

**TOWN OF MEDFIELD, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

**TOWN OF MEDFIELD, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
 Town of Medfield, Massachusetts

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medfield, Massachusetts (the Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012 on our consideration of Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ii through vii and schedule of funding progress for the Town's pension benefit plan, schedule of funding progress for the Town's retire benefit plan (OPEB), budgetary comparison schedule – general fund, and notes to required supplementary information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Malloy, Lynch, Bienvenue LLP*

March 12, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF MEDFIELD, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2011

As management of the Town of Medfield (the Town), we offer the Town's financial statement readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

**Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$112 million (net assets). Of this amount, approximately \$21 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2011 was \$57.8 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$3 million or approximately 4.5% of general fund expenditures.

**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison statements, and 4) notes to financial statements.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and general administrative services. The Town's business-type activities include the water enterprise, sewer enterprise and the self-insured employee health internal service fund.

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

## TOWN OF MEDFIELD, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

**Proprietary funds:** The Town of Medfield maintains three proprietary funds, the Water Enterprise Fund, the Sewer Enterprise Fund and the Self-insured Employee Health Internal Service Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and self-insured employee health operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

The Town adopts an annual budget for its general fund, water and sewer funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

**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 programs.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

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

**TOWN OF MEDFIELD, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2011

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Medfield, assets exceeded liabilities by \$103 million and \$8 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year. Capital assets and invested in capital assets, net as of June 30, 2010 have been restated to show the reduction of \$2,038,363 as explained in note 15. The following tables demonstrate the net assets of the Town:

|                                 | Governmental Activities<br>(Restated) |                       | Business-type Activities |                      |
|---------------------------------|---------------------------------------|-----------------------|--------------------------|----------------------|
|                                 | <u>June 30, 2011</u>                  | <u>June 30, 2010</u>  | <u>June 30, 2011</u>     | <u>June 30, 2010</u> |
| Current assets                  | \$ 39,928,651                         | \$ 42,743,120         | \$ 2,281,681             | \$ 1,991,531         |
| Capital assets                  | <u>111,484,468</u>                    | <u>114,598,237</u>    | <u>10,356,334</u>        | <u>10,302,636</u>    |
| Total assets                    | 151,413,119                           | 157,341,357           | 12,638,015               | 12,294,167           |
| Current liabilities             | 6,532,790                             | 7,640,846             | 914,649                  | 407,765              |
| Long-term liabilities           | <u>41,727,448</u>                     | <u>44,750,741</u>     | <u>3,347,885</u>         | <u>3,701,736</u>     |
| Total liabilities               | 48,260,238                            | 52,391,587            | 4,262,534                | 4,109,501            |
| Net assets:                     |                                       |                       |                          |                      |
| Invested in capital assets, net | 74,780,512                            | 74,479,213            | 6,693,098                | 6,294,400            |
| Restricted                      | 9,157,984                             | 8,853,763             |                          |                      |
| Unrestricted                    | <u>19,214,385</u>                     | <u>21,616,794</u>     | <u>1,682,383</u>         | <u>1,890,266</u>     |
| Total net assets                | <u>\$ 103,152,881</u>                 | <u>\$ 104,949,770</u> | <u>\$ 8,375,481</u>      | <u>\$ 8,184,666</u>  |

Governmental activities receivable includes approximately \$5.2 million of betterments due in future years. New capital asset acquisitions approximating \$540,000 were offset by depreciation of almost \$3.7 million in fiscal year 2011. Current portion of long-term liabilities have been classified as current liabilities in the above presentation. During 2011 the Town made bond payments of approximately \$4 million. Overall, there was little change in business-type activities from 2010.

Governmental activities decreased the Town's net assets by \$1,663,209 during fiscal year 2011. Business-type activities increased net assets by \$190,815. A summary of revenues and major functional expenditures is presented below.

Revenues:

- ◆ Property taxes make up the largest share representing, approximately 62%, of the Town's governmental activity revenue, special items and transfers. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, excluded debt, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing 22% of the Town's revenue. Significant revenues included in this amount are receipts from the Commonwealth of Massachusetts for school aid (Chapter 70 aid) of \$6 million and contributions to the Teachers Retirement System of \$4.2 million as further described in note 10 to the financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Expenses:

- ◆ Employee salary costs increased from negotiated step and general wage increases.
- ◆ Net obligations related to other post-employment benefits increased by approximately \$1 million.

|   | Governmental Activities |                       | Business-type Activities |                      |
|---|-------------------------|-----------------------|--------------------------|----------------------|
|   | <u>June 30, 2011</u>    | <u>June 30, 2010</u>  | <u>June 30, 2011</u>     | <u>June 30, 2010</u> |
| Revenues:                               |                         |                       |                          |                      |
| Charge for services                     | \$ 3,631,083            | \$ 3,526,388          | \$ 2,884,948             | \$ 2,553,347         |
| Operating grants and contributions      | 11,853,534              | 12,842,755            |                          |                      |
| General revenues:                       |                         |                       |                          |                      |
| Property taxes                          | 33,585,153              | 32,446,227            |                          |                      |
| Excise taxes                            | 1,708,402               | 1,675,017             |                          |                      |
| Penalties and interest                  | 123,247                 | 101,917               |                          |                      |
| Grants and contributions not restricted | 2,011,563               | 2,040,919             |                          |                      |
| Unrestricted investment earnings        | 215,443                 | 518,071               |                          |                      |
| Miscellaneous                           | 209,801                 | 122,989               |                          |                      |
| Transfers, net                          | <u>463,760</u>          | <u>529,156</u>        | <u>(463,760)</u>         | <u>(529,156)</u>     |
| Total revenues and transfers, net       | 53,801,986              | 53,803,439            | 2,421,188                | 2,024,191            |
| Expenses:                               |                         |                       |                          |                      |
| General government                      | 1,758,783               | 1,932,419             |                          |                      |
| Public safety                           | 3,818,203               | 4,030,596             |                          |                      |
| Education                               | 35,766,299              | 34,789,361            |                          |                      |
| Public works                            | 4,174,937               | 3,777,744             |                          |                      |
| Human services                          | 300,412                 | 475,196               |                          |                      |
| Culture and recreation                  | 1,333,862               | 1,593,463             |                          |                      |
| Employee benefits and general insurance | 6,366,756               | 8,652,484             |                          |                      |
| Interest on long-term debt              | 1,608,172               | 1,843,254             |                          |                      |
| Intergovernmental                       | 471,451                 | 468,961               |                          |                      |
| Sewer                                   |                         |                       | 1,158,957                | 1,233,651            |
| Water                                   | <u>-</u>                | <u>-</u>              | <u>1,071,416</u>         | <u>1,008,681</u>     |
| Total expenses                          | <u>55,598,875</u>       | <u>57,563,478</u>     | <u>2,230,373</u>         | <u>2,242,332</u>     |
| Change in net assets                    | <u>\$ (1,796,889)</u>   | <u>\$ (3,760,039)</u> | <u>\$ 190,815</u>        | <u>\$ (218,141)</u>  |

**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.

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. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

## **TOWN OF MEDFIELD, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2011

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$28.6 million, a decrease of \$1.3 million from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable balance of \$1.2 million, restricted fund balance of \$20.6 million, committed fund balance of \$.3 million; assigned fund balance of \$4.2 million and unassigned fund balance of \$2.3 million.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$20.8 million, a decrease of \$1.2 million from the previous year. Of this amount \$14 million or 67% represents restricted fund balance. Committed fund balance of \$.37 million and assigned fund balance of \$4.2 million represent 2% and 20% of total general fund balance respectively. Unassigned fund balance of \$2.5 million represents 11% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. General fund unassigned fund balance represents approximately 4.5 and 4.7%, respectively of total general fund expenditures and revenues, while total General fund balance represents 40.6% and 42.2%, respectively, of the same amounts.

#### **General Fund Budgetary Highlights**

The Town adopts an annual budget for its general fund and for its enterprise funds. A budgetary comparison statement has been provided for the general fund. The difference between the original expenditure budget of \$50.2 million and the final amended budget of \$48.6 million can be briefly summarized as follows:

- ◆ About \$1.6 million is reduced from the original budget figure for continuing appropriations, operating budgets and teacher summer salaries into future periods.

#### **Capital Asset and Debt Administration**

##### **Capital assets**

The Town's investment in capital assets for governmental activities, as of June 30, 2011, amount to \$111.4 million, which is net of accumulated depreciation of \$49.7 million. Investments in capital assets include land, machinery and equipment and infrastructure.

The Town's investment in capital assets for business-type activities, as of June 30, 2011, amount to \$10.3 million, which is net of accumulated depreciation of \$8.0 million. Investments in capital assets include land, machinery and equipment and infrastructure.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Management's Discussion and Analysis**  
**June 30, 2011**

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

|                                      | <b>Governmental Activities</b> |                                     | <b>Business-type Activities</b> |                      |
|--------------------------------------|--------------------------------|-------------------------------------|---------------------------------|----------------------|
|                                      | <b>June 30, 2011</b>           | <b>(Restated)<br/>June 30, 2010</b> | <b>June 30, 2011</b>            | <b>June 30, 2010</b> |
| Land and land improvements           | \$ 16,736                      | \$ 16,737                           | \$ 1,248                        | \$ 1,248             |
| Construction in progress             | 1,123                          | 1,005                               | 376                             | 3                    |
| Buildings and improvements           | 63,115                         | 64,958                              | 4,780                           | 5,011                |
| Machinery, equipment and furnishings | 1,634                          | 1,793                               | 573                             | 607                  |
| Vehicles                             | 310                            | 289                                 | 143                             | 75                   |
| Infrastructure & easements           | <u>28,566</u>                  | <u>29,816</u>                       | <u>3,236</u>                    | <u>3,359</u>         |
| Total net assets                     | <u>\$ 111,484</u>              | <u>\$ 114,598</u>                   | <u>\$ 10,356</u>                | <u>\$ 10,303</u>     |

**Long-term debt**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$36.7 and \$3.7 million for the governmental and business-type activities, respectively. This is compared to \$40.7 and \$4 million, respectively, last year. All debt is a general obligation of the Town.

**Economic Factors and Next Year's Budgets and Rates**

- ◆ The Town has increased its property tax levy by 4.3%, which includes new growth.
- ◆ The Town's fiscal year 2012 operating budget remained essentially level funded from fiscal year 2011. Budget increases in certain operating expenses were offset as a result of cost cutting efforts.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Medfield, Attn: Town Accountant, 459 Main Street, Medfield, MA 02052

**BASIC FINANCIAL STATEMENTS**

**TOWN OF MEDFIELD, MASSACHUSETTS**

Statement of Net Assets

June 30, 2011

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| <b>ASSETS</b>                                   |                                    |                                     |                       |
| Cash and Equivalents                            | \$ 6,210,735                       | \$ 1,133,564                        | \$ 7,344,299          |
| Investments                                     | 24,832,365                         |                                     | 24,832,365            |
| Receivables, net of allowance for uncollectible | 8,885,551                          | 984,797                             | 9,870,348             |
| Intergovernmental                               |                                    | 163,320                             | 163,320               |
| Capital assets, net of accumulated depreciation | 111,484,468                        | 10,356,334                          | 121,840,802           |
| <b>Total Assets</b>                             | <b>\$ 151,413,119</b>              | <b>\$ 12,638,015</b>                | <b>\$ 164,051,134</b> |
| <b>LIABILITIES</b>                              |                                    |                                     |                       |
| Accounts payable and accrued expenses           | \$ 1,991,990                       | \$ 115,098                          | \$ 2,107,088          |
| Provision for refund of taxes paid              | 282,775                            |                                     | 282,775               |
| Other current liabilities                       | 503,396                            | 51,700                              | 555,096               |
| Notes payable                                   |                                    | 400,000                             | 400,000               |
| Non-current liabilities:                        |                                    |                                     |                       |
| Due within one year                             | 3,754,629                          | 347,851                             | 4,102,480             |
| Due in more than one year                       | 41,727,448                         | 3,347,885                           | 45,075,333            |
| <b>Total liabilities</b>                        | <b>48,260,238</b>                  | <b>4,262,534</b>                    | <b>52,522,772</b>     |
| <b>NET ASSETS</b>                               |                                    |                                     |                       |
| Invested in capital assets, net of related debt | 74,780,512                         | 6,693,098                           | 81,473,610            |
| Restricted                                      | 9,157,984                          |                                     | 9,157,984             |
| Unrestricted                                    | 19,214,385                         | 1,682,383                           | 20,896,768            |
| <b>Total net assets</b>                         | <b>\$ 103,152,881</b>              | <b>\$ 8,375,481</b>                 | <b>\$ 111,528,362</b> |

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2011

| Functions/Programs   | Program Revenue      |                         |                                       | Net (Expense) Revenue and<br>Changes in Net Assets |                            |                             |
|--|----------------------|-------------------------|---------------------------------------|--|----------------------------|-----------------------------|
|  | Expenses             | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants and<br>Contributions                | Primary Government         |                             |
|  |                      |                         |                                       |  | Governmental<br>Activities | Business-type<br>Activities |
| <b>Primary government</b>                                    |                      |                         |                                       |  |                            |                             |
| Governmental activities                                      |                      |                         |                                       |  |                            |                             |
| General government   | \$ 1,758,783         | \$ 592,005              | \$ 4,896                              | \$ (1,161,882)                                     | \$                         | \$ (1,161,882)              |
| Public safety  | 3,818,203            | 700,115                 | 119,034                               | (2,999,054)  |                            | (2,999,054)                 |
| Education  | 35,766,299           | 1,635,330               | 10,900,963                            | (23,230,006)                                       |                            | (23,230,006)                |
| Public works   | 4,174,937            | 193,786                 | 466,448                               | (3,514,703)  |                            | (3,514,703)                 |
| Human services   | 300,412              | 23,730                  | 56,311                                | (220,371)  |                            | (220,371)                   |
| Culture and recreation                                       | 1,333,862            | 362,794                 | 287,964                               | (683,104)  |                            | (683,104)                   |
| Employee benefits and general insurance                      | 6,366,756            | 123,323                 | 806                                   | (6,242,627)  |                            | (6,242,627)                 |
| Interest   | 1,608,172            |                         | 17,112                                | (1,591,060)  |                            | (1,591,060)                 |
| Intergovernmental  | 471,451              |                         |                                       | (471,451)  |                            | (471,451)                   |
| Total governmental activities                                | 55,598,875           | 3,631,083               | 11,853,534                            | (40,114,258)                                       |                            | (40,114,258)                |
| Business-type activities                                     |                      |                         |                                       |  |                            |                             |
| Sewer services   | 1,158,957            | 1,567,633               |                                       |  | 408,676                    | 408,676                     |
| Water services   | 1,071,416            | 1,317,315               |                                       |  | 245,899                    | 245,899                     |
| Total business-type activities                               | 2,230,373            | 2,884,948               |                                       |  | 654,575                    | 654,575                     |
| <b>Total primary government</b>                              | <b>\$ 57,829,248</b> | <b>\$ 6,516,031</b>     | <b>\$ 11,853,534</b>                  | <b>\$ (40,114,258)</b>                             | <b>654,575</b>             | <b>(39,459,683)</b>         |
| <b>General revenues:</b>                                     |                      |                         |                                       |  |                            |                             |
| Taxes:   |                      |                         |                                       |  |                            |                             |
| Property taxes, levied for general purposes                  |                      |                         |                                       | 33,585,153   |                            | 33,585,153                  |
| Excise taxes   |                      |                         |                                       | 1,708,402  |                            | 1,708,402                   |
| Penalties and interest on taxes                              |                      |                         |                                       | 123,247  |                            | 123,247                     |
| Grants and contributions not restricted to specific programs |                      |                         |                                       | 2,011,563  |                            | 2,011,563                   |
| Unrestricted investment earnings                             |                      |                         |                                       | 215,443  |                            | 215,443                     |
| Miscellaneous  |                      |                         |                                       | 209,801  |                            | 209,801                     |
| Transfers, net   |                      |                         |                                       | 463,760  | (463,760)                  |                             |
| Total general revenues, special items, and transfers         |                      |                         |                                       | 38,317,369   | (463,760)                  | 37,853,609                  |
| Change in net assets   |                      |                         |                                       | (1,796,889)  | 190,815                    | (1,606,074)                 |
| Net assets - beginning (Restated - Note 15)                  |                      |                         |                                       | 104,949,770  | 8,184,666                  | 113,134,436                 |
| Net assets - ending  |                      |                         |                                       | \$ 103,152,881                                     | \$ 8,375,481               | \$ 111,528,362              |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Balance Sheet  
Governmental Funds  
June 30, 2011

|                                   | General Fund         | Pension<br>Reserve Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|----------------------|-------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                     |                      |                         |                                |                                |
| Cash and cash equivalents         | \$ 4,090,452         | \$                      | \$ 1,872,946                   | \$ 5,963,398                   |
| Investments                       | 18,889,071           | 3,967,415               | 1,975,879                      | 24,832,365                     |
| Receivables:                      |                      |                         |                                |                                |
| Property taxes                    | 696,772              |                         |                                | 696,772                        |
| Excise                            | 54,639               |                         |                                | 54,639                         |
| Charge for services               | 5,417,704            |                         |                                | 5,417,704                      |
| Receivable from other governments | 992,789              |                         | 1,790,447                      | 2,783,236                      |
| <b>Total assets</b>               | <b>\$ 30,141,427</b> | <b>\$ 3,967,415</b>     | <b>\$ 5,639,272</b>            | <b>\$ 39,748,114</b>           |

|   |                  |    |                  |                   |
|---|------------------|----|------------------|-------------------|
| <b>LIABILITIES</b>                      |                  |    |                  |                   |
| Liabilities:                            |                  |    |                  |                   |
| Warrants payable                        | \$ 943,549       | \$ | \$               | \$ 943,549        |
| Accrued payroll and withholding payable | 985,763          |    |                  | 985,763           |
| Deferred revenue                        | 7,020,304        |    | 1,790,447        | 8,810,751         |
| Other payables and accrued expenses     | 62,679           |    |                  | 62,679            |
| Provision for refund of taxes paid      | 282,775          |    |                  | 282,775           |
| Deposits                                |                  |    | 69,897           | 69,897            |
| <b>Total liabilities</b>                | <b>9,295,070</b> |    | <b>1,860,344</b> | <b>11,155,414</b> |

|  |                      |                     |                     |                      |
|--|----------------------|---------------------|---------------------|----------------------|
| <b>FUND BALANCES</b>                       |                      |                     |                     |                      |
| Nonspendable                               |                      |                     | 1,184,669           | 1,184,669            |
| Restricted                                 | 13,982,965           | 3,967,415           | 2,622,359           | 20,572,739           |
| Committed                                  | 372,195              |                     |                     | 372,195              |
| Assigned                                   | 4,161,256            |                     |                     | 4,161,256            |
| Unassigned                                 | 2,329,941            |                     | (28,100)            | 2,301,841            |
| <b>Total fund balances</b>                 | <b>20,846,357</b>    | <b>3,967,415</b>    | <b>3,778,928</b>    | <b>28,592,700</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 30,141,427</b> | <b>\$ 3,967,415</b> | <b>\$ 5,639,272</b> | <b>\$ 39,748,114</b> |

Amounts reported for governmental activities in the statement of net assets are different because:

|  |                       |
|--|-----------------------|
| Total fund balances of governmental funds  | \$ 28,592,700         |
| Capital assets used in governmental activities are not financial resources and not reported in funds.  | 111,484,468           |
| Other long-term assets are not available to pay for current-period expenditures and are deferred in funds  | 8,810,751             |
| Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.   | (66,800)              |
| Long-term liabilities are not due and payable in the current period and are not included in funds.   | (45,482,077)          |
| Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.   | (433,500)             |
| The assets and liabilities of the internal service funds are included with governmental activities, but at the fund level reported with proprietary funds. | 247,339               |
| <b>Net assets of governmental activities</b>   | <b>\$ 103,152,881</b> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

|   | General Fund  | Pension<br>Reserve Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------|-------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                   |               |                         |                                |                                |
| Property taxes                                    | \$ 33,309,088 | \$                      | \$                             | \$ 33,309,088                  |
| Excise taxes                                      | 1,764,539     |                         |                                | 1,764,539                      |
| Charges for services                              | 795,111       |                         | 2,252,556                      | 3,047,667                      |
| Licenses and permits                              | 327,277       |                         |                                | 327,277                        |
| Penalties and interest                            | 123,247       |                         | 134,840                        | 258,087                        |
| Investment earnings                               | 114,293       | 57,914                  | 43,236                         | 215,443                        |
| Special assessments                               | 832,514       |                         |                                | 832,514                        |
| Contributions                                     |               |                         | 401,417                        | 401,417                        |
| Departmental and other                            | 238,354       |                         |                                | 238,354                        |
| Intergovernmental                                 | 11,918,948    |                         | 1,578,445                      | 13,497,393                     |
| Total revenues                                    | 49,423,371    | 57,914                  | 4,410,494                      | 53,891,779                     |
| <b>EXPENDITURES</b>                               |               |                         |                                |                                |
| Current:  |               |                         |                                |                                |
| General government                                | 1,527,156     |                         | 135,285                        | 1,662,441                      |
| Public safety                                     | 3,497,075     |                         | 209,882                        | 3,706,957                      |
| Education   | 30,921,262    |                         | 3,330,591                      | 34,251,853                     |
| Public works                                      | 2,692,832     |                         | 128,247                        | 2,821,079                      |
| Human services                                    | 361,386       |                         | 45,027                         | 406,413                        |
| Culture and recreation                            | 949,829       |                         | 412,873                        | 1,362,702                      |
| Employee benefits and general insurance           | 5,204,823     |                         | 73,307                         | 5,278,130                      |
| Intergovernmental                                 | 471,451       |                         |                                | 471,451                        |
| Debt service:                                     |               |                         |                                |                                |
| Principal   | 4,000,510     |                         |                                | 4,000,510                      |
| Interest and other charges                        | 1,659,972     |                         |                                | 1,659,972                      |
| Total Expenditures                                | 51,286,296    |                         | 4,335,212                      | 55,621,508                     |
| Excess (deficiency) of revenues over expenditures | (1,862,925)   | 57,914                  | 75,282                         | (1,729,729)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |               |                         |                                |                                |
| Proceeds from long-term debt, net                 |               |                         |                                |                                |
| Transfers in                                      | 650,427       |                         | 24,250                         | 674,677                        |
| Transfers out                                     | (5,000)       | (100,000)               | (105,917)                      | (210,917)                      |
| Total other financing sources and uses            | 645,427       | (100,000)               | (81,667)                       | 463,760                        |
| Net change in fund balances                       | (1,217,498)   | (42,086)                | (6,385)                        | (1,265,969)                    |
| Fund balances - beginning (restated - note 15)    | 22,063,855    | 4,009,501               | 3,785,313                      | 29,858,669                     |
| Fund balances - ending                            | \$ 20,846,357 | \$ 3,967,415            | \$ 3,778,928                   | \$ 28,592,700                  |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Government Funds to Statement of Activities  
 For the Year Ended June 30, 2011

|   |  |                       |
|---|--|-----------------------|
| Revenues and other financing sources over (under) expenditures and other financing uses   |  | \$ (1,265,969)        |
| <p>Governmental funds report capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>   |  |                       |
| Capital outlays during the fiscal year  |  | 532,845               |
| Depreciation recorded for the fiscal year   |  | (3,646,607)           |
| <p>Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.</p>   |  |                       |
| Net change in deferred revenue  |  | (669,690)             |
| Net change in allowance for uncollectible accounts  |  | (25,900)              |
| <p>The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.</p> |  |                       |
| Principal payments on long-term debt  |  | 4,000,510             |
| Amortization of bond premiums   |  | 17,902                |
| <p>The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.</p>  |  |                       |
| Net change in accrued interest expense  |  | 51,800                |
| <p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:</p>                            |  |                       |
| Compensated absences  |  | 157,000               |
| Landfill closure  |  | 15,717                |
| Net OPEB obligation   |  | (888,336)             |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>  |  |                       |
|   |  | <u>(76,161)</u>       |
| Change in net assets of governmental activities   |  | <u>\$ (1,796,889)</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2011**

|   | <u>Business-Type Activities</u><br><u>Enterprise Funds</u> |                     |                      | <u>Governmental</u><br><u>Activities</u> |
|---|--|---------------------|----------------------|--|
|   | <u>Sewer Fund</u>  | <u>Water Fund</u>   | <u>Total</u>         | <u>Internal Service</u><br><u>Funds</u>  |
| <b><u>ASSETS</u></b>                                  |  |                     |                      |  |
| Current assets:                                       |  |                     |                      |  |
| Cash and cash equivalents                             | \$ 764,919   | \$ 368,645          | \$ 1,133,564         | \$ 247,337                               |
| User fees, net of allowance for uncollectibles        | 538,567  | 446,230             | 984,797              |  |
| Due from others                                       | 163,320  |                     | 163,320              |  |
| Total current assets                                  | <u>1,466,806</u>   | <u>814,875</u>      | <u>2,281,681</u>     | <u>247,337</u>                           |
| Non-current assets:                                   |  |                     |                      |  |
| Capital assets:                                       |  |                     |                      |  |
| Land and construction in process                      | 6,522  | 1,617,926           | 1,624,448            |  |
| Other capital assets, net of accumulated depreciation | 5,135,287  | 3,596,599           | 8,731,886            |  |
| Total non-current assets                              | <u>5,141,809</u>   | <u>5,214,525</u>    | <u>10,356,334</u>    |  |
| Total assets  | <u>\$ 6,608,615</u>  | <u>\$ 6,029,400</u> | <u>\$ 12,638,015</u> | <u>\$ 247,337</u>                        |
| <b><u>LIABILITIES</u></b>                             |  |                     |                      |  |
| Current liabilities:                                  |  |                     |                      |  |
| Warrants payable                                      | \$ 57,964  | \$ 57,134           | \$ 115,098           | \$                                       |
| Notes payable   | 400,000  |                     | 400,000              |  |
| Accrued interest payable                              | 35,700   | 16,000              | 51,700               |  |
| Total current liabilities                             | <u>493,664</u>   | <u>73,134</u>       | <u>566,798</u>       |  |
| Non-current liabilities:                              |  |                     |                      |  |
| Due within one year                                   | 157,987  | 189,864             | 347,851              |  |
| Due in more than one year                             | 2,045,109  | 1,302,776           | 3,347,885            |  |
| Total non-current liabilities                         | <u>2,203,096</u>   | <u>1,492,640</u>    | <u>3,695,736</u>     |  |
| Total liabilities                                     | <u>2,696,760</u>   | <u>1,565,774</u>    | <u>4,262,534</u>     |  |
| <b><u>NET ASSETS</u></b>                              |  |                     |                      |  |
| Invested in capital assets, net of related debt       | 2,948,213  | 3,744,885           | 6,693,098            |  |
| Unrestricted  | 963,642  | 718,741             | 1,682,383            | 247,337                                  |
| Total net assets                                      | <u>3,911,855</u>   | <u>4,463,626</u>    | <u>8,375,481</u>     | <u>247,337</u>                           |
| Total liabilities and net assets                      | <u>\$ 6,608,615</u>  | <u>\$ 6,029,400</u> | <u>\$ 12,638,015</u> | <u>\$ 247,337</u>                        |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended June 30, 2011

|  | <b>Business-Type Activities</b> |                     |                     | <b>Governmental</b>     |
|--|---------------------------------|---------------------|---------------------|-------------------------|
|  | <b>Enterprise Funds</b>         |                     |                     | <b>Activities</b>       |
|  | <b>Sewer Fund</b>               | <b>Water Fund</b>   | <b>Total</b>        | <b>Internal Service</b> |
|  |                                 |                     |                     | <b>Funds</b>            |
| <b>OPERATING REVENUES</b>                        |                                 |                     |                     |                         |
| Charges for services                             | \$ 1,567,633                    | \$ 1,317,315        | \$ 2,884,948        | \$                      |
| Other  |                                 |                     |                     | 23,323                  |
| Total operating revenues                         | <u>1,567,633</u>                | <u>1,317,315</u>    | <u>2,884,948</u>    | <u>23,323</u>           |
| <b>OPERATING EXPENSES</b>                        |                                 |                     |                     |                         |
| Personnel services                               | 194,466                         | 294,925             | 489,391             |                         |
| Pumping and treatment                            | 607,975                         | 483,510             | 1,091,485           |                         |
| Depreciation                                     | 275,149                         | 233,699             | 508,848             |                         |
| Health insurance premiums and other              |                                 |                     |                     | 100,290                 |
| Total operating expenses                         | <u>1,077,590</u>                | <u>1,012,134</u>    | <u>2,089,724</u>    | <u>100,290</u>          |
| Operating income (loss)                          | 490,043                         | 305,181             | 795,224             | (76,967)                |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |                                 |                     |                     |                         |
| Investment income                                |                                 |                     |                     | 806                     |
| Interest expense                                 | <u>(81,367)</u>                 | <u>(59,282)</u>     | <u>(140,649)</u>    |                         |
| Total non-operating revenue (expenses)           | <u>(81,367)</u>                 | <u>(59,282)</u>     | <u>(140,649)</u>    | <u>806</u>              |
| Income (loss) before contributions and transfers | 408,676                         | 245,899             | 654,575             | (76,161)                |
| <b>TRANSFERS</b>                                 |                                 |                     |                     |                         |
| Transfers out                                    | <u>(203,452)</u>                | <u>(260,308)</u>    | <u>(463,760)</u>    |                         |
| Change in net assets                             | 205,224                         | (14,409)            | 190,815             | (76,161)                |
| Net assets at beginning of year                  | <u>3,706,631</u>                | <u>4,478,035</u>    | <u>8,184,666</u>    | <u>323,498</u>          |
| Net assets at end of year                        | <u>\$ 3,911,855</u>             | <u>\$ 4,463,626</u> | <u>\$ 8,375,481</u> | <u>\$ 247,337</u>       |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2011**

|   | <b>Business-Type Activities</b> |                   |                     | <b>Governmental</b>     |
|---|---------------------------------|-------------------|---------------------|-------------------------|
|   | <b>Enterprise Funds</b>         |                   |                     | <b>Activities</b>       |
|   | <b>Sewer Fund</b>               | <b>Water Fund</b> | <b>Total</b>        | <b>Internal Service</b> |
|   |                                 |                   |                     | <b>Funds</b>            |
| <b>Cash flows from operating activities</b>   |                                 |                   |                     |                         |
| Receipts from customers   | \$ 1,573,466                    | \$ 1,386,414      | \$ 2,959,880        | \$ 23,323               |
| Payments to vendors and employees   | (750,477)                       | (721,301)         | (1,471,778)         | (100,290)               |
| Net cash provided by (used for) operating activities                                    | <u>822,989</u>                  | <u>665,113</u>    | <u>1,488,102</u>    | <u>(76,967)</u>         |
| <b>Cash flows from noncapital financing activities</b>                                  |                                 |                   |                     |                         |
| Transfers in (out)  | (203,452)                       | (260,308)         | (463,760)           |                         |
| Net cash used for noncapital financing activities                                       | <u>(203,452)</u>                | <u>(260,308)</u>  | <u>(463,760)</u>    |                         |
| <b>Cash flows from capital and related financing activities</b>                         |                                 |                   |                     |                         |
| Acquisition and construction of capital assets  | (30,996)                        | (531,550)         | (562,546)           |                         |
| Proceeds from issuance of bond anticipation notes                                       | 236,680                         |                   | 236,680             |                         |
| Principal payments on bonds and notes, net of bond subsidies                            | (157,136)                       | (194,364)         | (351,500)           |                         |
| Payments of interest costs  | (83,556)                        | (61,658)          | (145,214)           |                         |
| Net cash provided by (used for) capital and related financing activities                | <u>(35,008)</u>                 | <u>(787,572)</u>  | <u>(822,580)</u>    |                         |
| <b>Cash flows from investing activities</b>   |                                 |                   |                     |                         |
| Investment income (expense)   |                                 |                   |                     | <u>806</u>              |
| Net change in cash and cash equivalents   | 584,529                         | (382,767)         | 201,762             | (76,161)                |
| Cash and cash equivalents at beginning of year  | 180,390                         | 751,412           | 931,802             | 323,498                 |
| Cash and cash equivalents at end of year  | <u>\$ 764,919</u>               | <u>\$ 368,645</u> | <u>\$ 1,133,564</u> | <u>\$ 247,337</u>       |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |                                 |                   |                     |                         |
| Operating income (loss)   | \$ 490,043                      | \$ 305,181        | \$ 795,224          | \$ (76,967)             |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                 |                   |                     |                         |
| Depreciation and amortization   | 275,149                         | 233,699           | 508,848             |                         |
| Changes in assets and liabilities:  |                                 |                   |                     |                         |
| User fees receivable, net of allowance for collectibles                                 | 5,833                           | 69,099            | 74,932              |                         |
| Accounts payable and other current liabilities  | 57,964                          | 57,134            | 115,098             |                         |
| Accrued compensated absences  | (6,000)                         |                   | (6,000)             |                         |
| Net cash provided by (used for) operating activities                                    | <u>\$ 822,989</u>               | <u>\$ 665,113</u> | <u>\$ 1,488,102</u> | <u>\$ (76,967)</u>      |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**June 30, 2011**

|   | <b>Private Purpose<br/>Trust Funds</b> | <b>Student Activity<br/>Funds</b> |
|---|--|-----------------------------------|
| <b>ASSETS</b>                                 |  |                                   |
| Cash and cash equivalents                     | \$                                     | \$ 208,258                        |
| Investments                                   | 205,783                                |                                   |
| Total assets                                  | \$ 205,783                             | \$ 208,258                        |
| <br><b>LIABILITIES</b>                        |  |                                   |
| Due to student groups                         | \$                                     | \$ 208,258                        |
| Total liabilities                             |  | 208,258                           |
| <br><b>NET ASSETS</b>                         |  |                                   |
| Held in trust for benefits and other purposes | \$ 205,785                             | \$                                |

The accompanying notes are an integral part of these financial statements.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Statement of Changes in Fiduciary Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2011**

|                        | <b>Private Purpose<br/>Trust Funds</b> |
|------------------------|--|
| <b>ADDITIONS</b>       |  |
| Interest               | \$ 18,605                              |
| Contributions          | 714                                    |
| Total additions        | 19,319                                 |
| <b>DEDUCTIONS</b>      |  |
| Miscellaneous expense  | 29,858                                 |
| Total deductions       | 29,858                                 |
| Change in net assets   | (10,539)                               |
| Net assets - beginning | 216,324                                |
| Net assets - ending    | \$ 205,785                             |

The accompanying notes are an integral part of these financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**Note 1. Organization and Reporting Entity**

**A. Organization**

The Town of Medfield, Massachusetts (the "Town"), 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 administrative services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

**B. Reporting Entity**

*General*

The accompanying financial statements present the Town of Medfield, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town did not identify any component units requiring inclusion in the accompanying financial statements.

*Joint Ventures*

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment/payments made by the Town in 2011. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in any joint venture.

| <u>Joint venture and address</u>   | <u>Purpose</u>   | <u>2011 Assessment</u> |
|--|--|------------------------|
| Tri-County Regional Vocational<br>Technical School District<br>147 Pond Street, Franklin, MA 02038 | To provide secondary vocational<br>technical education | \$ 221,894             |
| Massachusetts Bay Transit Authority<br>45 High Street, Boston, MA 02110                            | To provide regional transportation<br>services         | \$ 250,370             |

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, educational, and general administrative services are classified as governmental activities. The Town's water and solid waste – disposal and recycling services are classified as business-type activities.

#### Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets (net of related debt); restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue. Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

#### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

#### Major Funds

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

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

- Pension Reserve Fund is a special revenue fund used to account for activity related to the County retirement system payments.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and capital outlays financed from bond proceeds (other than those financed by business-type/proprietary funds).
- Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

#### Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. These fees and charges are considered operating revenue. The Water and Sewer enterprise funds are reported as major proprietary funds in the accompanying financial statements.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. The self-insured employee health program is reported as an internal service fund in the accompanying financial statements (See Note 12).

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

#### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

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

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

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

#### **C. Cash and Investments**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand, savings accounts of the Town. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in the notes.

#### **D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### **E. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates 25% of current ambulance charges and amounts more than one year outstanding to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable, except for certain parcels, specifically identified, which have been set up as uncollectible. The Town estimates 10% of water and sewer receivables to be uncollectible.

#### **F. Inventories**

Inventory items are valued at the lower of cost (first in, first out) or market. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than consumed. No significant inventory balances were on hand in governmental funds.

#### **G. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### **Government-wide Statements**

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|                         |              |
|-------------------------|--------------|
| ➤ Computer equipment    | 3 - 7 years  |
| ➤ Office equipment      | 3 - 10 years |
| ➤ Vehicles              | 5 years      |
| ➤ Building improvements | 20 years     |
| ➤ Buildings             | 40 years     |
| ➤ Infrastructure        | 30 -75 years |

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

#### H. Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, capital leases payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

#### I. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

#### **J. Equity Classifications**

##### *Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### *Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance – consist of amounts that are constrained by the Town’s intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and 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 were designated for one purpose at the time of their creation. Therefore, any expenditure made 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.

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

#### **K. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

#### **L. Total Columns**

The total column presented on the government-wide financial statements represents consolidated financial information. The total column presented 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 3. Stewardship, Compliance and Accountability**

##### **A. Property Tax Calendar and Limitations**

Real and personal property taxes are based on values assessed as of each January 1, and are normally due on a quarterly basis during the year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

##### **B. Budgetary Basis of Accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**C. Fund Equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2011, the classification of the Town's fund balances can be detailed as follows:

|                          | <u>General<br/>Fund</u> | <u>Pension<br/>Reserve<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|--------------------------|-------------------------|-------------------------------------|---|----------------------|
| <b>Nonspendable:</b>     |                         |                                     |   |                      |
| Permanent fund principal | \$ -                    | \$ -                                | \$ 1,184,669                            | \$ 1,184,669         |
| <b>Restricted:</b>       |                         |                                     |   |                      |
| General government       |                         |                                     | 530,516                                 | 530,516              |
| Public safety            |                         |                                     | 148,356                                 | 148,356              |
| Education                |                         |                                     | 677,371                                 | 677,371              |
| Public works             |                         |                                     | 556,551                                 | 556,551              |
| Human services           |                         |                                     | 450,277                                 | 450,277              |
| Culture & recreation     |                         |                                     | 259,288                                 | 259,288              |
| Employee benefits        |                         | 3,967,415                           |   | 3,967,415            |
| Debt service             | <u>13,982,965</u>       | <u>-</u>                            | <u>-</u>                                | <u>13,982,965</u>    |
| subtotal                 | 13,982,965              | 3,967,415                           | 2,622,359                               | 20,572,739           |
| <b>Committed:</b>        |                         |                                     |   |                      |
| General government       | 156,489                 |                                     |   | 156,489              |
| Public safety            | 26,904                  |                                     |   | 26,904               |
| Education                | 36,536                  |                                     |   | 36,536               |
| Public works             | 109,758                 |                                     |   | 109,758              |
| Human services           | 8,694                   |                                     |   | 8,694                |
| Culture & recreation     | <u>33,814</u>           | <u>-</u>                            | <u>-</u>                                | <u>33,814</u>        |
| subtotal                 | 372,195                 | -                                   | -                                       | 372,195              |
| <b>Assigned:</b>         |                         |                                     |   |                      |
| General government       | 3,083                   |                                     |   | 3,083                |
| Public safety            | 38,871                  |                                     |   | 38,871               |
| Education                | 343,146                 |                                     |   | 343,146              |
| Public works             | 1,619                   |                                     |   | 1,619                |
| Human services           | 3,761                   |                                     |   | 3,761                |
| Culture & recreation     | 509                     |                                     |   | 509                  |
| Employee benefits        | 251,563                 |                                     |   | 251,563              |
| Debt service             | 2,615,629               | -                                   | -                                       | 2,615,629            |
| Other                    | <u>903,075</u>          | <u>-</u>                            | <u>-</u>                                | <u>903,075</u>       |
| subtotal                 | 4,161,256               | -                                   | -                                       | 4,161,256            |
| <b>Unassigned</b>        | <u>2,329,941</u>        | <u>-</u>                            | <u>(28,100)</u>                         | <u>2,435,521</u>     |
| <b>Total</b>             | <u>\$ 20,486,357</u>    | <u>\$ 3,967,415</u>                 | <u>\$ 3,778,928</u>                     | <u>\$ 28,726,380</u> |

Other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2012 operating budget.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The Town's stabilization funds are reported with the General fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. In accordance with Massachusetts General Law Chapter 40, Section 5B, for the purpose of creating one or more stabilization funds, towns may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year by taxation of real estate and personal property and the aggregate amount in such funds may not exceed 10% of the equalized valuation. At annual or special town meeting the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization funds and year end balances are as follows:

|  |              |
|--|--------------|
| Stabilization fund                             | \$ 581,910   |
| Sewer betterment paid in advance stabilization | \$ 2,161,679 |
| Other post employee benefits stabilization     | \$ 221,731   |

**C. Restricted Net Assets**

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and insurance reimbursement funds are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

Restricted net assets on the government-wide statement of net assets consist of the following:

|                             |                     |
|-----------------------------|---------------------|
| Special Revenue Funds:      |                     |
| Pension reserve fund        | \$ 3,967,415        |
| Chapter 90 highway fund     | 1,703,054           |
| Other special revenue funds | 1,735,929           |
| Capital Project Funds:      |                     |
| Town garage design          | 458,366             |
| Other capital project funds | 17,404              |
| Permanent Funds:            |                     |
| Expendable                  | 91,147              |
| Non-expendable              | <u>1,184,669</u>    |
| Total restricted net assets | <u>\$ 9,157,984</u> |

**Note 4. Cash and Investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2011 deposits approximated \$7,067,000 and had a carrying amount of \$7,552,557. Of the deposit amounts, approximately \$5,709,000 was exposed to custodial credit risk and was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. The Town also maintains accounts for investment of funds.

As of June 30, 2011, the Town had the following investments:

| <u>Type of investment</u> | <u>Fair Value</u>    | <u>Rating as of Year End</u> |                     |                 | <u>Exempt or Unrated</u> |
|---------------------------|----------------------|------------------------------|---------------------|-----------------|--------------------------|
|                           |                      | <u>AAA</u>                   | <u>AA to A</u>      | <u>BBB to B</u> |                          |
| MMDT                      | \$ 3,069,175         | \$ -                         | \$ -                | \$ -            | \$ 3,069,175             |
| Federal agency securities | 8,167,603            |                              |                     |                 | 8,167,603                |
| Certificates of deposit   | 7,978,166            |                              |                     |                 | 7,978,166                |
| Mutual funds              | 1,104,106            |                              |                     |                 | 1,104,106                |
| Corporate bonds           | 1,101,110            |                              | 1,101,110           |                 |                          |
| Money market funds        | <u>3,617,988</u>     | <u>-</u>                     | <u>-</u>            | <u>-</u>        | <u>3,617,988</u>         |
|                           | <u>\$ 25,038,148</u> | <u>\$ -</u>                  | <u>\$ 1,101,110</u> | <u>\$ -</u>     | <u>\$ 23,937,038</u>     |

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

| <u>Type of investment</u> | <u>Fair Value</u>    | <u>12 Months or Less</u> | <u>13 - 24 Months</u> | <u>25 - 60 Months</u> | <u>Not applicable/ Thereafter</u> |
|---------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------------------|
| MMDT                      | \$ 3,069,175         | \$ 3,069,175             | \$ -                  | \$ -                  | \$ -                              |
| Federal agency securities | 8,167,603            | 73,639                   | 182,690               | 3,356,889             | 4,554,385                         |
| Certificates of deposit   | 7,978,166            | 3,688,357                | 3,592,853             | 696,956               |                                   |
| Mutual funds              | 1,104,106            | 1,104,106                |                       |                       |                                   |
| Corporate bonds           | 1,101,110            | 157,717                  | 185,829               | 757,564               |                                   |
| Money market funds        | <u>3,617,988</u>     | <u>3,617,988</u>         | <u>-</u>              | <u>-</u>              | <u>-</u>                          |
|                           | <u>\$ 25,038,148</u> | <u>\$ 11,710,982</u>     | <u>\$ 3,961,372</u>   | <u>\$ 4,811,409</u>   | <u>\$ 4,554,385</u>               |

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk. The Town does not have a formal investment policy which limits its investment choices.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

*Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have an investment policy which covers foreign currency risk.

*Concentration of credit risk* – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding U.S. Treasury securities, mutual funds and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues are also reported on the Statement of Net Assets.

The Town includes the following receivables for individual major and non-major governmental funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts:

| <u>Receivable Type</u>                           | <u>Gross<br/>Amount</u> | <u>Allowance for<br/>Uncollectible</u> | <u>Net<br/>Amount</u> | <u>Deferred<br/>Revenue</u> |
|--|-------------------------|--|-----------------------|-----------------------------|
| Real estate and personal property taxes          | \$ 459,898              | \$ 6,900                               | \$ 452,998            | \$ 400,623                  |
| Tax liens, deferrals and foreclosures            | 236,874                 |  | 236,874               | 236,874                     |
| Excise taxes                                     | 54,639                  | 9,900                                  | 44,739                | 54,639                      |
| Other fee and departmental receivables           | 218,076                 | 50,000                                 | 168,076               | 218,076                     |
| Betterments (due in future years)                | 5,199,628               |  | 5,199,628             | 5,199,628                   |
| Intergovernmental                                |                         |  |                       |                             |
| State highway awards                             | 1,710,649               |  | 1,710,649             | 1,710,649                   |
| Other federal and state grants                   | 227,104                 |  | 227,104               | 144,779                     |
| School building assistance (due in future years) | <u>845,483</u>          | <u>-</u>                               | <u>845,483</u>        | <u>845,483</u>              |
|  | <u>\$ 8,952,351</u>     | <u>\$ 66,800</u>                       | <u>\$ 8,885,551</u>   | <u>\$ 8,810,751</u>         |

Receivables for the Town's business-type activities consist of the following:

| <u>Receivable Type</u>      | <u>Gross<br/>Amount</u> | <u>Allowance for<br/>Uncollectible</u> | <u>Net<br/>Amount</u> |
|-----------------------------|-------------------------|--|-----------------------|
| Sewer fund – user fees      | \$ 597,667              | \$ 59,100                              | \$ 538,567            |
| Water fund – user fees      | <u>495,330</u>          | <u>49,100</u>                          | <u>446,230</u>        |
| Subtotal – user fees        | 1,092,997               | 108,200                                | 984,797               |
| Sewer fund – due from MWPAT | <u>163,230</u>          | <u>-</u>                               | <u>163,230</u>        |
|                             | <u>\$ 1,256,227</u>     | <u>\$ 108,200</u>                      | <u>\$ 1,148,027</u>   |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

|   | <b>(Restated)</b>     |                       |                  |                       |
|---|-----------------------|-----------------------|------------------|-----------------------|
|   | <b>Beginning</b>      |                       |                  | <b>Ending</b>         |
|   | <b>Balances</b>       | <b>Increases</b>      | <b>Decreases</b> | <b>Balances</b>       |
| <b><u>Governmental activities:</u></b>  |                       |                       |                  |                       |
| Capital assets not being depreciated:   |                       |                       |                  |                       |
| Land                                    | \$ 16,752,151         | \$ -                  | \$ -             | \$ 16,752,151         |
| Construction in progress                | <u>1,005,162</u>      | <u>208,661</u>        | <u>90,596</u>    | <u>1,123,227</u>      |
| Sub-total                               | 17,757,313            | 208,661               | 90,596           | 17,875,378            |
| Capital assets being depreciated:       |                       |                       |                  |                       |
| Building and improvements               | 82,683,380            | 165,786               |                  | 82,849,166            |
| Machinery, equipment and furnishings    | 5,438,896             | 133,095               | 60,435           | 5,511,556             |
| Vehicles                                | 3,426,866             | 123,117               | 57,560           | 3,492,423             |
| Infrastructure                          | <u>51,427,066</u>     | <u>-</u>              | <u>-</u>         | <u>51,427,066</u>     |
| Sub-total                               | 142,976,208           | 421,998               | 117,995          | 143,280,211           |
| Less accumulated depreciation:          |                       |                       |                  |                       |
| Land improvements                       | 15,582                | 850                   |                  | 16,432                |
| Building and improvements               | 17,724,832            | 2,009,766             |                  | 19,734,598            |
| Machinery, equipment and furnishings    | 3,645,322             | 291,173               | 58,966           | 3,877,529             |
| Vehicles                                | 3,138,316             | 95,182                | 51,804           | 3,181,694             |
| Infrastructure                          | <u>21,611,232</u>     | <u>1,249,636</u>      | <u>-</u>         | <u>22,860,868</u>     |
| Sub-total                               | <u>46,135,284</u>     | <u>3,646,607</u>      | <u>110,770</u>   | <u>49,671,121</u>     |
| Governmental capital assets, net        | <u>\$ 114,598,237</u> | <u>\$ (3,015,948)</u> | <u>\$ 97,821</u> | <u>\$ 111,484,468</u> |
| <br>                                    |                       |                       |                  |                       |
|   | <b>Beginning</b>      |                       |                  | <b>Ending</b>         |
|   | <b>Balances</b>       | <b>Increases</b>      | <b>Decreases</b> | <b>Balances</b>       |
| <b><u>Business-type activities:</u></b> |                       |                       |                  |                       |
| Capital assets not being depreciated:   |                       |                       |                  |                       |
| Land                                    | \$ 1,248,033          | \$ -                  | \$ -             | \$ 1,248,033          |
| Construction in progress                | <u>2,750</u>          | <u>373,665</u>        | <u>-</u>         | <u>376,415</u>        |
| Sub-total                               | 1,250,783             | 373,665               | -                | 1,624,448             |
| Capital assets being depreciated:       |                       |                       |                  |                       |
| Building and improvements               | 9,041,965             |                       |                  | 9,041,965             |
| Machinery, equipment and furnishings    | 952,439               | 24,475                | 34,189           | 942,725               |
| Vehicles                                | 241,868               | 101,363               | 26,156           | 317,075               |
| Infrastructure                          | <u>6,466,545</u>      | <u>63,043</u>         | <u>51,342</u>    | <u>6,478,246</u>      |
| Sub-total                               | 16,702,817            | 188,881               | 111,687          | 16,780,011            |
| Less accumulated depreciation:          |                       |                       |                  |                       |
| Building and improvements               | 4,030,712             | 231,187               |                  | 4,261,899             |
| Machinery, equipment and furnishings    | 345,244               | 58,838                | 34,189           | 369,893               |
| Vehicles                                | 166,868               | 33,736                | 26,156           | 174,448               |
| Infrastructure                          | <u>3,108,140</u>      | <u>185,087</u>        | <u>51,342</u>    | <u>3,241,885</u>      |
| Sub-total                               | <u>7,650,964</u>      | <u>508,848</u>        | <u>111,687</u>   | <u>8,048,125</u>      |
| Governmental capital assets, net        | <u>\$ 10,302,636</u>  | <u>\$ 53,698</u>      | <u>\$ -</u>      | <u>\$ 10,356,334</u>  |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

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

|   |                     |
|---|---------------------|
| <u>Governmental activities:</u>               |                     |
| General government                            | \$ 99,343           |
| Public safety                                 | 184,088             |
| Education                                     | 1,807,839           |
| Public works                                  | 1,384,575           |
| Health and human services                     | 92,937              |
| Culture and recreation                        | <u>77,825</u>       |
| Total depreciation – governmental activities  | <u>\$ 3,646,607</u> |
| <u>Business-type activities:</u>              |                     |
| Water   | \$ 233,699          |
| Sewer   | <u>275,149</u>      |
| Total depreciation – business-type activities | <u>\$ 508,848</u>   |

**Note 7. Interfund Balances and Activity**

As of June 30, 2011, no amounts were due between funds. Interfund transfers, for the year ended June 30, 2011, consisted of the following:

|   | <u>General<br/>Fund</u> | <u>Pension<br/>Reserve<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Sewer<br/>Enterprise<br/>Fund</u> | <u>Water<br/>Enterprise<br/>Fund</u> |
|---|-------------------------|-------------------------------------|---|--------------------------------------|--------------------------------------|
| Amounts transferred from Sewer fund to fund costs appropriated in the general fund  | \$ 203,452              | \$ -                                | \$ -                                    | \$ (203,452)                         | \$ -                                 |
| Amounts transferred from Water fund to fund costs appropriated in the general fund  | 260,308                 |                                     |   |                                      | (260,308)                            |
| Amounts transferred from Pension Reserve Fund for Norfolk County Pension Assessment | 100,000                 | (100,000)                           |   |                                      |                                      |
| Other amounts transferred from other governmental funds - net                       | 65,347                  |                                     | (65,347)                                |                                      |                                      |
| Transferred to conservation trust   | <u>(5,000)</u>          | <u>-</u>                            | <u>5,000</u>                            | <u>-</u>                             | <u>-</u>                             |
|   | <u>\$ 624,107</u>       | <u>\$ (100,000)</u>                 | <u>\$ (60,347)</u>                      | <u>\$ (203,452)</u>                  | <u>\$ (260,308)</u>                  |

**TOWN OF MEDFIELD, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2011

**Note 8. Long-term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2011.

| Purpose  | Balance<br>July 1, 2010 | Additions    | Reductions   | Balance<br>June 30, 2011 | Current<br>Portion |
|--|-------------------------|--------------|--------------|--------------------------|--------------------|
| <b>Governmental Activities:</b>  |                         |              |              |                          |                    |
| Land Acquisition Bonds, 2.00-4.00% dtd 6/15/2010, due 6/15/2025        | \$ 1,550,000            | \$           | \$ 105,000   | \$ 1,445,000             | \$ 105,000         |
| Sewer Bonds, 4.00-5.00% dtd 4/1/2001, due 6/30/2021                    | 585,596                 |              | 53,236       | 532,360                  | 53,236             |
| Sewer Bonds, 4.00-5.00% dtd 4/1/2001, due 6/30/2021                    | 2,200,000               |              | 200,000      | 2,000,000                | 200,000            |
| School Plans Bonds, 4.00-5.00% dtd 4/1/2001, due 6/30/2021             | 1,650,000               |              | 150,000      | 1,500,000                | 150,000            |
| MVPAT Septic Loan, 4.10-5.75% dtd 8/1/2001, due 8/1/2019               | 41,370                  |              | 4,174        | 37,196                   | 4,174              |
| School Construction Bonds, 3.25-5.00% dtd 3/15/2002, due 6/30/2022     | 6,000,000               |              | 500,000      | 5,500,000                | 500,000            |
| Sewer Bonds, 3.25-5.00% dtd 3/15/2002, due 6/30/2022                   | 1,020,000               |              | 85,000       | 935,000                  | 85,000             |
| School Bonds, 5.65% dtd 9/15/2002, due 6/30/2011                       | 240,000                 |              | 240,000      |                          |                    |
| School Bonds, 5.01-7.5% dtd 9/15/2002, due 6/30/2011                   | 1,205,000               |              | 270,000      | 935,000                  | 245,000            |
| School Construction Bonds, 2.00-5.00% dtd 9/15/2002, due 6/30/2023     | 15,600,000              |              | 1,200,000    | 14,400,000               | 1,200,000          |
| MVPAT Septic Loan, 4.00-5.125% dtd 8/25/04, due 6/30/2019              | 292,100                 |              | 30,700       | 261,400                  | 31,700             |
| General Obligation Bonds, 4.30-5.15% dtd 7/1/2005, due 6/30/2015       | 46,100                  |              | 10,500       | 35,600                   | 10,400             |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 184,300                 |              | 41,900       | 142,400                  | 41,500             |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 689,000                 |              | 117,500      | 571,500                  | 115,900            |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 833,000                 |              | 126,400      | 706,600                  | 124,600            |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 323,700                 |              | 53,500       | 270,200                  | 62,900             |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 20,400                  |              | 15,400       | 5,000                    | 5,000              |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 168,900                 |              | 42,200       | 126,700                  | 41,600             |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 1,203,750               |              | 124,700      | 1,079,050                | 125,600            |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 314,600                 |              | 32,900       | 281,700                  | 32,700             |
| General Obligation Bonds, 3.68% dtd 7/1/2005, due 6/30/2015            | 3,116,650               |              | 327,400      | 2,789,250                | 326,700            |
| School Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2017                   | 70,000                  |              | 10,000       | 60,000                   | 10,000             |
| Senior Center Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2017            | 1,655,000               |              | 115,000      | 1,540,000                | 105,000            |
| Senior Center Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2017            | 120,000                 |              | 10,000       | 110,000                  | 10,000             |
| Land Acquisition Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2017         | 495,000                 |              | 35,000       | 460,000                  | 35,000             |
| Departmental Equipment Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2020   | 75,000                  |              | 10,000       | 65,000                   | 10,000             |
| Departmental Equipment Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2022   | 300,000                 |              | 25,000       | 275,000                  | 25,000             |
| Public Works Garage Plan Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2022 | 40,000                  |              | 20,000       | 20,000                   | 20,000             |
| Adult Community Center Bonds, 4.00-5.00% dtd 6/1/2007, due 6/30/2025   | 665,000                 |              | 45,000       | 620,000                  | 45,000             |
| Total long-term bonds  | 40,704,466              |              | 4,000,510    | 36,703,956               | 3,721,010          |
| Amortization of Bond Premium   | 99,257                  |              | 17,902       | 81,355                   | 17,902             |
| Landfill closure and monitoring liability                              | 267,185                 |              | 15,717       | 251,468                  | 15,717             |
| Compensated absences   | 1,147,000               |              | 157,000      | 990,000                  |                    |
| Other post employment benefits   | 6,566,962               | 3,513,103    | 2,624,767    | 7,455,298                |                    |
| Total governmental non-current liabilities                             | \$ 48,784,870           | \$ 3,513,103 | \$ 6,815,896 | \$ 45,482,077            | \$ 3,754,629       |

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Notes to Financial Statements**  
**June 30, 2011**

| Purpose   | Balance<br>July 1, 2010 | Additions | Reductions | Balance<br>June 30, 2011 | Current<br>Portion |
|---|-------------------------|-----------|------------|--------------------------|--------------------|
| <b>Business-Type Activities:</b>                      |                         |           |            |                          |                    |
| Water Bonds, 4.00-5.00%, dtd 4/1/01, due 6/30/21      | \$ 129,404              | \$        | \$ 11,764  | \$ 117,640               | \$ 11,764          |
| Water Bonds, .325-5.00%, dtd 3/15/2002, due 6/30/2022 | 480,000                 |           | 40,000     | 440,000                  | 40,000             |
| Water Bonds, 3.68%, dtd 7/1/2005, due 6/30/2016       | 153,700                 |           | 26,400     | 127,300                  | 26,100             |
| Water Bonds, 3.68%, dtd 7/1/2005, due 6/30/2016       | 500,900                 |           | 86,200     | 414,700                  | 82,000             |
| Water Bonds, 2.00-4.00%, dtd 6/15/2010, due 6/15/2025 | 400,000                 |           | 30,000     | 370,000                  | 30,000             |
| Sewer Bonds, 3.25-5.00%, dtd 3/15/2002, due 6/30/2022 | 1,380,000               |           | 115,000    | 1,265,000                | 115,000            |
| MWPAT Sewer Loan, 2.00%, dtd 3/18/09, due 6/30/2029   | 964,232                 |           | 42,136     | 922,096                  | 42,987             |
| Total business-type activity bonds                    | 4,008,236               |           | 351,500    | 3,656,736                | 347,851            |
| Compensated absences                                  | 45,000                  |           | 6,000      | 39,000                   |                    |
| Total business-type activity non-current liabilities  | \$ 4,053,236            | \$        | \$ 357,500 | \$ 3,695,736             | \$ 347,851         |

Long-term debt

The Town has also applied and received approval for a grant from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on the above September 15, 2002 loan relating to the School project. Initial reimbursement commenced in fiscal 1996 based upon approximately 80% of eligible construction and interest costs of the project to be paid over 20 years. Final eligible costs are subject to final audit by the Massachusetts School Building Association. Accounting Standards Board (GASB) Statement No. 33, (Accounting and financial Reporting for Nonexchange Transactions), these financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$845,483 related to the grant award.

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. However, it is anticipated that approximately 38% of the debt service payments relating to septic bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MWPAT (and MWPAT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide and governmental financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The septic bonds have been combined according to type for presentation purposes. These obligations have varying maturity dates as indicated.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2011, including interest, are as follows:

| Year Ending<br>June 30, | Governmental Activities |              |               | Business-type Activities |            |              |
|-------------------------|-------------------------|--------------|---------------|--------------------------|------------|--------------|
|                         | Principal               | Interest     | Total         | Principal                | Interest   | Total        |
| 2012                    | \$ 3,721,010            | \$ 1,497,170 | \$ 5,218,180  | \$ 347,851               | \$ 132,924 | \$ 480,775   |
| 2013                    | 3,665,510               | 1,373,929    | 5,039,439     | 349,419                  | 119,995    | 469,414      |
| 2014                    | 3,660,810               | 1,211,825    | 4,872,635     | 351,005                  | 107,321    | 458,326      |
| 2015                    | 3,620,710               | 1,061,798    | 4,682,508     | 353,009                  | 94,444     | 447,453      |
| 2016                    | 3,347,236               | 913,700      | 4,260,936     | 343,331                  | 81,474     | 424,805      |
| 2017 - 2021             | 14,488,680              | 2,610,438    | 17,099,118    | 1,206,154                | 254,597    | 1,460,751    |
| 2022 - 2026             | 4,200,000               | 259,408      | 4,459,408     | 528,346                  | 51,647     | 579,993      |
| 2027 - 2031             | -                       | -            | -             | 177,621                  | 5,779      | 183,400      |
| Totals                  | \$ 36,703,956           | \$ 8,928,268 | \$ 45,632,224 | \$ 3,656,736             | \$ 848,181 | \$ 4,504,917 |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2011:

| <u>Purpose</u>             | <u>Year<br/>Authorized</u> | <u>Balance</u>    |
|----------------------------|----------------------------|-------------------|
| Wastewater Treatment Plant | 2009                       | <u>\$ 400,000</u> |

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases is immaterial as of June 30, 2011.

*B. Capital leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. Currently, the Town has no material capital lease obligations.

**Note 9. Temporary Borrowings**

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the Town's Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2011 are as follows:

| Type/Purpose                     | Loan<br>Date | Maturity<br>Date | Interest<br>Rate | Beginning<br>Balance | Issued            | Retirements | Ending<br>Balance |
|----------------------------------|--------------|------------------|------------------|----------------------|-------------------|-------------|-------------------|
| <b>Business-Type Activities:</b> |              |                  |                  |                      |                   |             |                   |
| BAN-Sewer plant improvements     | 5/5/2011     | 12/31/2012       | 0.24%            | <u>\$ -</u>          | <u>\$ 400,000</u> | <u>\$ -</u> | <u>\$ 400,000</u> |

## TOWN OF MEDFIELD, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2011

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances related to Special Revenue Septic Funds and Capital Project Funds. These deficits will be funded through long-term borrowing.

#### **Note 10. Employee Benefits**

##### **A. Retirement Benefits**

###### Plan Description

The Town contributes, for eligible employees other than teachers, to the Norfolk County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the county retirement board. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, Massachusetts 02021.

###### Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs, which are apportioned among the employers based on active covered payroll. Town is required to contribute at an actuarially determined rate. The Town's current year contribution, which is equal to its required contribution, is \$1,463,203, representing approximately 3.36% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2010 and 2009 were \$1,410,413 and \$1,284,083, respectively, equal to the required contributions for each year.

As previously noted, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$4,160,109 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general government (employee benefits) expenditures.

##### **B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets for both governmental and business-type activities.

# TOWN OF MEDFIELD, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

### C. Other Post Employment Benefits

#### Plan Description

The Town administers a single employer defined benefit plan which provides health, dental and life insurance to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. Completion of 10 years of service.
- ii. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
- iii. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.

Benefits were paid to approximately 284 retired participants and spouses during the fiscal year ended June 30, 2011 and are paid on a pay-as-you-go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

#### Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts Laws, and Town ordinances. The required contribution is based on pay-as-you-go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 50% of the insurance premiums with the remainder funded through pension benefit deductions.

#### Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

|  |                     |
|--|---------------------|
| Annual required contribution (ARC)     | \$ 3,503,030        |
| Interest on net OPEB obligation        | 220,025             |
| ARC adjustment                         | <u>(209,952)</u>    |
| Annual OPEB cost                       | \$ 3,513,103        |
| Contributions made                     | <u>(2,624,767)</u>  |
| Increase in net OPEB obligation        | 888,336             |
| Net OPEB obligation, beginning of year | <u>6,566,962</u>    |
| Net OPEB obligation, end of year       | <u>\$ 7,455,298</u> |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

| <b>Fiscal Year Ended</b> | <b>Annual OPEB Cost</b> | <b>Percentage of Annual OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
|--------------------------|-------------------------|---|----------------------------|
| 6/30/2011                | \$3,513,103             | 74.71%  | \$7,455,298                |
| 6/30/2010                | \$ 3,929,252            | 13.87%  | \$ 6,566,962               |
| 6/30/2009                | \$ 3,769,602            | 15.57%  | \$3,182,709                |

**Funding Status and Schedule of Funding Progress**

The unfunded actuarial liability was determined using the projected unit credit actuarial funding method.

|                                 | <b>(a)</b>                       | <b>(b)</b>                               | <b>(b) - (a)</b>           | <b>(b) / (a)</b>    | <b>(c)</b>             | <b>[(b)-(a)]/(c)</b>                           |
|---------------------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Unfunded AAL (UAAL)</b> | <b>Funded Ratio</b> | <b>Covered Payroll</b> | <b>UAAL as a Percentage of Covered Payroll</b> |
| 1/1/2011                        | \$ -                             | \$ 39,775,805                            | \$ 39,775,805              | 0.00%               | \$ 29,389,000          | 135%   |
| 7/1/2008                        | \$ -                             | \$ 43,819,459                            | \$ 43,819,459              | 0.00%               | N/A                    | N/A  |

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 in the required supplementary information following 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 the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions and methods were utilized in the January 1, 2011:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.25% per annum for an unfunded program
- Amortization of UAAL: Closed twenty-eight year amortization. Level percentage of payroll
- Remaining Amortization Period: 28 years at January 1, 2011
- Healthcare Trend Rates:

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

| Year                       | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Commercial<br>Managed Care | 10.2%       | 9.0%        | 8.5%        | 8.0%        | 7.5%        | 7.0%        | 6.5%        | 6.0%        |
| Medicare<br>Managed Care   | 9.0%        | 8.0%        | 7.5%        | 7.0%        | 6.5%        | 6.0%        | 5.5%        | 5.0%        |
| Medicare<br>Indemnity      | 10.0%       | 9.0%        | 8.5%        | 8.0%        | 7.5%        | 7.0%        | 6.5%        | 6.0%        |

**Note 11. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2011, \$251,468 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

**Note 12. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters for which the Town carries commercial insurance, except health insurance. There have been no material settlements in excess of coverage in any of the past three fiscal years. The Town also self insures against unemployment costs. Annual estimated requirements for claims are provided for in the Town's annual operating budget.

**Health Insurance**

In previous years, the Town maintained a self-insured health claims fund to provide for the costs of health insurance for Town employees and retirees. Effective for fiscal year 2010, Town joined the Massachusetts Interlocal Insurance Agency, Health Benefits Trust (Group), a self-insured plan to provide health insurance for employees and retirees. At June 30, 2010, the Group had net assets of \$82,832,995 (unaudited).

**Note 13. Commitments and Contingencies**

The Town is named as a defendant in several lawsuits at June 30, 2011. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**Note 14. Implementation of New GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

# TOWN OF MEDFIELD, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

### Current pronouncements

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented in fiscal 2011. The Town has implemented the provisions of this pronouncement, reporting fund balances under the new fund balance classifications.

The GASB issued Statement #59, *Financial Instruments Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement had no significant effect upon the Town's financial statements.

### Future pronouncements

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53.*, which is required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. The Town doesn't believe this pronouncement will impact the Town's financial statements.

### Note 15. Restatement of Beginning Fund Balances and Net Assets

The Town was required to implement the provisions of GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, certain opening fund balances were restated to include the Town's Stabilization funds. Under the new reporting model, the Town's stabilization funds are reported with the General fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. The restatements are as follows:

|                                     | General<br>Fund      | Other<br>Governmental<br>Funds |
|-------------------------------------|----------------------|--------------------------------|
| Fund balance, 6/30/2010             | \$ 19,283,437        | \$ 6,565,731                   |
| Stabilization fund                  | 366,907              | (366,907)                      |
| Sewer Betterment Stabilization fund | 2,307,083            | (2,307,083)                    |
| OPEB Stabilization fund             | <u>106,428</u>       | <u>(106,428)</u>               |
| Fund balance, restated, 7/1/2010    | <u>\$ 22,063,855</u> | <u>\$ 3,785,313</u>            |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The Town restated net assets as of July 1, 2010 to correct the valuation of capital assets per below:

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| Net assets, 6/30/2010  | \$ 106,988,133                     |
| Restatement of capital assets, net of accumulated depreciation | <u>(2,038,363)</u>                 |
| Fund balance, restated, 7/1/2010                               | <u>\$ 104,949,770</u>              |

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress for the Town's Pension Benefit Plan**  
**June 30, 2011**

**Funding Status and Schedule of Funding Progress**

The Town contributes to the Norfolk Town Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan (the Plan) administered by the Norfolk Town Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. MGL Chapter 32 assigns authority to establish and amend benefit provisions of the Plan. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among Plan participants based on active covered payroll. The following information presented relates to the cost sharing plan as a whole, of which the Town is one participating member.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits. This information is designed to be helpful for understanding the scale of the information presented relative to the Town. Projection of benefits for financial reporting purposes does not explicitly incorporate any potential effects of legal or contractual funding limitations that may be applicable.

**Norfolk County Retirement System**  
**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>Of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL<br>as a percent<br>of Covered<br>Payroll<br>(b-a)/c |
|--------------------------------|--|--|--|--------------------------|---------------------------|--|
| 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%   |
| 1/1/2000                       | 371,646,793                            | 533,959,970                              | 162,313,177  | 69.6%                    | 163,542,978               | 99.2%  |
| 1/1/1997                       | 258,771,070                            | 392,463,080                              | 133,692,010  | 65.9%                    | 126,219,194               | 105.9%   |

The Town's share of the unfunded actuarial accrued liability (UAAL) as of the January 1, 2008 valuation approximates \$10,468,000.

The following actuarial methods and assumptions were used in the System's most recent actuarial valuation dated January 1, 2008.

- a. **Actuarial cost method:** Individual entry age normal actuarial cost method
- b. **Plan asset valuation:** The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year of (8.5%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is applied to recognize the difference between the actual investment return and expected return over a five year period. Results must be within 20% of market value.
- c. **Cost of living increases:** Cost of living increases have been assumed to be 3.0% of the lesser of the pension amount and \$12,000 per year.
- d. **Investment rate of return:** Plan assets will accumulate at a compound annual rate of 8.5%.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
Required Supplementary Information  
Schedule of Funding Progress for the Town's Pension Benefit Plan  
June 30, 2011

- e. Salary scale: Salaries including longevity will increase at an annual rate of 4.0%.
- f. Retirement rates: These rates vary based upon age and gender for general employees, and for police and fire.
- g. Mortality: It is assumed that both pre-retirement and post-retirement mortality are represented by the RP-2000 Mortality Table for males and females. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.
- h. Appropriations: The annual pension appropriation has been calculated in accordance with MGL Chapter 32, Section 22D. Amounts have been calculated to comply with the full funding mandate for all accrued liabilities as of June 30, 2028. After this date, on the System's normal cost will remain. The System's appropriation forecast is based upon an "open group" method. This method assumes that sufficient employees will be hired each year to keep the number constant.

**TOWN OF MEDFIELD, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress for the Town's Retiree Benefit Plan – (OPEB)**  
**June 30, 2011**

**Funding Status and Schedule of Funding Progress**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. The unfunded actuarial liability was determined using the projected unit credit actuarial funding method. Additional information as of the latest valuation follows:

| Actuarial<br>Valuation<br>Date | Schedule of Funding Progress           |   |  |                              |                           |   |
|--------------------------------|--|---|--|------------------------------|---------------------------|---|
|                                | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (b) – (a)<br>Unfunded<br>AAL<br>(UAAL) | (b) / (a)<br>Funded<br>Ratio | (c)<br>Covered<br>Payroll | [(b)-(a)]/(c)<br>UAAL as a<br>Percentage<br>of Covered<br>Payroll |
| 1/1/2011                       | \$ -                                   | \$ 39,775,805                                     | \$ 39,775,805                          | 0.00%                        | \$ 29,389,000             | 135%  |
| 7/1/2008                       | \$ -                                   | \$ 43,819,459                                     | \$ 43,819,459                          | 0.00%                        | N/A                       | N/A   |

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 in the required supplementary information following 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 the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions and methods were utilized in the January 1, 2011:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.25% per annum for an unfunded program
- Amortization of UAAL: Closed twenty-eight year amortization. Level percentage of payroll
- Remaining Amortization Period: 28 years at January 1, 2011
- Healthcare Trend Rates:

| Year         | 2011  | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|-------|------|------|------|------|------|------|------|
| Commercial   |       |      |      |      |      |      |      |      |
| Managed Care | 10.2% | 9.0% | 8.5% | 8.0% | 7.5% | 7.0% | 6.5% | 6.0% |
| Medicare     |       |      |      |      |      |      |      |      |
| Managed Care | 9.0%  | 8.0% | 7.5% | 7.0% | 6.5% | 6.0% | 5.5% | 5.0% |
| Medicare     |       |      |      |      |      |      |      |      |
| Indemnity    | 10.0% | 9.0% | 8.5% | 8.0% | 7.5% | 7.0% | 6.5% | 6.0% |

**TOWN OF MEDFIELD, MASSACHUSETTS**

Budgetary Comparison Schedule

General Fund

For the year ended June 30, 2011

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES AND OTHER SOURCES</b>   |                            |                         |                   |   |
| Property taxes  | \$ 33,543,007              | \$ 33,543,007           | \$ 33,530,423     | \$ (12,584)   |
| Excise taxes  | 1,676,048                  | 1,676,048               | 1,764,539         | 88,491  |
| Charge for services   | 742,099                    | 742,099                 | 795,111           | 53,012  |
| License and permits   | 317,200                    | 317,200                 | 327,277           | 10,077  |
| Penalties and interest  | 88,774                     | 88,774                  | 123,247           | 34,473  |
| Investment interest   | 60,000                     | 60,000                  | 40,967            | (19,033)  |
| Special assessments   | 612,857                    | 612,857                 | 832,514           | 219,657   |
| Departmental and other  | 423,952                    | 423,952                 | 238,354           | (185,598)   |
| Intergovernmental   | 7,545,559                  | 7,609,946               | 7,758,839         | 148,893   |
| Transfers in from other funds   | 1,511,595                  | 1,511,595               | 1,528,141         | 16,546  |
| Fund balance - debt exclusion   | 1,281,717                  | 1,281,717               | 1,281,717         |   |
| Free cash and other available funds   | 655,000                    | 655,000                 | 655,000           |   |
| Carryover encumbrances  | 1,796,602                  | 170,299                 | 170,299           |   |
| Deficit - snow& ice   | (72,945)                   | (72,945)                | (72,945)          |   |
| Total revenues and other sources  | <u>50,181,465</u>          | <u>48,619,549</u>       | <u>48,973,483</u> | <u>353,934</u>  |
| <b>EXPENDITURES AND OTHER USES</b>  |                            |                         |                   |   |
| General government  | 1,912,575                  | 1,660,068               | 1,527,156         | 132,912   |
| Public safety   | 3,611,936                  | 3,615,917               | 3,497,075         | 118,842   |
| Education   | 27,936,879                 | 26,694,078              | 26,761,153        | (67,075)  |
| Public works  | 2,653,588                  | 2,620,598               | 2,692,832         | (72,234)  |
| Human services  | 391,350                    | 378,895                 | 361,386           | 17,509  |
| Culture and recreation  | 983,612                    | 951,728                 | 949,829           | 1,899   |
| State and county assessments  | 491,511                    | 491,511                 | 471,451           | 20,060  |
| Employee benefits   | 5,626,822                  | 5,633,562               | 5,204,823         | 428,739   |
| Debt service  | 6,180,609                  | 6,180,609               | 6,157,196         | 23,413  |
| Transfers out to other funds  | 392,583                    | 392,583                 | 497,583           | (105,000)   |
| Total expenditures and other uses   | <u>50,181,465</u>          | <u>48,619,549</u>       | <u>48,120,484</u> | <u>499,065</u>  |
| Revenues and other financing sources over<br>(under) expenditures and other financing sources | <u>\$</u>                  | <u>\$</u>               | <u>\$ 852,999</u> | <u>\$ 852,999</u>   |

See accompanying notes to required supplementary information.

**TOWN OF MEDFIELD, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2011

**Note 1. Budgetary Basis of Accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the GAAP-basis to budgetary-basis results for the General Fund for the fiscal year ended June 30, 2011 is presented below:

|   | <u>Revenues and<br/>Other Sources</u> | <u>Expenditures<br/>and Other Uses</u> | <u>Other Financing<br/>Sources (Uses)</u> |
|---|---------------------------------------|--|---|
| As reported on a GAAP basis                                 | \$ 49,423,371                         | \$ 51,286,296                          | \$ 645,427                                |
| Adjustment of property tax revenues                         | 221,335                               |  |   |
| State funded teacher's pension                              | (4,160,109)                           | (4,160,109)                            |   |
| Recognize use of other sources/uses                         | 650,427                               | 5,000                                  | (645,427)                                 |
| Water and sewer debt and interest<br>paid from general fund | 496,714                               | 496,714                                |   |
| Recognize use of fund balance as funding source             | 2,034,071                             |  |   |
| Net activity of stabilization funds                         | <u>307,674</u>                        | <u>492,583</u>                         | <u>-</u>                                  |
| As reported on a budgetary basis                            | <u>\$ 48,973,483</u>                  | <u>\$ 48,120,484</u>                   | <u>\$ -</u>                               |

During the year, the Town incurred a snow and ice appropriation deficit which is allowed by law. Amounts will be raised in the current year budget related thereto.