TOWN OF MEDFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, 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, 2010, 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 February 9, 2011 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 vi and schedule of funding progress for the Town's pension benefit plan, schedule of funding progress for the Town's retire benefit plan (OBEP), budgetary comparison schedule – general fund, and notes to required supplementary information on pages 32 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Malloy, Lynch, Bienvenue LLP

February 9, 2011

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, 2010.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$115 million (net assets). Of this amount, approximately \$24 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 2010 was \$59.8 million.

- As of the end of the current fiscal year, unreserved fund balance for the general fund was \$2 million or approximately 4% of general fund expenditures.

Overview of the Financial Statements:

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

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

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

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

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

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 \$107 and \$8 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, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current assets	\$ 42,743,120	\$ 44,340,685	\$ 1,991,531	\$ 1,968,574
Capital assets	116,636,600	119,408,233	10,302,636	10,435,017
Total assets	159,379,720	163,748,918	12,294,167	12,403,591
Current liabilities	7,640,846	9,234,525	407,765	347,842
Long-term liabilities	44,750,741	43,766,221	3,701,736	3,652,942
Total liabilities	52,391,587	53,000,746	4,109,501	4,000,784
Net assets:				
Invested in capital assets, net	76,517,576	74,661,426	6,294,400	6,503,219
Restricted	8,853,763	10,122,562		
Unrestricted	21,616,794	25,964,184	1,890,266	1,899,588
Total net assets	\$ 106,988,133	\$ 110,748,172	\$ 8,184,666	\$ 8,402,807

Cash and net receivable balances of governmental activities changed modestly in comparison to the prior year. New capital asset acquisitions approximating \$1.3 million were offset by depreciation of almost \$3.7 million in fiscal year 2010. Current portion of long-term liabilities have been classified as current liabilities in the above presentation. Other post employment benefits costs of \$3.9 million are primarily responsible for the decrease of \$4.3 million of unrestricted net assets. Overall, there was little change in business-type activities from 2009.

Governmental activities decreased the Town's net assets by \$3,760,039 during fiscal year 2010. Business-type activities decreased net assets by \$218,141. A summary of revenues and major functional expenditures is presented below.

Revenues:

- Property taxes make up the largest share representing, approximately 60%, 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, and new growth.
- In previous years, the Town was self-insured for health insurance benefits provided for Town employees and retirees, which was accounted for in an Internal Service Fund/ Governmental Activities. Effective July 1, 2009 the Town entered into a Health Benefits Trust Agreement with the Massachusetts Interlocal Insurance Association, Health Benefits Trust (MIIA) a self-insured plan to provide health insurance to employees.

Expenses:

- Employee salary costs increased from negotiated step and general wage increases.

	Governmental Activities		Business-type Activities	
Revenues:	Year ended June 30, 2010	Year ended June 30, 2009	Year ended June 30, 2010	Year ended June 30, 2009
Charges for services	$ 3,526,388	$ 8,807,483	$ 2,553,347	$ 2,323,866
Operating grants and	12,842,755	13,778,255		
General revenues:				
Property taxes	32,446,227	31,687,060		
Excise taxes	1,675,017	1,678,939		
Penalties and interest	101,917	79,824		
Grants and contributions not restricted	2,040,919	2,405,197		
Investment income	518,071	535,320		
Miscellaneous	122,989	2,167,947		
Transfers, net	529,156	489,590	(529,156)	(489,590)
Total revenues	53,803,439	61,629,615	2,024,191	1,834,276
Expenses:				
General government	1,932,419	1,905,264		
Public safety	4,030,596	3,677,074		
Education	34,789,361	33,976,106		
Public works	3,777,744	3,767,343		
Health and human services	475,196	604,853		
Culture and recreation	1,593,463	1,621,315		
Employee benefits and general insurance	8,652,484	13,264,807		
Interest on long-term debt	1,843,254	1,863,763		
Intergovernmental	468,961	450,461		
Sewer			1,233,651	1,086,461
Water			1,008,681	974,923
Total expenses	57,563,478	61,130,986	2,242,332	2,061,384
Change in net assets	$ (3,760,039)	$ 498,629	$ (218,141)	$ (227,108)

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of $29.9 million. Approximately $11.6 million (39%) of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements. The remaining fund balance of $18.3 million is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or otherwise reserved. Included reserved fund balance is approximately $15.3 million reserved for payment of debt in future years.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was $2 million, while total fund balance approximated $19.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General fund unreserved fund balance represents 3.9% of total general fund expenditures, while total fund balance represents 38.3% of that same amount. The total general fund balance of the Town decreased about $1.3 million from the prior year.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002 the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The Town's general fund unreserved fund balance of $2 million is 4.1% of general fund revenue.

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 $49.5 million and the final amended budget of $47.8 million can be briefly summarized as follows:

- About $1.8 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, 2010, amount to $116.6 million, which is net of accumulated depreciation of $47.1 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, 2010, amount to $10.3 million, which is net of accumulated depreciation of $7.7 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):

Capital assets	Governmental Activities		Business-type Activities	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land and land improvements	$ 16.8	$ 16.8	$ 1.2	$ 1.2
Construction in Progress	1.0	0.9		
Buildings and related improvements	66.9	68.9	5.0	5.2
Equipment, machinery, vehicles	1.8	1.9	0.7	0.7
Vehicles	0.3	0.3		0.1
Infrastructure & easements	29.8	30.6	3.4	3.2
	$ 116.6	$ 119.4	$ 10.3	$ 10.4

Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of $40.7 and $4 million for the governmental and business-type activities, respectively. This is compared to $43.1 and $3.9 million, respectively, last year. All debt is a general obligation of the Town.

Economic Factors and Next Year's Budgets and Rates

- The Town has increased its property tax levy by 3.3%, which includes new growth.
- The Town's fiscal year 2011 operating budget remained essentially level funded from fiscal year 2010. 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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	$ 7,707,790	$ 931,802	$ 8,639,592
Investments	25,251,861		25,251,861
Receivables, net of allowance for uncollectible	9,783,469	1,059,729	10,843,198
Capital assets, net of accumulated depreciation	116,636,600	10,302,636	126,939,236
Total Assets	$ 159,379,720	$ 12,294,167	$ 171,673,887
LIABILITIES			
Accounts payable and accrued expenses	$ 2,868,558	$	$ 2,868,558
Provision for refund of taxes paid	201,459		201,459
Other current liabilities	536,700	56,265	592,965
Non-current liabilities:			
Due within one year	4,034,129	351,500	4,385,629
Due in more than one year	44,750,741	3,701,736	48,452,477
Total liabilities	52,391,587	4,109,501	56,501,088
NET ASSETS			
Invested in capital assets, net of related debt	76,517,576	6,294,400	82,811,976
Restricted	8,853,763		8,853,763
Unrestricted	21,616,794	1,890,266	23,507,060
Total net assets	$ 106,988,133	$ 8,184,666	$ 115,172,799

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

TOWN OF MEDFIELD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	$ 1,932,419	$ 564,184	$ 81,926	$	$ (1,286,309)	$	$ (1,286,309)
Public safety	4,030,596	688,585	80,294		(3,261,717)		(3,261,717)
Education	34,789,361	1,638,364	10,795,289		(22,355,708)		(22,355,708)
Public works	3,777,744	171,686	1,767,282		(1,838,776)		(1,838,776)
Human services	475,196	23,030	72,799		(379,367)		(379,367)
Culture and recreation	1,593,463	440,539	42,957		(1,109,967)		(1,109,967)
Employee benefits and general insurance	8,652,484		2,208		(8,650,276)		(8,650,276)
Interest	1,843,254				(1,843,254)		(1,843,254)
Intergovernmental	468,961				(468,961)		(468,961)
Total governmental activities	57,563,478	3,526,388	12,842,755		(41,194,335)		(41,194,335)
Business-type activities							
Sewer services	1,233,651	1,349,206				115,555	115,555
Water services	1,008,681	1,204,141				195,460	195,460
Total business-type activities	2,242,332	2,553,347				311,015	311,015
Total primary government	$ 59,805,810	$ 6,079,735	$ 12,842,755	$	(41,194,335)	311,015	(40,883,320)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					32,446,227		32,446,227
Excise taxes					1,675,017		1,675,017
Penalties and interest on taxes					101,917		101,917
Grants and contributions not restricted to specific programs					2,040,919		2,040,919
Unrestricted investment earnings					518,071		518,071
Miscellaneous					122,989		122,989
Transfers, net					529,156	(529,156)	
Total general revenues, special items, and transfers					37,434,296	(529,156)	36,905,140
Change in net assets					(3,760,039)	(218,141)	(3,978,180)
Net assets - beginning					110,748,172	8,402,807	119,150,979
Net assets - ending					$ 106,988,133	$ 8,184,666	$115,172,799

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

TOWN OF MEDFIELD, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	Pension Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 5,422,962	$	$ 1,961,330	$ 7,384,292
Investments	16,586,562	4,009,501	4,655,798	25,251,861
Receivables:				
Property taxes	684,700			684,700
Excise	66,176			66,176
Charge for services	6,204,398			6,204,398
Receivable from other governments	1,361,379		1,507,716	2,869,095
Total assets	$ 30,326,177	$ 4,009,501	$ 8,124,844	$ 42,460,522
LIABILITIES				
Liabilities:				
Warrants payable	$ 1,847,140	$	$	$ 1,847,140
Accrued payroll and withholding payable	954,483			954,483
Due to other funds				
Deferred revenue	7,972,725		1,507,716	9,480,441
Other payables and accrued expenses	66,933			66,933
Provision for refund of taxes paid	201,459			201,459
Deposits			51,397	51,397
Total liabilities	11,042,740		1,559,113	12,601,853
FUND BALANCES				
Reserved for:				
Encumbrances and continued appropriations	1,010,413			1,010,413
Expenditures	1,037,154			1,037,154
Debt exclusion	15,264,683			15,264,683
Perpetual permanent funds (non-expendable)			933,546	933,546
Unreserved				
General Fund	1,971,187			1,971,187
Special revenue funds		4,009,501	4,956,959	8,966,460
Capital projects funds			585,442	585,442
Permanent fund (expendable)			89,784	89,784
Total fund balances	19,283,437	4,009,501	6,565,731	29,858,669
Total liabilities and fund balances	$ 30,326,177	$ 4,009,501	$ 8,124,844	$ 42,460,522

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances of governmental funds	$ 29,858,669
Capital assets used in governmental activities are not financial resources and not reported in funds.	116,636,600
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds	9,480,441
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(40,900)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(48,784,870)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(485,305)
The assets and liabilities of the internal service funds are included with governmental activities, but at the fund level reported with proprietary funds.	323,498
Net assets of governmental activities	$ 106,988,133

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, 2010

	General Fund	Pension Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 32,497,927	$	$	$ 32,497,927
Excise taxes	1,676,048			1,676,048
Charges for services	760,724		2,331,690	3,092,414
Licenses and permits	328,341			328,341
Penalties and interest	101,917		111,208	213,125
Investment earnings	58,942	282,729	218,207	559,878
Special assessments	920,265			920,265
Contributions			169,727	169,727
Departmental and other	78,939		9,939	88,878
Intergovernmental	11,835,482		2,328,633	14,164,115
Total revenues	48,258,585	282,729	5,169,404	53,710,718
EXPENDITURES				
Current:				
General government	1,635,654		236,170	1,871,824
Public safety	3,489,290		254,093	3,743,383
Education	30,137,762		2,920,904	33,058,666
Public works	2,642,833		516,841	3,159,674
Human services	366,533		96,963	463,496
Culture and recreation	914,640		544,165	1,458,805
Employee benefits and general insurance	5,018,236		71,570	5,089,806
Intergovernmental	485,430			485,430
Debt service:				
Principal	3,933,908			3,933,908
Interest and other charges	1,777,275			1,777,275
Total Expenditures	50,401,561		4,640,706	55,042,267
Excess (deficiency) of revenues over expenditures	(2,142,976)	282,729	528,698	(1,331,549)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net			1,550,000	1,550,000
Transfers in	1,190,908		359,560	1,550,468
Transfers out	(302,995)	(100,000)	(618,317)	(1,021,312)
Total other financing sources and uses	887,913	(100,000)	1,291,243	2,079,156
Net change in fund balances	(1,255,063)	182,729	1,819,941	747,607
Fund balances - beginning	20,538,500	3,826,772	4,745,790	29,111,062
Fund balances - ending	$ 19,283,437	$ 4,009,501	$ 6,565,731	$ 29,858,669

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, 2010

Revenues and other financing sources over (under) expenditures and other financing uses	$	747,607
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		942,960
Depreciation recorded for the fiscal year		(3,699,308)
Loss on disposal of capital assets		(15,285)
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		(415,428)
Net change in allowance for uncollectible accounts		(9,361)
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 and leases		(1,550,000)
Principal payments on long-term debt		3,925,182
Amortization of bond premiums		17,902
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		(57,257)
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		(102,298)
Landfill closure		15,717
Net OPEB obligation		(3,384,253)
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.		(176,217)
Change in net assets of governmental activities	$	(3,760,039)

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

TOWN OF MEDFIELD, MASSACHUSETTS
Statement of Net Assets - Proprietary Funds
June 30, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 180,390	$ 751,412	$ 931,802	$ 323,498
User fees, net of allowance for uncollectibles	544,400	515,329	1,059,729	
Total current assets	724,790	1,266,741	1,991,531	323,498
Non-current assets:				
Capital assets:				
Land and construction in process		1,250,783	1,250,783	
Other capital assets, net of accumulated depreciation	5,385,962	3,665,891	9,051,853	
Total non-current assets	5,385,962	4,916,674	10,302,636	
Total assets	$ 6,110,752	$ 6,183,415	$ 12,294,167	$ 323,498
LIABILITIES				
Current liabilities:				
Accrued interest payable	$ 37,889	$ 18,376	$ 56,265	$
Total current liabilities	37,889	18,376	56,265	
Non-current liabilities:				
Due within one year	157,136	194,364	351,500	
Due in more than one year	2,209,096	1,492,640	3,701,736	
Total non-current liabilities	2,366,232	1,687,004	4,053,236	
Total liabilities	2,404,121	1,705,380	4,109,501	
NET ASSETS				
Invested in capital assets, net of related debt	3,041,730	3,252,670	6,294,400	
Unrestricted	664,901	1,225,365	1,890,266	323,498
Total net assets	3,706,631	4,478,035	8,184,666	323,498
Total liabilities and net assets	$ 6,110,752	$ 6,183,415	$ 12,294,167	$ 323,498

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, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 1,349,206	$ 1,204,141	$ 2,553,347	$
Employee and employer contributions				10,452
Total operating revenues	1,349,206	1,204,141	2,553,347	10,452
OPERATING EXPENSES				
Personnel services	185,736	281,588	467,324	
Pumping and treatment	642,035	437,949	1,079,984	
Depreciation	287,575	223,313	510,888	
Claims				188,877
Total operating expenses	1,115,346	942,850	2,058,196	188,877
Operating income (loss)	233,860	261,291	495,151	(178,425)
NON-OPERATING REVENUES (EXPENSES)				
Investment income				2,208
Interest expense	(118,305)	(65,831)	(184,136)	
Total non-operating revenue (expenses)	(118,305)	(65,831)	(184,136)	2,208
Income (loss) before contributions and transfers	115,555	195,460	311,015	(176,217)
TRANSFERS				
Transfers out	(267,678)	(261,478)	(529,156)	
Change in net assets	(152,123)	(66,018)	(218,141)	(176,217)
Net assets at beginning of year	3,858,754	4,544,053	8,402,807	499,715
Net assets at end of year	$ 3,706,631	$ 4,478,035	$ 8,184,666	$ 323,498

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, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	$ 1,432,575	$ 1,072,920	$ 2,505,495	$ 25,452
Payments to vendors and employees	(827,481)	(719,533)	(1,547,014)	(803,523)
Net cash provided by (used for) operating activities	605,094	353,387	958,481	(778,071)
Cash flows from noncapital financing activities				
Transfers in (out)	(267,678)	(261,478)	(529,156)	
Net cash used for noncapital financing activities	(267,678)	(261,478)	(529,156)	
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(318,443)	(60,065)	(378,508)	
Proceeds from issuance of bonds		400,000	400,000	
Principal payments on bonds and notes, net of bond subsidies	(159,798)	(163,764)		
Payments of interest costs	(95,795)	(56,355)	(152,150)	
Net cash provided by (used for) capital and related financing activities	(574,036)	119,816	(130,658)	
Cash flows from investing activities				
Investment income (expense)				2,208
Net change in cash and cash equivalents	(236,620)	211,725	298,667	(775,863)
Cash and cash equivalents at beginning of year	417,010	539,687	956,697	1,099,361
Cash and cash equivalents at end of year	$ 180,390	$ 751,412	$ 1,255,364	$ 323,498
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	$ 233,860	$ 261,291	$ 495,151	$ (178,425)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	287,575	223,313	510,888	
Changes in assets and liabilities:				
User fees receivable, net of allowance for collectibles	(123,332)	(131,221)	(254,553)	
Deposits held by others				103,609
Due from others	206,701			15,000
Accounts payable and other current liabilities				(718,255)
Accrued compensated absences	290	4	294	
Net cash provided by (used for) operating activities	$ 605,094	$ 353,387	$ 958,481	$ (778,071)

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

Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2010

		Private Purpose Trust Funds		Student Activity Funds
ASSETS				
Cash and cash equivalents	$		$	171,644
Investments		216,324		
Total assets	$	216,324	$	171,644
LIABILITIES				
Due to student groups	$		$	171,644
Total liabilities				171,644
NET ASSETS				
Held in trust for benefits and other purposes	$	216,324	$	

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, 2010

		Private Purpose Trust Funds
ADDITIONS		
Interest	$	9,635
Contributions		930
Total additions		10,565
DEDUCTIONS		
Miscellaneous expense		21,866
Total deductions		21,866
Change in net assets		(11,301)
Net assets - beginning		227,625
Net assets - ending	$	216,324

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 2010. 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	2010 Assessment
Tri-County Regional Vocational Technical School District 147 Pond Street, Franklin, MA 02038	To provide secondary vocational technical education	$ 183,994
Massachusetts Bay Transit Authority 45 High Street, Boston, MA 02110	To provide regional transportation services	$ 251,122

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 the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.

- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and capital outlays financed from bond proceeds (other than those financed by business-type/proprietary funds).

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

Proprietary Funds:

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

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. These fees and charges are considered operating revenue. The Water and Sewer enterprise funds are reported as major proprietary funds in the accompanying financial statements.

- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. The self-insured employee health program is reported as an internal service fund in the accompanying financial statements (See Note 12).

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 25% of current ambulance charges and amounts more than one year outstanding to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable, except for certain parcels, specifically identified, which have been set up as uncollectible. The Town estimates 10% of water and sewer receivables to be uncollectible.

F. Inventories

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

G. Capital Assets

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

Government-wide Statements

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

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 as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the government-wide statements.

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 fiscal year 2010 were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance reserved for expenditures consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by Town Meeting action to be used in funding next year's operations.

Fund balance reserved for debt exclusion represents the portion of bond premiums attributable to the issuance of excluded debt and Massachusetts School Building Authority (MSBA) grant payment of school project borrowing. This reserve is to be used for future debt payments on the excluded and school building related debt.

Fund balance reserved for perpetual permanent funds represents the principal of the non-expendable permanent funds. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

At June 30, 2010 the Town had the following general fund equities in the fund financial statements:

Reserved:		
Encumbrances and continued appropriations	$	1,010,413
Expenditures		1,037,154
Debt exclusion		15,264,683
Total reserved		17,312,250
Unreserved:		
Undesignated		1,971,187
Total unreserved		1,971,187
Total General Fund Equities	$	19,283,437

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types, except for the non-expendable permanent funds, which are reported as Reserved Fund Balance.

C. Restricted Net Assets

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

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

Special Revenue Funds:		
Pension reserve fund	$	4,009,501
Chapter 90 highway fund		1,312,602
Sale of cemetary lots		231,820
Circuit breaker		260,231
Other special revenue funds		1,430,837
Capital Project Funds:		
Town garage design		559,273
Other capital project funds		26,169
Permanent Funds:		
Expendable		89,784
Non-expendable		933,546
Total restricted net assets	$	8,853,763

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, 2010 deposits totaled $9,147,660 and had a carrying amount of $8,811,236. Of the deposit amounts, $6,218,654 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, 2010, 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**
Money Market Funds	$ 2,273,547	$	$	$	$ 2,273,547
Certificates of deposit	3,763,330				3,763,330
Federal agency securities	15,080,321				15,080,321
Mutual Funds	589,677				589,677
Coporate Bonds	1,259,926		1,259,926		
MMDT	2,501,384				2,501,384
Total investments	$ 25,468,185	$	$ 1,259,926	$	$ 24,208,259

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:

		Investment Maturities (in Years)			
Type of Investment	**Fair Value**	**12 Months or Less**	**13 - 24 Months**	**25 - 60 Months**	**Not Applicable/ Thereafter**
Money Market Funds	$ 2,273,547	$ 2,273,547	$	$	$
Certificate of Deposit	3,763,330	1,447,355	2,069,885	246,090	
Federal agency securities	15,080,321	119,178	950,016	5,742,009	8,269,118
Mutual Funds	589,677	589,677			
Coporate Bonds	1,259,926		319,086	809,024	131,816
MMDT	2,501,384	2,501,384			
Total investments	$ 25,468,185	$ 6,931,141	$ 3,338,987	$ 6,797,123	$ 8,400,934

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	$ 503,652	$ 11,200	$ 492,452	$ 179,287
Tax liens, deferrals and foreclosures	181,048		181,048	181,048
Excise taxes	66,176		66,176	66,176
Charges for services and other	118,709	29,700	89,009	118,709
Other departmental receivables	7,092		7,092	7,092
Betterments (due in future years)	6,078,597		6,078,597	6,078,597
Intergovernmental				
School building assistance (due in future years)	1,268,225		1,268,225	1,268,225
State highway awards	1,323,376		1,323,376	1,323,376
MWPAT	73,591		73,591	73,591
Other federal and state grants	203,903		203,903	184,340
	$ 9,824,369	$ 40,900	$ 9,783,469	$ 9,480,441

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	$ 603,800	$ 59,400	$ 544,400
Water Fund - User Fees	572,129	56,800	515,329
Totals	$ 1,175,929	$ 116,200	$ 1,059,729

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 16,752,151	$	$	$ 16,752,151
Construction in progress	855,748	487,034	337,620	1,005,162
Sub-total	17,607,899	487,034	337,620	17,757,313
Capital assets being depreciated:				
Buildings and improvements	85,493,822	154,450		85,648,272
Machinery, equipment, and furnishings	5,435,567	202,917	199,588	5,438,896
Vehicles	3,382,825	94,041	50,000	3,426,866
Infrastructure	51,084,928	342,138		51,427,066
Sub-total	145,397,142	793,546	249,588	145,941,100
Less accumulated depreciation:				
Land improvements	14,732	850		15,582
Building and improvements	16,601,357	2,050,004		18,651,361
Machinery, equipment, and furnishings	3,524,595	307,700	186,973	3,645,322
Vehicles	3,087,279	98,367	47,330	3,138,316
Infrastructure	20,368,845	1,242,387		21,611,232
Sub-total	43,596,808	3,699,308	234,303	47,061,813
Governmental capital assets, net	$ 119,408,233	$ (2,418,728)	$ 352,905	$ 116,636,600

Business-type activites	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,248,033	$	$	$ 1,248,033
Construction in progess		2,750		2,750
Sub-total	1,248,033	2,750		1,250,783
Capital assets being depreciated:				
Buildings and improvements	8,963,458	78,507		9,041,965
Machinery, equipment, and furnishings	996,170			996,170
Vehicles	198,137			198,137
Infrastructure	6,169,295	297,250		6,466,545
Sub-total	16,327,060	375,757		16,702,817
Less accumulated depreciation:				
Buildings and improvements	3,760,697	270,015		4,030,712
Machinery, equipment, and furnishings	283,495	61,749		345,244
Vehicles	143,268	23,600		166,868
Infrastructure	2,952,616	155,524		3,108,140
Sub-total	7,140,076	510,888		7,650,964
Business-type capital assets, net	$ 10,435,017	$ (132,381)	$	$ 10,302,636

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

Governmental activities		
General government	$	95,347
Public safety		218,149
Education		1,802,029
Public works		1,337,475
Culture and recreation		157,843
Health and human services		88,465
Total depreciation expense - governmental activities	$	3,699,308
Business-type activities		
Water	$	223,313
Sewer		287,575
Total depreciation expense - business-type activities	$	510,888

Note 7. Interfund Balances and Activity

As of June 30, 2010, no amounts were due between funds. Interfund transfers, for the year ended June 30, 2010, consisted of the following:

	General Fund	Pension Reserve Fund	Other Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund
Amounts transferred from Water fund to fund costs appropriated in the general fund	$ 261,478	$	$	$ (261,478)	$
Amounts transferred from Sewer fund to fund costs appropriated in the general fund	267,678				(267,678)
Amounts transferred from Pension Reserve Fund for Norfolk County Pension Assessment	100,000	(100,000)			
Amounts transferred from Septic Betterments to fund operating budget	400,000		(400,000)		
Amounts transferred from Trust Fund	73,428		(73,428)		
Amounts transferred from Stabilization Fund to fund Town hall repairs	25,000		(25,000)		
Other amounts transferred from other governmental funds	63,324		(63,324)		
Amounts transferred to Stabilization Fund	(276,810)		276,810		
Amounts transferred to OPEB Stabilization Fund	(26,185)		26,185		
Total on governmental fund basis	887,913	(100,000)	(258,757)	(261,478)	(267,678)
Amounts transferred from Water fund to fund costs appropriated in the general fund	220,121			(220,121)	
Amounts transferred from Sewer fund to fund costs appropriated in the general fund	255,593				(255,593)
Total on budgetary fund basis	$ 1,363,627	$ (100,000)	$ (258,757)	$ (481,599)	$ (523,271)

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2010.

Purpose	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Governmental Activities:					
Land Acquisition Bonds, 2.00-4.00%, dtd 6/15/2010, due 6/15/2025	$	$ 1,550,000	$	$ 1,550,000	$ 105,000
Land Acquisition Bonds, 4.20-6.90%, dtd 8/15/1999, due 6/30/2010	115,000		115,000		
School Roof Bonds, 4.20-6.90%, dtd 8/15/1999, due 6/30/2010	35,000		35,000		
Sewer Bonds, 4.20-6.90%, dtd 8/15/1999, due 6/30/2010	310,000		310,000		
Sewer Bonds, 4.00-5.00%, dtd 4/1/2001, due 6/30/2021	638,832		53,236	585,596	53,236
Sewer Bonds, 4.00-5.00%, dtd 4/1/2001, due 6/30/2021	2,400,000		200,000	2,200,000	200,000
School Plans Bonds, 4.00-5.00%, dtd 4/1/2001, due 6/30/2021	1,800,000		150,000	1,650,000	150,000
MWPAT Septic Loan, 4.10-5.75%, dtd 8/1/2001, due 8/11/2019	45,516		4,146	41,370	4,174
School Construction Bonds, 3.25-5.00%, dtd 3/15/2002, due 6/30/2022	6,500,000		500,000	6,000,000	500,000
Sewer Bonds, 3.25-5.00%, dtd 3/15/2002, due 6/30/2022	1,105,000		85,000	1,020,000	85,000
School Bonds, 5.65%, dtd 9/15/2002, due 6/30/2011	480,000		240,000	240,000	240,000
School Bonds, 5.01-7.5%, dtd 9/15/2002, due 6/30/2011	1,485,000		280,000	1,205,000	270,000
School Construction Bonds, 2.00-5.00%, dtd 9/15/2002, due 6/30/2023	16,800,000		1,200,000	15,600,000	1,200,000
MWPAT Septic Loan, 4.00-5.125%, dtd 8/25/04, due 6/30/2019	321,900		29,800	292,100	30,700
General Obligation Bonds, 4.30-5.15%, dtd 7/1/2005, due 6/30/2015	56,700		10,600	46,100	10,500
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	226,700		42,400	184,300	41,900
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	807,900		118,900	689,000	117,500
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	956,400		123,400	833,000	126,400
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	377,900		54,200	323,700	53,500
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	36,100		15,700	20,400	15,400
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	211,700		42,800	168,900	42,200
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	1,215,700		11,950	1,203,750	124,700
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	317,600		3,000	314,600	32,900
General Obligation Bonds, 3.68%, dtd 7/1/2005, due 6/30/2015	3,146,700		30,050	3,116,650	327,400
School Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2017	80,000		10,000	70,000	10,000
Senior Center Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2017	1,770,000		115,000	1,655,000	115,000
Senior Center Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2017	130,000		10,000	120,000	10,000
Land Acquisition Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2017	530,000		35,000	495,000	35,000
Departmental Equipment Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2020	85,000		10,000	75,000	10,000
Departmental Equipment Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2022	325,000		25,000	300,000	25,000
Pubic Works Garage Plan Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2022	60,000		20,000	40,000	20,000
Adult Community Center Bonds, 4.00-5.00%, dtd 6/1/2007, due 6/30/2025	710,000		45,000	665,000	45,000
Total long-term bonds	43,079,648	1,550,000	3,925,182	40,704,466	4,000,510
Amortization of Bond Premium	117,159		17,902	99,257	17,902
Landfill closure and monitoring liability	282,902		15,717	267,185	15,717
Compensated absences	1,044,702	102,298		1,147,000	
Other post employment benefits	3,182,709	3,384,253		6,566,962	
Total governmental non-current liabilities	$ 47,707,120	$ 5,036,551	$ 3,958,801	$ 48,784,870	$ 4,034,129

Purpose		Balance July 1, 2009		Additions		Reductions		Balance June 30, 2010		Current Portion
Business-Type Activities:										
Water Bonds, 4.00-5.00%, dtd 4/1/01, due 6/30/21	$	141,168	$		$	11,764	$	129,404	$	11,764
Water Bonds, .3.25-5.00%, dtd 3/15/2002, due 6/30/2022		520,000				40,000		480,000		40,000
Water Bonds, 3.68%, dtd 7/1/2005, due 6/30/2016		180,400				26,700		153,700		26,400
Water Bonds, 3.68%, dtd 7/1/2005, due 6/30/2016		586,200				85,300		500,900		86,200
Water Bonds, 2.00-4.00%, dtd 6/15/2010, due 6/15/2025				400,000				400,000		30,000
Sewer Bonds, 3.25-5.00%, dtd 3/15/2002, due 6/30/2022		1,495,000				115,000		1,380,000		115,000
MWPAT Sewer Loan, 2.00%, dtd 3/18/09, due 6/30/2029		1,009,030				44,798		964,232		42,136
Total business-type activity bonds		3,931,798		400,000		323,562		4,008,236		351,500
Compensated absences		44,706		294				45,000		
Total business-type activity non-current liabiltiies	$	3,976,504	$	400,294	$	323,562	$	4,053,236	$	351,500

Long-term debt

In prior years, the Town had defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds were called August 2009. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2010, the defeased debt has been repaid.

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 $1,268,225 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, 2010, including interest, are as follows:

Year Ending	Governmental Activities			Business-type Activities		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2011	$ 4,000,510	$ 1,654,921	$ 5,655,431	$ 351,500	$ 145,214	$ 496,714
2012	3,721,010	1,497,170	5,218,180	347,851	132,924	480,775
2013	3,665,510	1,373,929	5,039,439	349,419	119,995	469,414
2014	3,660,810	1,211,825	4,872,635	351,005	107,321	458,326
2015	3,620,710	1,061,798	4,682,508	353,009	94,444	447,453
2016 - 2020	15,332,680	3,251,533	18,584,213	1,306,256	305,119	1,611,375
2021 - 2025	6,703,236	532,013	7,235,249	714,697	78,170	792,867
2026 - 2030	-	-	-	234,499	10,209	244,708
Totals	$ 40,704,466	$ 10,583,189	$ 51,287,655	$ 4,008,236	$ 993,396	$ 5,001,632

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, 2010:

Purpose	Year Authorized	Balance
Wastewater Treatment Plant	2009	$ 400,000

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, 2010.

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, 2010 are as follows:

Purpose	Interest Rate	Maturity Date	Balance July 1, 2009	Issued	Retirements	Balance June 30, 2010
Governmental Activities						
Land Acquisition	1.50%	6/18/2010	$ 1,550,000	$	$ 1,550,000	$

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 $1,410,413, representing approximately 3.36% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2009 and 2008 were $1,284,083 and $1,025,477, 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 $3,795,525 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general government (employee benefits) expenditures.

B. Compensated Absences

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

C. Other Post Employment Benefits

Plan Description and Funding Policy

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 50% of the health and life insurance premiums for approximately 182 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as expenditures as premiums are paid. For 2010, those costs totaled approximately $545,000.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	$	3,917,670
Interest on net OPEB obligation		111,393
ARC adjustment		(99,811)
Annual OPEB cost	$	3,929,252
Contributions made		(544,999)
Increase in net OPEB obligation		3,384,253
Net OPEB obligation, beginning of year		3,182,709
Net OPEB obligation, end of year	$	6,566,962

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	$ 3,929,252	13.87%	$ 6,566,962
6/30/2009	$ 3,769,602	15.57%	$ 3,182,709
6/30/2008	N/A	N/A	N/A

Funding Status and Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/c]
7/1/2008	$ -	$ 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 June 30, 2008:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 7.75% per annum for funded program
  4.25% per annum for an unfunded program
- Amortization of UAAL: Level percentage of payroll
- Remaining Amortization Period: 30 years at July 1, 2008
- Healthcare Trend Rates:

Year	2010	2011	2012	2013	2014	2015	2016	2017
Commercial Managed Care	8.5%	8.0%	7.5%	7.0%	6.6%	6.0%	5.5%	5.0%
Medicare Managed Care	7.0%	6.5%	6.5%	6.0%	6.0%	5.5%	5.5%	5.0%

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, 2010, \$267,185 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, a self-insured plan to provide health insurance for employees and retirees. At June 30, 2009, the Group had net assets of \$89,526,382 (unaudited). The claims liability represents an estimate of claims incurred, but unpaid at year end, based on past historical costs and claims paid subsequent to year end. Changes in the aggregate liability for claims for the year ended June 30, 2010 are as follows:

	2010	2009
Claims payable, beginning of year	\$ 718,255	\$ 948,374
Claims incurred/recognized	188,877	5,202,319
Claims paid	(907,132)	(5,432,438)
Claims payable, end of year	\$	\$ 718,255

Note 13. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2010. 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 #51, *Accounting and Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. The Town doesn't believe this pronouncement will have a material effect on the Town's financial statements.

The GASB issued Statement #53, *Accounting and Financial Reporting for Derivatives*, which is required to be implemented in fiscal year 2010. The Town doesn't believe this pronouncement will have a material effect on the Town's financial statements.

Future pronouncements

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. This pronouncement will change fund balance classifications and definitions and will impact the presentation of the Town's financial statements.

The GASB issued Statement #59, Financial Instruments Omnibus, which is required to be implemented in fiscal year 2011. This pronouncement will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Town doesn't believe this pronouncement will have a material effect on 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 percent of Covered Payroll (b-a)/c
1/1/2008	$ 596,157,147	$ 907,719,124	$ 311,561,977	65.7%	$ 223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%

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

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

a. Actuarial cost method: Individual entry age normal actuarial cost method

b. Plan asset valuation: The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year of (8.5%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is applied to recognize the difference between the actual investment return and expected return over a five year period. Results must be within 20% of market value.

c. Cost of living increases: Cost of living increases have been assumed to be 3.0% of the lesser of the pension amount and $12,000 per year.

d. Investment rate of return: Plan assets will accumulate at a compound annual rate of 8.5%.

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	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/c]
7/1/2008	$ -	$ 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 June 30, 2008:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 7.75% per annum for funded program
  4.25% per annum for an unfunded program
- Amortization of UAAL: Level percentage of payroll
- Remaining Amortization Period: 30 years at July 1, 2008

- Healthcare Trend Rates:

Year	Commercial Managed Care	Medicare Managed Care
2008	10.00%	9.00%
2009	9.00%	8.00%
2010	8.50%	7.00%
2011	8.00%	6.50%
2012	7.50%	6.50%
2013	7.00%	6.00%
2014	6.60%	6.00%
2015	6.00%	5.50%
2016	5.50%	5.50%
2017	5.00%	5.00%

TOWN OF MEDFIELD, MASSACHUSETTS

Budgetary Comparison Schedule

General Fund

For the year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER SOURCES				
Property taxes	$ 32,709,179	$ 32,428,870	$ 32,404,203	$ (24,667)
Excise taxes	1,750,000	1,750,000	1,676,048	(73,952)
Charge for services	652,073	652,073	760,724	108,651
License and permits	332,886	332,886	328,341	(4,545)
Penalties and interest	80,540	80,540	101,917	21,377
Investment interest	65,000	65,000	58,942	(6,058)
Special assessments	674,160	674,160	920,265	246,105
Departmental and other			78,939	78,939
Intergovernmental	8,026,885	8,026,885	8,039,957	13,072
Transfers in from other funds	1,552,245	1,666,622	1,666,622	
Fund balance - debt exclusion	1,289,174	1,289,174	1,289,174	
Free cash and other available funds	900,000	1,112,583	1,112,583	
Overlay surplus	130,000	130,000	130,000	
Carryover encumbrances	1,551,511	(245,090)	(245,090)	
Deficit - snow& ice	(193,991)	(193,991)	(193,991)	
Total revenues and other sources	49,519,662	47,769,712	48,128,634	358,922
EXPENDITURES AND OTHER USES				
General government	1,822,908	1,684,873	1,635,654	49,219
Public safety	3,640,603	3,511,371	3,489,290	22,081
Education	27,889,244	26,443,496	26,342,237	101,259
Public works	2,595,129	2,636,311	2,642,833	(6,522)
Human services	378,750	380,870	366,533	14,337
Culture and recreation	922,539	928,617	914,640	13,977
State and county assessments	511,282	511,282	485,430	25,852
Employee benefits	5,196,546	5,164,546	5,018,236	146,310
Debt service	6,259,666	6,205,351	6,186,897	18,454
Transfers out to other funds	302,995	302,995	302,995	
Total expenditures and other uses	49,519,662	47,769,712	47,384,745	384,967
Revenues and other financing sources over (under) expenditures and other financing sources	$	$	$ 743,889	$ 743,889

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, 2010 is presented below:

	Revenues and other sources	Expenditures and other uses	Other Financing Sources (Uses)
As reported on a GAAP basis	$ 48,258,585	$ 50,401,561	$ 887,913
Adjustment of property tax revenues	(93,724)		
State funded teacher's pension	(3,795,525)	(3,795,525)	
Recognize use of other sources/uses	1,190,908	302,995	(887,913)
Water and sewer debt and interest paid from general fund	475,714	475,714	
Recognize use of fund balance as funding source	2,092,676		
As reported on a budgetary basis	$ 48,128,634	$ 47,384,745	$

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.