TOWN OF MEDFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TOWN OF MEDFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
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FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town'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, 2012, 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 20, 2013 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.

MLBCPA, LLP

March 20, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $110 million (net assets). Of this amount, approximately $17 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 2012 was $59.0 million.

- As of the end of the current fiscal year, unassigned fund balance for the general fund was $2.6 million or approximately 4.9% 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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

In addition, the Town is required to present supplementary information which includes a budgetary comparison schedule of the general fund.

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.

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.

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 $102 million and $9 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year. The following tables demonstrate the net assets of the Town:

	Governmental Activities		Business-type Activities	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Current assets	$ 38,562,983	$ 39,928,651	$ 2,046,494	$ 2,281,681
Capital assets	108,696,597	111,484,468	10,207,627	10,356,334
Total assets	147,259,580	151,413,119	12,254,121	12,638,015
Current liabilities	6,073,992	6,532,790	371,815	914,649
Long-term liabilities	39,368,409	41,727,448	3,232,554	3,347,885
Total liabilities	45,442,401	48,260,238	3,604,369	4,262,534
Net assets:				
Invested in capital assets, net	76,487,935	74,780,512	6,634,458	6,693,098
Restricted	10,284,925	9,157,984		
Unrestricted	15,044,319	19,214,385	2,015,294	1,682,383
Total net assets	$ 101,817,179	$ 103,152,881	$ 8,649,752	$ 8,375,481

Governmental activities receivable includes approximately $4.4 million of betterments due in future years and $1.9 million for state highway awards. New capital asset acquisitions approximating $874,000 were offset by depreciation of approximately $3.7 million in fiscal year 2012. Current portion of long-term liabilities have been classified as current liabilities in the above presentation. During 2012, the Town issued $10,225,000 to advance refund $11,135,000 of bonds outstanding. Other items included as long-term liabilities are $230,000 for landfill monitoring, $961,000 for compensated absences and $9.8 million for other post employment benefits.

Business-type activities long-term liabilities include $3.2 million in bonds payable, $39,000 liability for compensated absences and $178,000 for other post employment benefits. Remaining bonds payable of $347,000 is classified as current because it is due during the next fiscal year.

Governmental activities decreased the Town's net assets by $1,335,702 during fiscal year 2012. Business-type activities increased net assets by $274,271. A summary of revenues and major functional expenditures is presented below.

Revenues:

- Property taxes make up the largest share representing, approximately 63%, 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 from the Commonwealth of Massachusetts for school aid (Chapter 70 aid) of $5.6 million and contributions to the Teachers Retirement System of $4.6 million as further described in note 10 to the financial statements.

Expenses:

- Employee salary costs increased from negotiated step and general wage increases.
- Net obligations related to other post-employment benefits increased by approximately $2.3 million.

	Governmental Activities		Business-type Activities	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues:				
Charge for services	$ 3,782,487	$ 3,631,083	$ 2,748,587	$ 2,884,948
Operating grants and contributions	12,341,880	11,853,534		
General revenues:				
Property taxes	34,998,535	33,585,153		
Excise taxes	1,775,694	1,708,402		
Penalties and interest	108,982	123,247		
Grants and contributions not restricted	1,626,132	2,011,563		
Unrestricted investment earnings	363,967	215,443		
Miscellaneous	228,316	209,801		
Transfers, net	467,282	463,760	(467,282)	(463,760)
Total revenues and transfers, net	55,693,275	53,801,986	2,281,305	2,421,188
Expenses:				
General government	2,005,015	1,758,783		
Public safety	3,907,531	3,818,203		
Education	36,580,325	35,766,299		
Public works	3,613,235	4,174,937		
Human services	546,049	300,412		
Culture and recreation	1,404,862	1,333,862		
Employee benefits and general insurance	8,092,746	6,366,756		
Interest on long-term debt	439,729	1,608,172		
Intergovernmental	439,485	471,451		
Sewer			1,049,127	1,158,957
Water	-	-	957,907	1,071,416
Total expenses	57,028,977	55,598,875	2,007,034	2,230,373
Change in net assets	$ (1,335,702)	$ (1,796,889)	$ 274,271	$ 190,815

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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $28.4 million, a decrease of $221,219 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 $18.2 million, committed fund balance of $3.4 million; assigned fund balance of $3.2 million and unassigned fund balance of $2.4 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 $19.9 million, a decrease of $1 million from the previous year. Of this amount $12.2 million or 61% represents restricted fund balance. Committed fund balance of $2.9 million and assigned fund balance of $2.1 million represent 15% and 11% of total general fund balance respectively. Unassigned fund balance of $2.6 million represents 13% 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 4.9% of total general fund expenditure, while total general fund balance represents 39% of the same amount.

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 $51.4 million and the final amended budget of $49.5 million can be briefly summarized as follows:

- About $1.9 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, 2012, amount to $108.7 million, which is net of accumulated depreciation of $53.2 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, 2012, amount to $10.2 million, which is net of accumulated depreciation of $8.5 million. Investments in capital assets include land, machinery and equipment and infrastructure.

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

	Governmental Activities		Business-type Activities	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Land and land improvements	$ 16,735	$ 16,736	$ 1,248	$ 1,248
Construction in progress	1,171	1,123	745	376
Buildings and improvements	61,253	63,115	4,549	4,780
Machinery, equipment and furnishings	1,897	1,634	517	573
Vehicles	322	310	101	143
Infrastructure & easements	27,319	28,566	3,048	3,236
Total net assets	$ 108,697	$ 111,484	$ 10,208	$ 10,356

Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of $32.2 and $3.6 million for the governmental and business-type activities, respectively. This is compared to $36.7 and $3.7 million, respectively, last year. During 2012, the Town issued $10,225,000 to advance refund $11,135,000 of bonds outstanding. 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 1%, which includes new growth.
- The Town's fiscal year 2012 operating budget remained essentially level funded from fiscal year 2012. 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, 2012

		Governmental Activities		Business-type Activities		Total
ASSETS						
Cash and Cash Equivalents	$	6,845,308	$	923,704	$	7,769,012
Investments		23,607,996				23,607,996
Receivables, net of allowance for uncollectible		8,109,679		1,091,464		9,201,143
Intergovernmental receivable				31,326		31,326
Capital assets, net of accumulated depreciation		108,696,597		10,207,627		118,904,224
Total Assets	$	147,259,580	$	12,254,121	$	159,513,701
LIABILITIES						
Accounts payable and accrued expenses	$	1,610,558	$		$	1,610,558
Provision for refund of taxes paid		365,125				365,125
Other current liabilities		448,895		28,300		477,195
Non-current liabilities:						
Due within one year		3,649,414		343,515		3,992,929
Due in more than one year		39,368,409		3,232,554		42,600,963
Total liabilities		45,442,401		3,604,369		49,046,770
NET ASSETS						
Invested in capital assets, net of related debt		76,487,935		6,634,458		83,122,393
Restricted		10,284,925				10,284,925
Unrestricted		15,044,319		2,015,294		17,059,613
Total net assets	$	101,817,179	$	8,649,752	$	110,466,931

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2012

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets — Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government							
Governmental activities							
General government	$ 2,005,015	$ 658,443	$ 58,553	$	$ (1,288,019)	$	$ (1,288,019)
Public safety	3,907,531	937,185	25,493		(2,944,853)		(2,944,853)
Education	36,580,325	1,572,450	11,719,956		(23,287,919)		(23,287,919)
Public works	3,613,235	148,301	423,575		(3,041,359)		(3,041,359)
Human services	546,049	44,336	38,821		(462,892)		(462,892)
Culture and recreation	1,404,862	421,772	59,224		(923,866)		(923,866)
Employee benefits and general insurance	8,092,746		663		(8,092,083)		(8,092,083)
Interest	439,729		15,595		(424,134)		(424,134)
Intergovernmental	439,485				(439,485)		(439,485)
Total governmental activities	57,028,977	3,782,487	12,341,880		(40,904,610)		(40,904,610)
Business-type activities							
Sewer services	1,049,127	1,479,362				430,235	430,235
Water services	957,907	1,269,225				311,318	311,318
Total business-type activities	2,007,034	2,748,587				741,553	741,553
Total primary government	$ 59,036,011	$ 6,531,074	$ 12,341,880	$	(40,904,610)	741,553	(40,163,057)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					34,998,535		34,998,535
Excise taxes					1,775,694		1,775,694
Penalties and interest on taxes					108,982		108,982
Grants and contributions not restricted to specific programs					1,626,132		1,626,132
Unrestricted investment earnings					363,967		363,967
Miscellaneous					228,316		228,316
Transfers, net					467,282	(467,282)	
Total general revenues, special items, and transfers					39,568,908	(467,282)	39,101,626
Change in net assets					(1,335,702)	274,271	(1,061,431)
Net assets - beginning					103,152,881	8,375,481	111,528,362
Net assets - ending					$ 101,817,179	$ 8,649,752	$ 110,466,931

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

TOWN OF MEDFIELD, MASSACHUSETTS
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Pension Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 4,190,429	$	$ 2,520,879	$ 6,711,308
Investments	17,542,688	4,043,894	2,021,414	23,607,996
Receivables:				
Property taxes	850,061			850,061
Excise	60,686			60,686
Charge for services	4,614,544			4,614,544
Receivable from other governments	689,436		1,923,752	2,613,188
Total assets	$ 27,947,844	$ 4,043,894	$ 6,466,045	$ 38,457,783
LIABILITIES				
Liabilities:				
Warrants payable	$ 401,345	$	$	$ 401,345
Accrued payroll and withholding payable	1,109,068			1,109,068
Deferred revenue	6,116,969		1,923,752	8,040,721
Other payables and accrued expenses	100,146			100,146
Provision for refund of taxes paid	365,125			365,125
Deposits			69,897	69,897
Total liabilities	8,092,653		1,993,649	10,086,302
FUND BALANCES				
Nonspendable			1,203,919	1,203,919
Restricted	12,218,885	4,043,894	1,944,370	18,207,149
Committed	2,916,712		456,247	3,372,959
Assigned	2,132,703		1,014,885	3,147,588
Unassigned	2,586,891		(147,025)	2,439,866
Total fund balances	19,855,191	4,043,894	4,472,396	28,371,481
Total liabilities and fund balances	$ 27,947,844	$ 4,043,894	$ 6,466,045	$ 38,457,783

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

Total fund balances of governmental funds	$ 28,371,481
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and not reported in funds.	108,696,597
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds	8,040,721
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(28,800)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(43,017,823)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(379,000)
The assets and liabilities of the internal service funds are included with governmental activities, but at the fund level reported with proprietary funds.	134,003
Net assets of governmental activities	$ 101,817,179

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, 2012

	General Fund	Pension Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 34,884,132	$	$	$ 34,884,132
Excise taxes	1,730,546			1,730,546
Charges for services	834,623		2,409,274	3,243,897
Licenses and permits	448,843			448,843
Penalties and interest	108,982		121,200	230,182
Investment earnings	68,146	176,479	207,253	451,878
Special assessments	722,201			722,201
Contributions			150,457	150,457
Departmental and other	133,571		38,514	172,085
Intergovernmental	11,976,151		1,925,334	13,901,485
Total revenues	50,907,195	176,479	4,852,032	55,935,706
EXPENDITURES				
Current:				
General government	1,665,546		294,147	1,959,693
Public safety	3,581,931		245,538	3,827,469
Education	32,184,133		2,787,519	34,971,652
Public works	2,373,456		356,408	2,729,864
Human services	383,720		62,259	445,979
Culture and recreation	976,945		408,011	1,384,956
Employee benefits and general insurance	5,592,423		57,963	5,650,386
Intergovernmental	439,485			439,485
Debt service:				
Principal	3,721,030			3,721,030
Interest and other charges	1,493,693			1,493,693
Total expenditures	52,412,362		4,211,845	56,624,207
Excess (deficiency) of revenues over expenditures	(1,505,167)	176,479	640,187	(688,501)
OTHER FINANCING SOURCES (USES)				
Proceeds of current refunding bonds	8,704,840			8,704,840
Payment on current refunding bonds	(8,704,840)			(8,704,840)
Transfers in	574,001		179,250	753,251
Transfers out	(60,000)	(100,000)	(125,969)	(285,969)
Total other financing sources and uses	514,001	(100,000)	53,281	467,282
Net change in fund balances	(991,166)	76,479	693,468	(221,219)
Fund balances - beginning	20,846,357	3,967,415	3,778,928	28,592,700
Fund balances - ending	$ 19,855,191	$ 4,043,894	$ 4,472,396	$ 28,371,481

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	$	(221,219)
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.		
Capital outlays during the fiscal year		868,477
Depreciation recorded for the fiscal year		(3,656,350)
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.		
Net change in deferred revenue		(770,030)
Net change in allowance for uncollectible accounts		38,000
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.		
Proceeds from issuance of long-term debt		(8,704,840)
Principal payments on long-term debt (including refunding)		13,200,134
Change in bond premiums		(53,345)
Change in deferred amount on refunding		300,200
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.		
Net change in accrued interest expense		54,500
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:		
Compensated absences		29,000
Landfill closure		21,468
Net OPEB obligation		(2,328,363)
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.		(113,334)
Change in net assets of governmental activities	$	(1,335,702)

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

TOWN OF MEDFIELD, MASSACHUSETTS
Statement of Net Assets - Proprietary Funds
June 30, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	**Water Fund**	**Total**	**Internal Service Funds**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 622,109	$ 301,595	$ 923,704	$ 134,003
User fees, net of allowance for uncollectibles	574,713	516,751	1,091,464	
Due from others	31,326		31,326	
Total current assets	1,228,148	818,346	2,046,494	134,003
Non-current assets:				
Capital assets:				
Land and construction in process	371,575	1,621,184	1,992,759	
Other capital assets, net of accumulated depreciation	4,858,389	3,356,479	8,214,868	
Total non-current assets	5,229,964	4,977,663	10,207,627	
Total assets	$ 6,458,112	$ 5,796,009	$ 12,254,121	$ 134,003
LIABILITIES				
Current liabilities:				
Accrued interest payable	$ 15,100	$ 13,200	$ 28,300	$
Total current liabilities	15,100	13,200	28,300	
Non-current liabilities:				
Due within one year	150,555	192,960	343,515	
Due in more than one year	2,163,954	1,068,600	3,232,554	
Total non-current liabilities	2,314,509	1,261,560	3,576,069	
Total liabilities	2,329,609	1,274,760	3,604,369	
NET ASSETS				
Invested in capital assets, net of related debt	2,895,355	3,739,103	6,634,458	
Unrestricted	1,233,148	782,146	2,015,294	134,003
Total net assets	4,128,503	4,521,249	8,649,752	134,003
Total liabilities and net assets	$ 6,458,112	$ 5,796,009	$ 12,254,121	$ 134,003

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, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	**Water Fund**	**Total**	**Internal Service Funds**
OPERATING REVENUES				
Charges for services	$ 1,479,362	$ 1,269,225	$ 2,748,587	$
Other				
Total operating revenues	1,479,362	1,269,225	2,748,587	
OPERATING EXPENSES				
Personnel services	199,553	263,315	462,868	
Pumping and treatment	643,388	442,748	1,086,136	
Depreciation	276,898	240,120	517,018	
Health insurance premiums and other				113,997
Total operating expenses	1,119,839	946,183	2,066,022	113,997
Operating income (loss)	359,523	323,042	682,565	(113,997)
NON-OPERATING REVENUES (EXPENSES)				
Investment income				663
Interest, net of deferred amount on refunding	70,712	(11,724)	58,988	
Total non-operating revenue (expenses)	70,712	(11,724)	58,988	663
Income (loss) before contributions and transfers	430,235	311,318	741,553	(113,334)
TRANSFERS				
Transfers out	(213,587)	(253,695)	(467,282)	
Change in net assets	216,648	57,623	274,271	(113,334)
Net assets at beginning of year	3,911,855	4,463,626	8,375,481	247,337
Net assets at end of year	$ 4,128,503	$ 4,521,249	$ 8,649,752	$ 134,003

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

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	$ 1,443,216	$ 1,198,704	$ 2,641,920	$
Payments to vendors and employees	(900,905)	(763,197)	(1,664,102)	(113,997)
Net cash provided by (used for) operating activities	542,311	435,507	977,818	(113,997)
Cash flows from noncapital financing activities				
Transfers in (out)	(213,587)	(253,695)	(467,282)	
Net cash used for noncapital financing activities	(213,587)	(253,695)	(467,282)	
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(365,053)	(3,258)	(368,311)	
Proceeds from issuance of bonds	131,994		131,994	
Principal payments on bonds and notes, net of bond subsidies	(252,487)	(231,080)	(483,567)	
Interest, net of deferred amount on refunding	14,012	(14,524)	(512)	
Net cash provided by (used for) capital and related financing activities	(471,534)	(248,862)	(720,396)	
Cash flows from investing activities				
Investment income (expense)				663
Net change in cash and cash equivalents	(142,810)	(67,050)	(209,860)	(113,334)
Cash and cash equivalents at beginning of year	764,919	368,645	1,133,564	247,337
Cash and cash equivalents at end of year	$ 622,109	$ 301,595	$ 923,704	$ 134,003
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	$ 359,523	$ 323,042	$ 682,565	$ (113,997)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	276,898	240,120	517,018	
Changes in assets and liabilities:				
User fees receivable, net of allowance for collectibles	(36,146)	(70,521)	(106,667)	
Accounts payable and other current liabilities	(57,964)	(57,134)	(115,098)	
Net cash provided by (used for) operating activities	$ 542,311	$ 435,507	$ 977,818	$ (113,997)

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2012

	Private Purpose Trust Funds	Student Activity Funds
ASSETS		
Cash and cash equivalents	$	$ 259,425
Investments	207,293	
Total assets	$ 207,293	$ 259,425
LIABILITIES		
Due to student groups	$	$ 259,425
Total liabilities		259,425
NET ASSETS		
Held in trust for benefits and other purposes	$ 207,293	$

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, 2012

		Private Purpose Trust Funds
ADDITIONS		
Interest	$	10,615
Contributions		14,822
Total additions		25,437
DEDUCTIONS		
Miscellaneous expense		23,927
Total deductions		23,927
Change in net assets		1,510
Net assets - beginning		205,785
Net assets - ending	$	207,293

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 2012. 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.

Joint venture and address	Purpose	2012 Assessment
Tri-County Regional Vocational Technical School District 147 Pond Street, Franklin, MA 02038	To provide secondary vocational technical education	$ 190,414
The Education Cooperative 1112 High Street, Dedham, MA 02027	To provide for education of special needs students in grades 1 – 12.	$ 23,482
Accept Educational Collaborative 220 N. Main Street, Natick, MA 01760	To provide for education of special needs students in grades 1 – 12.	$ 4,000
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation services	$ 246,561
Massachusetts Interlocal Insurance Association (MIIA) One Winthrop Sq, Boston, MA 02110	To provide employee health benefits	$ 5,977,712
Massachusetts Interlocal Insurance Association (MIIA) One Winthrop Sq, Boston, MA 02110	To provide workers' compensation benefits	$ 204,396

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.

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.

- 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the expenditure for principal and interest and the accumulation of funds for the periodic payment of principal and interest on general long-term debt also for financial resources that are being accumulated for principal and interest maturing in future years. Currently, the Town does not utilize a debt service fund.

- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction major capital facilities and other capital assets (other than those financed by business-type/proprietary funds).

- Permanent funds are used to account for and report financial resources that are 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).

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.

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 6% of ambulance charges 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.

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.

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.

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.

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, 2012, the classification of the Town's fund balances can be detailed as follows:

	General Fund	Pension Reserve Fund	Other Governmental Funds	Total
Nonspendable:				
Permanent fund principal	$ -	$ -	$ 1,203,919	$ 1,203,919
Restricted:				
General government			219,015	219,015
Public safety			159,846	159,846
Education			953,913	953,913
Public works			385,170	385,170
Human services			71,176	71,176
Culture & recreation			101,012	101,012
Employee benefits		4,043,894	54,238	4,098,132
Debt service	12,218,885	-	-	12,218,885
subtotal	12,218,885	4,043,894	1,944,370	18,207,149
Committed:				
General government	189,284			189,284
Public safety	191,222			191,222
Education	8,647		456,247	464,894
Public works	151,132			151,132
Human services	8,694			8,694
Culture & recreation	44,772			44,772
Employee benefits	268,621			268,621
Debt service	2,054,340	-	-	2,054,340
subtotal	2,916,712	-	456,247	3,372,959
Assigned:				
General government	11,401		348,231	359,632
Public safety	5,609		21,038	26,647
Education	280,881		219,997	500,878
Public works	29,764		131,889	161,653
Human services	1,439		124,396	125,835
Culture & recreation			169,334	169,334
Employee benefits	30,312			30,312
Debt service	422,918			422,918
Other	1,350,379	-	-	1,350,379
subtotal	2,132,703	-	1,014,885	3,147,588
Unassigned	2,586,891	-	(147,025)	2,439,866
Total	$ 19,855,191	$ 4,043,894	$ 4,472,396	$ 28,371,481

Other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2013 operating budget.

As of June 30, 2012 the Town reported a fund deficit of $147,025 for chapter 90 highway fund. The fund deficit relates to cost reimbursement grant and will be covered by subsequent billings to awarding agency. Receivables offset by deferred revenue have been recorded in the fund basis financial statements.

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	$ 219,748
Sewer betterment paid in advance stabilization	$ 2,054,340
Other post employee benefits stabilization	$ 268,621

C. Restricted Net Assets

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet, including 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	$ 4,043,894
Chapter 90 highway fund	1,776,728
Other special revenue funds	2,666,257
Capital Project Funds:	
Town garage design	439,031
Other capital project funds	17,216
Permanent Funds:	
Expendable	137,880
Non-expendable	1,203,919
Total restricted net assets	$ 10,284,925

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.

The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2012 deposits approximated $8,064,463 and had a carrying amount of $8,028,437. Of the deposit amounts, approximately $6,780,000 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, 2012, the Town had the following investments:

		Rating as of Year End			
Type of investment	Fair Value	AAA	AA to A	BBB to B	Exempt or Unrated
MMDT	$ 3,311,512	$ -	$ -	$ -	$ 3,311,512
Federal agency securities	9,412,545				9,412,545
Certificates of deposit	5,027,192				5,027,192
Mutual funds	1,472,437				1,472,437
Corporate bonds	926,077		926,077		
Money market funds	3,665,526	-	-	-	3,665,526
	$ 23,815,289	$ -	$ 926,077	$ -	$ 22,889,212

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:

Type of investment	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	Thereafter	Not Applicable
MMDT	$ 3,311,512	$ -	$ -	$ -	$ -	$ 3,311,512
Federal agency securities	9,412,545	241,179	-	7,558,406	1,612,960	-
Certificates of deposit	5,027,192	3,589,049	1,438,143	-	-	-
Mutual funds	1,472,437	-	-	-	-	1,472,437
Corporate bonds	926,077	180,910	745,167	-	-	-
Money market funds	3,665,526	-	-	-	-	3,665,526
	$ 23,815,289	$ 4,011,138	$ 2,183,310	$ 7,558,406	$ 1,612,960	$ 8,449,475

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.

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:

Receivable Type	Gross Amount	Allowance for Uncollectible	Net Amount	Deferred Revenue
Real estate and personal property taxes	$ 526,131	$ 7,300	$ 518,831	$ 428,373
Tax liens, deferrals and foreclosures	323,929		323,929	323,929
Excise taxes	60,686	10,900	49,786	60,686
Other fee and departmental receivables	190,453	10,600	179,853	190,453
Betterments (due in future years)	4,424,092		4,424,092	4,424,092
Intergovernmental				
State highway awards	1,923,752		1,923,752	1,923,752
Other federal and state grants	55,323		55,323	55,323
School building assistance (due in future years)	634,113	-	634,113	634,113
	$ 8,138,479	$ 28,800	$ 8,109,679	$ 8,040,721

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

Receivable Type	Gross Amount	Allowance for Uncollectible	Net Amount
Sewer fund – user fees	$ 638,613	$ 63,900	$ 574,713
Water fund – user fees	574,151	57,400	516,751
Subtotal – user fees	1,212,764	121,300	1,091,464
Sewer fund – due from MWPAT	31,326	-	31,326
	$ 1,244,090	$ 121,300	$ 1,122,790

Note 6. Capital Assets

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and land improvements	$ 16,752,151	$ -	$ -	$ 16,752,151
Construction in progress	1,123,227	48,174	-	1,171,401
Sub-total	17,875,378	48,174	-	17,923,552
Capital assets being depreciated:				
Building and improvements	82,849,166	155,113	-	83,004,279
Machinery, equipment and furnishings	5,511,556	549,588	92,590	5,968,554
Vehicles	3,492,423	121,554	72,117	3,541,860
Infrastructure	51,427,066	-	-	51,427,066
Sub-total	143,280,211	826,255	164,707	143,941,759
Less accumulated depreciation:				
Land improvements	16,432	850	-	17,282
Building and improvements	19,734,598	2,016,778	-	21,751,376
Machinery, equipment and furnishings	3,877,529	286,849	92,590	4,071,788
Vehicles	3,181,694	104,221	66,167	3,219,748
Infrastructure	22,860,868	1,247,652	-	24,108,520
Sub-total	49,671,121	3,656,350	158,757	53,168,714
Governmental capital assets, net	$ 111,484,468	$ (2,781,921)	$ 5,950	$ 108,696,597

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,248,033	$ -	$ -	$ 1,248,033
Construction in progress	376,415	368,311	-	744,726
Sub-total	1,624,448	368,311	-	1,992,759
Capital assets being depreciated:				
Building and improvements	9,041,965	-	-	9,041,965
Machinery, equipment and furnishings	942,725	-	-	942,725
Vehicles	317,075	-	21,606	295,469
Infrastructure	6,478,246	-	-	6,478,246
Sub-total	16,780,011	-	21,606	16,758,405
Less accumulated depreciation:				
Building and improvements	4,261,899	231,187	-	4,493,086
Machinery, equipment and furnishings	369,893	55,928	-	425,821
Vehicles	174,448	41,973	21,606	194,815
Infrastructure	3,241,885	187,930	-	3,429,815
Sub-total	8,048,125	517,018	21,606	8,543,537
Business-type capital assets, net	$ 10,356,334	$ (148,707)	$ -	$ 10,207,627

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

Governmental activities:	
General government	$ 91,345
Public safety	164,085
Education	1,815,844
Public works	1,410,855
Health and human services	94,070
Culture and recreation	80,151
Total depreciation – governmental activities	$ 3,656,350
Business-type activities:	
Water	$ 240,120
Sewer	276,898
Total depreciation – business-type activities	$ 517,018

Note 7. Interfund Balances and Activity

As of June 30, 2012, no amounts were due between funds. Interfund transfers, for the year ended June 30, 2012, consisted of the following:

	General Fund	Pension Reserve Fund	Other Governmental Funds	Sewer Enterprise Fund	Water Enterprise Fund
Amounts transferred from Sewer fund to fund costs appropriated in the general fund	$ 213,587	$ -	$ -	$ (213,587)	$ -
Amounts transferred from Water fund to fund costs appropriated in the general fund	253,695				(253,695)
Amounts transferred from Pension Reserve Fund for Norfolk County Pension Assessment	100,000	(100,000)			
Other amounts transferred from other governmental funds - net	6,719		(6,719)		
Transferred to conservation trust	(60,000)	-	60,000	-	-
	$ 514,001	$ (100,000)	$ 53,281	$ (213,587)	$ (253,695)

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012.

Purpose	Balance July 01, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Governmental activities:					
Land acquisition bonds, 2.00-4.00%, dtd 6/15/10, due 6/15/25	$ 1,445,000	$ -	$ 105,000	$ 1,340,000	$ 105,000
Sewer bonds, 4.00-5.00%, dtd 4/1/01, due 6/30/21	532,360	-	532,360	-	-
Sewer refunding bonds, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	440,340	-	440,340	50,840
Sewer bonds, 4.00-5.00%, dtd 4/1/01, due 6/30/20	2,000,000	-	2,000,000	-	-
Sewer refunding bonds, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	1,653,200	-	1,653,200	193,200
School plan bonds, 4.00-5.00%, dtd 4/1/01, due 6/30/21	1,500,000	-	1,500,000	-	-
School plan refunding bonds, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	1,240,300	-	1,240,300	145,300
MWPAT septic loan, 4.10-5.75%, dtd 8/1/01, due 8/11/19	37,196	-	4,174	33,022	4,174
School construction bonds, 3.25-5.00%, dtd 3/15/02, due 6/30/22	5,500,000	-	5,500,000	-	-
School construction refunding, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	4,591,000	-	4,591,000	486,000
Sewer bonds-Granite St., 3.25-5.00%, dtd 3/15/02, due 6/30/22	935,000	-	935,000	-	-
Sewer refunding bonds-Granite St., 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	780,000	-	780,000	80,000
School bonds, 5.01-7.5%, dtd 9/15/02, due 6/30/11	935,000	-	245,000	690,000	235,000
School construction bonds, 2.00-5.00%, dtd 9/15/02, due 6/30/23	14,400,000	-	1,200,000	13,200,000	1,200,000
MWPAT septic bonds, 4.00-5.125%, dtd 8/25/04, due 6/30/19	261,400	-	31,700	229,700	16,900
Land acquisition bonds - post office, 4.30-5.15%, dtd 7/1/05, due 6/30/15	35,600	-	10,400	25,200	10,200
Land acquisition bonds - W. Mill, 3.68%, dtd 7/1/05, due 6/30/15	142,400	-	41,500	100,900	41,000
Library renovation bonds, 3.68%, dtd 7/1/05, due 6/30/15	571,500	-	115,900	455,600	114,100
Town hall renovation bonds, 3.68%, dtd 7/1/05, due 6/30/15	706,600	-	124,600	582,000	153,400
Landfill capping bonds, 3.68%, dtd 7/1/05, due 6/30/15	270,200	-	62,900	207,300	51,800
Athletic facilities bonds, 3.68%, dtd 7/1/05, due 6/30/15	5,000	-	5,000	-	-
Land acquisition bonds, 3.68%, dtd 7/1/05, due 6/30/15	126,700	-	41,600	85,100	25,700
Land acquisition 98/99 bonds, 3.68%, dtd 7/1/05, due 6/30/15	1,079,050	-	125,600	953,450	124,100
School roof bonds, 3.68%, dtd 7/1/05, due 6/30/15	281,700	-	32,700	249,000	32,400
Sewer bonds, 3.68%, dtd 7/1/05, due 6/30/15	2,789,250	-	326,700	2,462,550	323,500
Wheelock School bonds, 3.68%, dtd 7/1/05, due 6/30/15	60,000	-	10,000	50,000	10,000
Senior center construction bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/17	1,540,000	-	105,000	1,435,000	105,000
Senior center plan bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/17	110,000	-	10,000	100,000	10,000
Land acquisition bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/17	460,000	-	35,000	425,000	35,000
DPW street sweeper bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/22	65,000	-	10,000	55,000	10,000
Fire truck bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/22	275,000	-	25,000	250,000	25,000
DPW garage plan bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/22	20,000	-	20,000	-	-
Senior center construction bonds, 4.00-5.00%, dtd 6/1/07, due 6/30/25	620,000	-	45,000	575,000	45,000
Total long-term bonds	36,703,956	8,704,840	13,200,134	32,208,662	3,632,614
Amortization of bond premiums	81,355	75,000	21,655	134,700	25,400
Deferred amount on refunding	-	(316,000)	(15,800)	(300,200)	(31,600)
Landfill closure and monitoring liability	251,468	-	21,468	230,000	23,000
Compensated absences	990,000	-	29,000	961,000	-
Other post employment benefits	7,455,298	3,740,624	1,412,261	9,783,661	-
	$ 45,482,077	$ 12,204,464	$ 14,668,718	$ 43,017,823	$ 3,649,414

Purpose	Balance July 01, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Business-type activities:					
Water bonds Forest St, 4.00-5.00%, dtd 4/1/01, due 6/30/21	$ 117,640	$ -	$ 117,640	$ -	$ -
Water refunding bonds Forest St, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	96,660	-	96,660	11,160
Water bonds Causeway, 3.25-5.00%, dtd 3/15/02, due 6/30/22	440,000	-	440,000	-	-
Water refunding bonds Causeway, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	368,000	-	368,000	43,000
Water bonds treatment facility, 3.68%, dtd 7/1/05, due 6/30/16	127,300	-	26,100	101,200	25,800
Water bonds well # 6, 3.68%, dtd 7/1/05, due 6/30/16	414,700	-	82,000	332,700	83,000
Water bonds water mains, 2.00-4.00%, dtd 6/15/10, due 6/15/25	370,000	-	30,000	340,000	30,000
Sewer bonds treatment plant, 3.25-5.00%, dtd 3/15/02, due 6/30/22	1,265,000	-	1,265,000	-	-
Sewer refunding bonds, 3.00-4.00%, dtd 3/1/12, due 3/15/21	-	1,055,500	-	1,055,500	110,500
MWPAT bonds-CW10-10, 2.00%, dtd 6/13/12, due 7/15/32	-	400,000	-	400,000	-
MWPAT bonds-CW08-08, 2.00%, dtd 3/18/09, due 6/30/29	922,096	-	42,987	879,109	43,855
Total long-term bonds	3,656,736	1,920,160	2,003,727	3,573,169	347,315
Deferred amount on refunding	-	(38,000)	(1,900)	(36,100)	(3,800)
Compensated absences	39,000	-	-	39,000	-
Other post employment benefits	-	185,067	7,123	177,944	-
	$ 3,695,736	$ 2,067,227	$ 2,008,950	$ 3,754,013	$ 343,515

Long-term debt

On March 1 2012, the Town issued $10,225,000 in General Obligation Bonds with an average interest rate of 3.44% to advance refund $11,135,000 of outstanding bonds with an average interest rate of 5.16%. The net payments of $258,500 (including payment of $11,190 in underwriter's fees and $87,911 other costs and after net original issue premium of $1,121,897) were made to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments of the refunded bonds. As a result the refunded bonds are considered to be defeased and the liability for those bonds has been removed from noncurrent liabilities. At June 30, 2012, $11,135,000 of bonds outstanding are considered defeased.

The Town advance refunded the bonds to reduce its total debt service payments over the next 10 years by approximately $1,902,200 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $1,768,600.

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 $634,113 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, 2012, including interest, are as follows:

Year Ending	Governmental Activities			Business-type Activities		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2013	$ 3,632,614	$ 1,227,545	$ 4,860,159	$ 347,315	$ 101,834	$ 449,149
2014	3,621,774	1,067,955	4,689,729	361,221	90,573	451,794
2015	3,576,674	932,348	4,509,022	363,577	79,704	443,281
2016	3,293,200	799,822	4,093,022	354,258	68,886	423,144
2017	2,954,300	678,753	3,633,053	240,567	60,063	300,630
2018 - 2022	13,030,100	1,784,535	14,814,635	1,191,715	195,248	1,386,963
2023 - 2027	2,100,000	100,351	2,200,351	456,404	54,582	510,986
2028 - 2032	-	-	-	258,112	11,707	269,819
Totals	$ 32,208,662	$ 6,591,309	$ 38,799,971	$ 3,573,169	$ 662,597	$ 4,235,766

Subsequent to year end, on July 12, 2012, the Town issued bonds totaling $13,220,000 for the following purposes: $11,420,000 was to advance refund bonds in the aggregate principal amount of $12,455,000; $400,000 to finance wastewater treatment plant and sewer repairs; and $1,400,000 to finance water main repairs. Since the issuance took place subsequent to June 30, 2012, the bonds total $13,220,000 are not include in debt outstanding at year end and future debt service payments on the $13,220,000 are not included above.

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, 2012:

Purpose	Year(s) Authorized	Amount
Wastewater treatment plant repairs	2012	$ 400,000
Water mains – North St. and Green St.	2012	1,400,000
		$ 1,800,000

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, 2012.

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, 2012 are as follows:

Type/Purpose	Loan Date	Maturity Date	Interest Rate	Beginning Balance	Issued	Retirements	Ending Balance
Business-Type Activities:							
BAN-Sewer plant improvements	5/5/2011	6/13/2012	0.24%	$ 400,000	$ -	$ 400,000	$ -

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 $1,487,064, representing approximately 3.4% 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, 2011 and 2010 were $1,463,203 and $1,410,413, 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 $4,647,001 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and educational 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.

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.

	Governmental Activities	Business-type Activities
Annual required contribution (ARC)	$ 3,735,876	$ 183,907
Interest on net OPEB obligation	316,850	5,671
ARC adjustment	(312,102)	(4,511)
Annual OPEB cost	3,740,624	185,067
Contributions made	(1,412,261)	(7,123)
Increase in net OPEB obligation	2,328,363	177,944
Net OPEB obligation, beginning of year	7,455,298	-
Net OPEB obligation, end of year	$ 9,783,661	$ 177,944

The Town's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 3,740,624	37.75%	$ 9,783,661
6/30/2011	$ 3,513,103	74.71%	$ 7,455,298
6/30/2010	$ 3,929,252	13.87%	$ 6,566,962

Funding Status and Schedule of Funding Progress

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered 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%

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, 2012, $230,000 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, 2012. 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.

Current pronouncements

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. This pronouncement did not impact 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 #63, *Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position,* which is required to be implemented in fiscal year 2013. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed. The Town doesn't believe this pronouncement will materially impact the Town's financial statements; however, the Town's government-wide statements will report its net position at year end and change for the year rather than net assets.

The GASB issued Statement #65, *Item Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #66, *Technical Corrections-2012-an amendment of GASB Statements #10 and #62*, which is required to be implemented in fiscal year 2014. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements #54, Fund Balance Reporting and Governmental Fund Type Definitions, and # 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial statements. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have an effect upon the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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 Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
1/1/2010	$ 600,790,835	$ 1,001,881,055	$ 401,090,220	60.0%	$ 223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2003	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	133,962,010	105.9%	126,219,194	105.9%

The Town's share of the unfunded actuarial accrued liability (UAAL) as of the January 1, 2010 valuation approximates $13,476,000.

The following actuarial methods and assumptions were used in the System's most recent actuarial valuation dated January 1, 2010.

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 8.25%.

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.

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:

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered 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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER SOURCES				
Property taxes	$ 34,978,955	$ 34,978,955	$ 34,911,883	$ (67,072)
Excise taxes	1,776,000	1,776,000	1,730,546	(45,454)
Charge for services	572,782	572,782	834,623	261,841
License and permits	327,440	327,440	448,843	121,403
Penalties and interest	106,547	106,547	108,982	2,435
Investment interest	40,000	40,000	30,982	(9,018)
Special assessments	536,958	536,958	722,201	185,243
Departmental and other	421,281	421,281	133,571	(287,710)
Intergovernmental	7,125,735	7,125,735	7,313,555	187,820
Transfers in from other funds	1,948,572	1,948,572	1,958,080	9,508
Fund balance - debt exclusion	1,183,535	1,183,535	1,183,535	
Free cash and other available funds	943,387	943,387	943,387	
Carryover encumbrances	1,626,303	(308,568)	(308,568)	
Deficit - snow& ice	(139,621)	(139,621)	(139,621)	
Total revenues and other sources	51,447,874	49,513,003	49,871,999	358,996
EXPENDITURES AND OTHER USES				
General government	2,056,387	1,762,694	1,665,546	97,148
Public safety	3,825,402	3,707,979	3,581,931	126,048
Education	28,720,016	27,410,121	27,377,484	32,637
Public works	2,836,477	2,655,581	2,373,456	282,125
Human services	396,836	410,703	383,720	26,983
Culture and recreation	1,022,690	977,918	976,945	973
State and county assessments	461,972	461,972	439,485	22,487
Employee benefits	5,942,610	5,942,610	5,592,423	350,187
Debt service	5,685,266	5,683,207	5,683,207	
Transfers out to other funds	500,218	500,218	500,218	
Total expenditures and other uses	51,447,874	49,513,003	48,574,415	938,588
Revenues and other financing sources over (under) expenditures and other financing sources	$	$	$ 1,297,584	$ 1,297,584

See accompanying notes to required supplementary information.

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, 2012 is presented below:

	Revenues and Other Sources	Expenditures and Other Uses	Other Financing Sources (Uses)
As reported on a GAAP basis	$ 50,907,195	$ 52,412,362	$ 514,001
Adjustment of property tax revenues	27,751		
State funded teacher's pension	(4,647,001)	(4,647,001)	
Recognize use of other sources/uses	614,919	(99,648)	(514,001)
Adjustment for MWPAT debt subsidy	(15,595)	(15,595)	
Water and sewer debt and interest paid from general fund	484,079	484,079	
Recognize use of fund balance as funding source	1,637,815		
Net activity of stabilization funds	862,836	440,218	-
As reported on a budgetary basis	$ 49,871,999	$ 48,574,415	$ -

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.