000	2,000
Postemployment benefits obligation.....	21,432	14,763	36,195
Total adjustments.....	339,043	263,879	602,922
NET CASH FROM OPERATING ACTIVITIES.....	\$ 484,011	\$ 763,340	\$ 1,247,351
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Intergovernmental subsidy of principal and interest payments.....	\$ 16,433		

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 38,563	\$ 173,230
Investments.....	<u>141,025</u>	<u>-</u>
TOTAL ASSETS.....	<u>179,588</u>	<u>173,230</u>
LIABILITIES		
Liabilities due depositors.....	<u>-</u>	<u>173,230</u>
NET POSITION		
Held in trust.....	<u>\$ 179,588</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	<u>825</u>
Net investment income (loss):	
Interest.....	\$ <u>2,620</u>
TOTAL ADDITIONS.....	<u>3,445</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>11,000</u>
CHANGE IN NET POSITION.....	(7,555)
NET POSITION AT BEGINNING OF YEAR.....	<u>187,143</u>
NET POSITION AT END OF YEAR.....	\$ <u><u>179,588</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Administrator.

The Town of Medfield was incorporated in 1651. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administration services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

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

Joint Venture

The Town has entered into a joint venture with the Towns of Franklin, Medway, Millis, Norfolk, North Attleborough, Plainville, Seekonk, Sherborn, Walpole and Wrentham, to pool resources and share the costs, risks and rewards of providing vocational education through the Tri-County Regional Vocational Technical High School. The Town of Medfield's 2014 assessment to Tri-County Regional Vocational Technical High School was \$140,113. The District issues a separate audited financial statement which may be obtained by contacting the District located at 147 Pond St, Franklin, MA 02038.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, 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 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 total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

Internal service funds and fiduciary funds are reported by fund type.

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

The *permanent fund* is used to account for and report 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 principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water activities.

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

The 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 trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

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 Assessors for 95% 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 year of the levy.

Real estate tax liens are processed during the second and fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle Excise

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

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

Sewer

Sewer user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the 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.

Water

Water user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the 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 primarily of ambulance and police detail receivables which are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental activity column of the government-wide financial statements, and 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 \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Computer software.....	3-7
Office equipment.....	3-10
Vehicles.....	5
Building improvements.....	20
Buildings.....	40
Infrastructure.....	30-75

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has recorded a deferred loss on refunding as deferred outflows of resources in the government-wide balance sheet.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has no items at year end that qualify for deferred inflow status.

Governmental Fund Financial Statements

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

I. 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 and internal service funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

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

J. 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 and internal service funds are eliminated from the governmental activities in the statement of net position. 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.

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

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program and the Massachusetts Clean Water Trust's loan subsidy program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Debt service” represents funds received in prior years from the MSBA that have been set aside for future debt payments.

“Permanent funds – expendable” represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts 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 and consists primarily of gifts and federal and state grants.

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Auditor to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. 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. Investment Income

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

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 upon maturity of the liability.

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

Q. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (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 has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the Town's uninsured, uncollateralized deposits to 5% of any one institution's assets and no more than 20% of the Town's cash. At year-end, the carrying amount of deposits totaled \$13,590,848 and the bank balance totaled \$14,566,628. Of the bank balance, \$3,915,052 was covered by Federal Depository Insurance, \$77,465 was covered by Depositor's Insurance Fund, \$500,000 was covered by Securities Investor Protection Corporation and \$10,074,111 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2014, the Town of Medfield had the following investments:

Investment Type	Fair Value	Under 1 Year	Maturity 1-5 Years	6-10 Years
<u>Debt Securities:</u>				
Government Sponsored Enterprises... \$	9,839,988	\$ -	\$ 8,473,377	\$ 1,366,611
Corporate Bonds.....	<u>2,774,118</u>	<u>177,975</u>	<u>2,596,143</u>	<u>-</u>
Total Debt Securities.....	12,614,106	<u>\$ 177,975</u>	<u>\$ 11,069,520</u>	<u>\$ 1,366,611</u>
<u>Other Investments:</u>				
Equity Mutual Funds.....	2,082,004			
MMDT.....	<u>3,760,450</u>			
Total Investments.....	<u>\$ 18,456,560</u>			

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has custodial credit risk exposure of \$12,614,106 because the government sponsored enterprise securities and corporate bonds are uninsured, unregistered and held by the counterparty. The Town's policy related to custodial credit risk is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry.

Interest Rate Risk

To manage its exposure to fair value losses arising from increasing interest rates, the Town's policy limits the investment of short-term funds to maturities of up to twelve months.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town's policy related to credit risk places no limit on investments in MMDT and U.S. Treasuries and Agencies. With regards to other investments, the Treasurer will limit purchases to investment grade securities with a high concentration in securities rated A or better. The Town's government sponsored enterprises of \$9,839,988 are rated AA+. With regards to corporate bonds \$691,008 are rated AA+, \$219,613 are rated A+, \$889,857 are rated A-, and \$973,640 are rated BBB+.

Additionally, the Town holds \$3,760,450 in MMDT which is unrated.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5 percent of the Town's investments of \$14,696,110 are in the following securities:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal Home Loan MTG.....	28%
United States Treasury Notes.....	16%
Federal Home Loan Banks.....	12%
United States Treasury Bonds.....	9%
Hewlett Packard Corporation.....	7%
General Electric Capital Corporation.....	5%
AT&T, Inc.....	5%

NOTE 3 – RECEIVABLES

At June 30, 2014, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 511,617	\$ (7,823)	\$ 503,794
Tax liens.....	466,620	-	466,620
Motor vehicle and other excise taxes.....	63,565	-	63,565
Departmental and other.....	195,727	(87,123)	108,604
Special assessments.....	3,034,406	-	3,034,406
Intergovernmental.....	324,914	-	324,914
Total.....	<u>\$ 4,596,849</u>	<u>\$ (94,946)</u>	<u>\$ 4,501,903</u>

At June 30, 2014, receivables for the sewer and water enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees.....	\$ 603,502	\$ -	\$ 603,502
Water fees.....	741,954	-	741,954
Total.....	<u>\$ 1,345,456</u>	<u>\$ -</u>	<u>\$ 1,345,456</u>

Governmental funds report *unavailable 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 year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

<u>Receivable type:</u>	<u>General Fund</u>
Real estate and personal property taxes.....	\$ 413,773
Tax liens.....	466,620
Motor vehicle and other excise taxes.....	63,564
Departmental and other.....	97,726
Special assessments.....	3,045,283
Intergovernmental.....	<u>317,057</u>
 Total.....	 <u>\$ 4,404,023</u>

Departmental and other receivables include approximately \$90,000 of summer recreation program fees that were collected in advance. These amounts are reported as *unearned revenue* on the governmental activities statement of net position.

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,730,194	\$ -	\$ -	\$ 16,730,194
Construction in progress.....	1,841,616	9,311,229	(52,801)	11,100,044
 Total capital assets not being depreciated.....	 <u>18,571,810</u>	 <u>9,311,229</u>	 <u>(52,801)</u>	 <u>27,830,238</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	21,957	-	-	21,957
Buildings and Improvements.....	83,262,297	15,000	-	83,277,297
Machinery and equipment.....	6,331,239	356,412	-	6,687,651
Vehicles.....	1,013,534	144,945	(64,790)	1,093,689
Textbooks and software.....	2,641,404	-	-	2,641,404
Infrastructure.....	51,772,544	-	-	51,772,544
 Total capital assets being depreciated.....	 <u>145,042,975</u>	 <u>516,357</u>	 <u>(64,790)</u>	 <u>145,494,542</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(18,132)	(850)	-	(18,982)
Buildings and Improvements.....	(23,774,803)	(2,026,450)	-	(25,801,253)
Machinery and equipment.....	(4,380,968)	(346,002)	-	(4,726,970)
Vehicles.....	(798,320)	(98,077)	64,790	(831,607)
Textbooks and software.....	(2,535,551)	(25,290)	-	(2,560,841)
Infrastructure.....	(25,368,027)	(1,255,441)	-	(26,623,468)
 Total accumulated depreciation.....	 <u>(56,875,801)</u>	 <u>(3,752,110)</u>	 <u>64,790</u>	 <u>(60,563,121)</u>
 Total capital assets being depreciated, net.....	 <u>88,167,174</u>	 <u>(3,235,753)</u>	 <u>-</u>	 <u>84,931,421</u>
 Total governmental activities capital assets, net.....	 <u>\$ 106,738,984</u>	 <u>\$ 6,075,476</u>	 <u>\$ (52,801)</u>	 <u>\$ 112,761,659</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 321,519	\$ -	\$ (321,519)	\$ -
<u>Capital assets being depreciated:</u>				
Building and Improvements.....	\$ 7,496,950	\$ -	\$ -	\$ 7,496,950
Machinery and equipment.....	520,062	30,000	-	550,062
Vehicles.....	75,780	30,300	-	106,080
Infrastructure.....	1,004,031	400,000	-	1,404,031
Total capital assets being depreciated.....	9,096,823	460,300	-	9,557,123
<u>Less accumulated depreciation for:</u>				
Building and Improvements.....	\$ (3,603,682)	\$ (195,370)	\$ -	\$ (3,799,052)
Machinery and equipment.....	(242,036)	(32,479)	-	(274,515)
Vehicles.....	(70,830)	(7,980)	-	(78,810)
Infrastructure.....	(175,706)	(40,854)	-	(216,560)
Total accumulated depreciation.....	(4,092,254)	(276,683)	-	(4,368,937)
Total sewer capital assets being depreciated, net.....	5,004,569	183,617	-	5,188,186
Total sewer capital assets, net.....	\$ 5,326,088	\$ 183,617	\$ (321,519)	\$ 5,188,186
Water Activities				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,248,033	\$ -	\$ -	\$ 1,248,033
Construction in progress.....	1,018,097	112,733	(1,018,097)	112,733
Total capital assets not being depreciated.....	2,266,130	112,733	(1,018,097)	1,360,766
<u>Capital assets being depreciated:</u>				
Buildings.....	1,945,015	-	-	1,945,015
Machinery and equipment.....	438,391	31,498	-	469,889
Vehicles and other.....	219,689	-	-	219,689
Infrastructure.....	5,874,215	1,239,432	-	7,113,647
Total capital assets being depreciated.....	8,477,310	1,270,930	-	9,748,240
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,113,091)	(45,817)	-	(1,158,908)
Machinery and equipment.....	(239,865)	(24,659)	-	(264,524)
Vehicles and other.....	(164,058)	(25,223)	-	(189,281)
Infrastructure.....	(3,445,752)	(154,250)	-	(3,600,002)
Total accumulated depreciation.....	(4,962,766)	(249,949)	-	(5,212,715)
Total water capital assets being depreciated, net.....	3,514,544	1,020,981	-	4,535,525
Total water capital assets, net.....	\$ 5,780,674	\$ 1,133,714	\$ (1,018,097)	\$ 5,896,291

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

Governmental Activities:	
General government.....	\$ 95,283
Public safety.....	197,779
Education.....	1,829,204
Public works.....	1,443,996
Health and human services.....	97,519
Culture and recreation.....	<u>88,329</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,752,110</u>
Business-Type Activities:	
Sewer.....	\$ 276,683
Water.....	<u>249,949</u>
Total depreciation expense - business-type activities.....	<u>\$ 526,632</u>

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund.....	\$ -	\$ 10,000	\$ 139,207	\$ 149,207 (1)
Nonmajor Governmental Funds....	82,856	75,000	-	157,856 (2)
Sewer Enterprise Fund.....	227,708	-	-	227,708 (3)
Water Enterprise Fund.....	<u>254,825</u>	<u>-</u>	<u>-</u>	<u>254,825 (3)</u>
Total.....	<u>\$ 565,389</u>	<u>\$ 85,000</u>	<u>\$ 139,207</u>	<u>\$ 789,596</u>

- (1) Represents budgeted transfers from the stabilization fund to the water enterprise fund and from the general fund to the conservation trust.
- (2) Represents budgeted transfers from other available funds to the general fund.
- (3) Represents a budgeted transfer from the sewer and water enterprise funds to the general fund for indirect costs.

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 year ended June 30, 2014 are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds							
BAN	Municipal Purpose.....	0.40	10/17/14	\$ -	\$ 1,360,000	\$ (1,360,000)	\$ -

At the BAN's maturity on October 17, 2014, the Town issued long term debt totaling \$7,200,000. Included in this issuance was \$1,360,000 for land acquisition and \$5,840,000 for water main replacements. See Note 7.

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Issue:	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MCWT Bond of 2001.....	2020	\$ 74,538	4.10-5.75%	\$ 28,848	\$ -	\$ (4,174)	\$ 24,674
MCWT Bond of 2004.....	2019	433,900	4-5.125%	212,800	-	(32,900)	179,900
Municipal Purpose Refunding Bonds of 2005.....	2020	8,311,300	3.68%	4,244,900	-	(860,500)	3,384,400
Municipal Purpose Bonds of 2007.....	2025	4,230,000	4-5%	2,650,000	-	(240,000)	2,410,000
Municipal Purpose Bond of 2010.....	2025	1,550,000	2-4%	1,235,000	-	(105,000)	1,130,000
Municipal Purpose Refunding Bonds of 2012.....	2022	8,704,840	3-4%	7,749,500	-	(949,200)	6,800,300
Municipal Purpose Refunding Bonds of 2013.....	2023	11,420,000	2-3%	11,305,000	-	(1,385,000)	9,920,000
Garage Bonds Unlimited Tax.....	2034	9,500,000	2-4%	-	9,500,000	-	9,500,000
Municipal Purpose Bonds of 2014.....	2035	1,360,000	2-4%	-	1,360,000	-	1,360,000
Total governmental bonds payable.....				\$ 27,426,048	\$ 10,860,000	\$ (3,576,774)	\$ 34,709,274
Unamortized premiums on bonds.....				1,389,968	-	(249,364)	1,140,604
Total outstanding bonds payable reported in governmental activities.....				\$ 28,816,016	\$ 10,860,000	\$ (3,826,138)	\$ 35,849,878

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

Year	Principal	Interest	Total
2015.....	\$ 3,876,674	\$ 1,138,816	\$ 5,015,490
2016.....	3,648,200	1,045,130	4,693,330
2017.....	3,299,300	930,059	4,229,359
2018.....	3,280,300	815,206	4,095,506
2019.....	3,241,400	705,174	3,946,574
2020.....	3,173,300	602,024	3,775,324
2021.....	2,715,100	500,456	3,215,556
2022.....	2,355,000	396,299	2,751,299
2023.....	1,855,000	298,518	2,153,518
2024.....	820,000	245,254	1,065,254
2025.....	830,000	217,043	1,047,043
2026.....	550,000	188,431	738,431
2027.....	565,000	172,231	737,231
2028.....	575,000	154,919	729,919
2029.....	590,000	135,657	725,657
2030.....	610,000	114,300	724,300
2031.....	630,000	91,538	721,538
2032.....	655,000	67,932	722,932
2033.....	675,000	42,719	717,719
2034.....	700,000	15,819	715,819
2035.....	65,000	1,056	66,056
Total.....	\$ <u>34,709,274</u>	\$ <u>7,878,581</u>	\$ <u>42,587,855</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$46,371 and interest costs for \$21,533. Thus, net MCWT loan repayments, including interest, are scheduled to be \$162,070. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2014 principal and interest subsidies totaled approximately \$9,000 and \$7,000, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2014, approximately \$327,000 of such assistance was received. Approximately \$327,000 will be received in future years. Of this amount, \$317,000 represents reimbursement of approved construction costs, and \$10,000 represents reimbursement of long-term interest costs. Accordingly, an intergovernmental receivable of \$317,000 and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Bonds Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MCWT Sewer of 2008.....	2029	\$ 1,009,030	2.00%	\$ 835,254	\$ -	\$ (44,741)	\$ 790,513
MCWT Sewer of 2012.....	2033	400,000	2.00%	400,000	-	(16,180)	383,820
Sewer Refunding Bond of 2012.....	2022	1,055,500	3-4%	945,000	-	(110,000)	835,000
Sewer Bond of 2013.....	2028	400,000	2-5%	400,000	-	(50,000)	350,000
Total sewer enterprise bonds payable.....				\$ 2,580,254	\$ -	\$ (220,921)	\$ 2,359,333

Debt service requirements for principal and interest for the sewer enterprise fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 217,177	\$ 61,715	\$ 278,892
2016.....	218,458	56,034	274,492
2017.....	209,767	49,976	259,743
2018.....	191,102	44,317	235,419
2019.....	192,464	39,032	231,496
2020.....	188,854	33,819	222,673
2021.....	190,273	27,728	218,001
2022.....	191,722	21,409	213,131
2023.....	93,200	14,959	108,159
2024.....	94,709	12,766	107,475
2025.....	96,249	10,819	107,068
2026.....	97,821	8,804	106,625
2027.....	99,425	6,732	106,157
2028.....	101,062	4,615	105,677
2029.....	82,734	2,714	85,448
2030.....	22,824	1,658	24,482
2031.....	23,320	1,197	24,517
2032.....	23,827	725	24,552
2033.....	24,345	243	24,588
Total.....	\$ 2,359,333	\$ 399,262	\$ 2,758,595

Bonds Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Water Refunding Bonds of 2005.....	2025	\$ 1,110,000	3.68%	\$ 325,100	\$ -	\$ (109,500)	\$ 215,600
Water Bond of 2010.....	2021	400,000	2-4%	310,000	-	(30,000)	280,000
Water Refunding Bonds of 2012.....	2022	464,660	3-4%	410,500	-	(50,800)	359,700
Water Bond of 2013.....	2028	1,400,000	2-5%	1,400,000	-	(95,000)	1,305,000
Total water enterprise bonds payable.....				\$ 2,445,600	\$ -	\$ (285,300)	\$ 2,160,300

Debt service requirements for principal and interest for the water enterprise fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 286,400	\$ 69,221	\$ 355,621
2016.....	275,800	60,681	336,481
2017.....	165,800	53,212	219,012
2018.....	165,800	47,288	213,088
2019.....	165,800	41,364	207,164
2020.....	165,800	35,853	201,653
2021.....	164,900	29,884	194,784
2022.....	150,000	22,999	172,999
2023.....	120,000	16,175	136,175
2024.....	115,000	11,844	126,844
2025.....	115,000	8,875	123,875
2026.....	90,000	5,737	95,737
2027.....	90,000	3,487	93,487
2028.....	90,000	1,181	91,181
Total.....	\$ 2,160,300	\$ 407,801	\$ 2,568,101

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, 2014, the Town had \$3.1 million in authorized and unissued debt related to the purchase of the Medfield State Hospital land.

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 27,426,048	\$ 10,860,000	\$ (3,576,774)	\$ 34,709,274	\$ 3,876,674
Unamortized premium on bonds.....	1,389,968	-	(249,364)	1,140,604	232,569
Bonds payable, net.....	28,816,016	10,860,000	(3,826,138)	35,849,878	4,109,243
Landfill Closure.....	207,000	-	(23,000)	184,000	23,000
Compensated Absences.....	992,000	470,000	(476,000)	986,000	498,000
Other Postemployment Benefits.....	11,595,635	2,130,088	-	13,725,723	-
Total governmental.....	<u>\$ 41,610,651</u>	<u>\$ 13,460,088</u>	<u>\$ (4,325,138)</u>	<u>\$ 50,745,601</u>	<u>\$ 4,630,243</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 5,025,854	-	\$ (506,221)	\$ 4,519,633	\$ 503,577
Compensated Absences.....	62,000	(6,000)	(23,000)	33,000	26,000
Other Postemployment Benefits.....	433,898	(180,754)	-	253,144	-
Total business-type.....	<u>\$ 5,521,752</u>	<u>\$ (186,754)</u>	<u>\$ (529,221)</u>	<u>\$ 4,805,777</u>	<u>\$ 529,577</u>

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to the constraints imposed on the use of the resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
FUND BALANCES:				
Nonspendable:				
Permanent fund principal..... \$	-	-	\$ 1,297,519	\$ 1,297,519
Restricted for:				
School grant funds.....	-	-	173,663	173,663
School revolving funds.....	-	-	407,694	407,694
Town grant funds.....	-	-	101,912	101,912
Town revolving funds.....	-	-	816,083	816,083
Town Gift funds.....	-	-	407,054	407,054
Permanent funds.....	-	-	751,540	751,540
Pension reserve fund.....	3,839,056	-	-	3,839,056
Future debt service.....	10,832,999	-	-	10,832,999
Committed to:				
General government.....	126,966	-	-	126,966
Public safety.....	13,799	-	-	13,799
Education.....	27,405	-	-	27,405
Public works.....	101,352	-	-	101,352
Human services.....	8,694	-	-	8,694
Culture and recreation.....	54,241	-	-	54,241
Capital projects.....	-	2,190,451	-	2,190,451
Assigned to:				
General government.....	40,842	-	-	40,842
Public safety.....	933	-	-	933
Education.....	1,341,135	-	-	1,341,135
Public works.....	26,270	-	-	26,270
Culture and recreation.....	7,619	-	-	7,619
Employee benefits.....	1,376	-	-	1,376
Balance the FY14 operating budget.....	1,316,450	-	-	1,316,450
Unassigned.....	4,264,954	-	-	4,264,954
TOTAL FUND BALANCES.....	\$ 22,004,091	\$ 2,190,451	\$ 3,955,465	\$ 28,150,007

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

At year end the unassigned balance of the general fund includes \$512,000 of the general stabilization fund, \$1.7 million of the betterment stabilization fund and \$708,000 of the OPEB stabilization fund. \$3.8 million for the pension reserve fund is reported under restricted fund balance within the general fund.

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. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in premium-based plans for the healthcare of its active and a portion of its retirees; and for its workers compensation.

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the Norfolk County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Norfolk County Retirement Board (Board). Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$5,444,354 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension benefit 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 1982 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited 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 480 Neponset Street, Canton, MA 02021.

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 that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL.

Annual Pension Cost - The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$1,626,689, \$1,591,704, and \$1,517,376, which equaled its required contribution for each 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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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. For 2014, the Town contributed \$1.5 million to the plan.

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

Annual required contribution.....	\$	3,719,646
Interest on net OPEB obligation.....		472,504
Adjustments to annual required contribution.....		<u>(514,675)</u>
Annual OPEB cost (expense).....		3,677,475
Contributions made.....		<u>(1,511,192)</u>
Increase in net OPEB obligation.....		2,166,283
Net OPEB obligation - beginning of year.....		<u>11,812,584</u>
Net OPEB obligation - end of year.....	\$	<u><u>13,978,867</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the preceding three years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 3,677,475	41.09%	\$ 13,978,867
6/30/2013	3,479,107	41.68%	11,812,584
6/30/2012	3,740,624	37.75%	9,783,661

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$42.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$30.2 million, and the ratio of the UAAL to the covered payroll was 141.9 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 January 1, 2013, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 8% initially, graded to 5% over 7 years. The UAAL is being amortized over a 26 year closed period assuming a 3.25% aggregate annual payroll growth. The remaining amortization period at June 30, 2014 is 25 years.

NOTE 12 – LANDFILL

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 landfill capping took place in 1997. The Town has reflected a \$184,000 post-closure care liability at June 30, 2014 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 13 – COMMITMENTS

The Town is committed to expending \$9.5 million for the DPW Garage Project. Through June 30, 2014, the Town has incurred \$7.3 million of expenditures related to the DPW Garage Project. The Town is also committed to expending \$3.1 million for the purchase of the Medfield State Hospital from the Commonwealth of Massachusetts.

NOTE 14 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still 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 it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER SOURCES AND USES
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts	Current Year		Final
	Carried Forward From Prior Year	Initial Budget	Original Budget	Budget
REVENUES AND OTHER SOURCES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 36,659,498	\$ 36,659,498	\$ 36,659,498
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,801,000	1,801,000	1,801,000
Penalties and interest on taxes.....	-	82,000	82,000	82,000
Fees.....	-	49,000	49,000	49,000
Rentals.....	-	275,282	275,282	275,282
Payments in lieu of taxes.....	-	4,748	4,748	4,748
Licenses and permits.....	-	427,530	427,530	427,530
Fines and forfeitures.....	-	19,245	19,245	19,245
Intergovernmental.....	-	7,462,380	7,462,380	7,462,380
Departmental and other.....	-	557,813	557,813	557,813
Special assessments.....	-	432,382	432,382	432,382
Investment income.....	-	25,000	25,000	25,000
Transfers in.....	-	1,134,045	1,134,045	1,134,045
Prior year encumbrances.....	1,937,695	-	1,937,695	1,769,256
Budgeted use of sewer betterment reserves.....	-	197,435	197,435	197,435
Budgeted use of debt reserves.....	-	1,671,281	1,671,281	1,671,281
Budgeted use of overlay.....	-	100,000	100,000	100,000
Budgeted use of pension and cemetery operating budget.....	-	124,000	124,000	124,000
Free cash.....	-	860,408	860,408	860,408
Prior year carryforward of special articles.....	-	384,977	384,977	384,977
Tax title certification and snow and ice deficit.....	-	(105,693)	(105,693)	(105,693)
Debt and interest charges.....	-	(239,179)	(239,179)	(239,179)
TOTAL REVENUES AND OTHER SOURCES.....	1,937,695	51,923,152	53,860,847	53,692,408
EXPENDITURES AND OTHER USES:				
Current:				
General Government.....	123,076	3,121,800	3,244,876	2,123,086
Public Safety.....	31,415	3,825,586	3,857,001	4,341,905
Education.....	1,520,198	28,538,479	30,058,677	30,066,306
Public Works.....	201,016	2,942,054	3,143,070	2,979,003
Human Services.....	11,010	479,512	490,522	486,228
Culture and Recreation.....	50,980	1,086,517	1,137,497	1,098,675
Pension benefits.....	-	1,660,239	1,660,239	1,660,239
Employee benefits.....	-	4,132,086	4,132,086	4,106,686
Property and liability insurance.....	-	135,000	135,000	160,500
State and county charges.....	-	467,372	467,372	467,372
Debt service:				
Principal.....	-	4,074,045	4,074,045	4,074,045
Interest.....	-	1,090,462	1,090,462	1,231,071
Transfer out.....	-	370,000	370,000	897,292
TOTAL EXPENDITURES AND OTHER SOURCES.....	1,937,695	51,923,152	53,860,847	53,692,408
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	-	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	18,083,890	18,083,890	18,083,890	18,083,890
BUDGETARY FUND BALANCE, End of year.....	\$ 18,083,890	\$ 18,083,890	\$ 18,083,890	\$ 18,083,890

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	36,690,107	\$ -	\$ 30,609
	67,788		67,788
	1,949,254	-	148,254
	81,875	-	(125)
	62,062	-	13,062
	306,695	-	31,413
	4,871	-	123
	491,597	-	64,067
	17,754	-	(1,491)
	7,492,904	-	30,524
	588,436	-	30,623
	594,409	-	162,027
	113,376	-	88,376
	1,085,389	-	(48,656)
	-	-	(1,769,256)
	-	-	(197,435)
	-	-	(1,671,281)
	-	-	(100,000)
	-	-	(124,000)
	-	-	(860,408)
	-	-	(384,977)
	-	-	105,693
	-	-	239,179
	<u>49,546,517</u>	<u>-</u>	<u>(4,145,891)</u>
	1,880,762	167,808	74,516
	4,206,755	14,732	120,418
	28,684,718	1,368,540	13,048
	2,914,866	127,622	(63,485)
	433,357	8,694	44,177
	1,006,409	61,860	30,406
	1,626,689	-	33,550
	4,027,052	1,376	78,258
	146,104	-	14,396
	471,164	-	(3,792)
	3,567,824	-	506,221
	1,079,489	-	151,582
	<u>802,435</u>	<u>-</u>	<u>94,857</u>
	<u>50,847,624</u>	<u>1,750,632</u>	<u>1,094,152</u>
	(1,301,107)	<u>(1,750,632)</u>	<u>(3,051,739)</u>
	<u>18,083,890</u>		
\$	<u><u>16,782,783</u></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 District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

**NORFOLK COUNTY 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)
1/1/2014	\$ 696,682,779	\$ 1,247,596,772	\$ 550,913,993	55.8%	\$ 246,722,941	223.3%
1/1/2012	608,235,096	1,128,960,288	520,725,192	53.9%	229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%

The Town's share of the UAAL, as of January 1, 2010 is approximately 3.91%.

See notes to required supplementary information.

**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended December 31	System Wide			Town of Medfield	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 44,800,000	\$ 44,800,000	100%	\$ 1,626,689	3.63%
2012	42,714,639	42,714,639	100%	1,591,704	3.73%
2011	41,206,587	41,206,587	100%	1,517,376	3.68%
2010	39,749,857	39,749,857	100%	1,493,028	3.76%
2009	38,920,499	38,920,499	100%	1,439,162	3.70%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2013	\$ -	\$ 42,861,723	\$ 42,861,723	0%	\$ 30,199,000	141.9%
1/1/2011	-	39,775,805	39,775,805	0%	29,389,000	135.3%
7/1/2008	-	43,819,459	43,819,459	0%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2014	\$ 3,719,646	\$ 1,511,192	40.63%
6/30/2013	3,499,080	1,450,184	41.44%
6/30/2012	3,735,876	1,412,261	37.80%
6/30/2011	3,503,030	1,234,867	35.25%
6/30/2010	3,917,670	1,373,194	35.05%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	January 1, 2013
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level percentage of payroll (3.25% annual rate of increase)
Amortization period.....	26 years at January 1, 2013, closed

Actuarial Assumptions:

Investment rate of return.....	4.00% per annum for an unfunded program
Medical/drug cost trend rate.....	8.0% graded to 5.0% over 7 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	327
Current active members.....	<u>459</u>
 Total	 <u><u>786</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open 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 line item, adopts the expenditure budget by majority vote.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget, including amounts carried forward from the prior years authorized approximately \$53.9 million in appropriations and other amounts to be raised. There was a \$168,000 decrease from the original budget to the final amended budget due to the rescission of certain encumbrances. The Town Accountant’s Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, follows.

Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - budgetary basis.....	\$ (1,301,107)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	73,461
Activity of the betterment stabilization fund recorded in the general fund for GAAP.....	(169,293)
Activity of the OPEB stabilization fund recorded in the general fund for GAAP.....	408,848
Activity of the pension reserve fund recorded in the general fund for GAAP.....	(65,917)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	6,487
Net difference in recognition of expenditures.....	(83,456)
Increase in revenues due to on-behalf payments.....	5,444,354
Increase in expenditures due to on-behalf payments.....	<u>(5,444,354)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - GAAP basis.....	<u>\$ (1,130,977)</u>

3. Appropriation Deficits

During 2014, actual expenditures exceeded appropriations for snow and ice. This over expenditures will be funded by via the tax levy and available funds during 2015. Additionally, state and county charges exceeded appropriations.

NOTE B – PENSION PLAN

The Town contributes to the Norfolk County Contributory Retirement System (“System”), a cost-sharing, multiple-employer defined benefit pension plan (“Plan”) administered by the Norfolk County Retirement Board (Board). The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active 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, 2014
Actuarial Cost Method.....	Entry age normal actuarial cost method
Amortization Method.....	Increasing at 4.0% per year, level dollar for ERI liability for certain units
Remaining Amortization Period.....	17 years remaining as of January 1, 2014
Asset Valuation Method.....	The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return.
Actuarial Assumptions:	
Investment rate of return.....	8.25%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3% of the lesser of the pension amount and \$15,000 per year.

Plan Membership:	
Retired participants and beneficiaries receiving benefits.....	2,691
Inactive participants:.....	2,249
Disabled:.....	332
Active participants.....	<u>5,153</u>
Total.....	<u><u>10,425</u></u>

NOTE C – OTHER POST EMPLOYMENT BENEFITS

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

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

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

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

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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