TOWN OF MARSHFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003

TOWN OF MARSHFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Marshfield, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marshfield, Massachusetts (the Town), as of and for the fiscal year ended June 30, 2003, 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 an opinion 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 *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, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the Town has implemented several *Government Auditing Standards Board Statements* that has required restatement and adjustment of the beginning fund equity position of several funds and established net assets for governmental activities and business-type activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2003, except for capital assets which are dated August 3, 2004, on our consideration of Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, on the accompanying pages, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Thevenin, Lynch, Bienvenue LLP

September 25, 2003, except for capital assets, which are dated August 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Marshfield, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2003. This is the first year our financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34—Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. This new reporting model represents a major change when compared to prior financial statements.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should also consider other nonfinancial factors, such as the condition of the Town's infrastructure and changes to the property tax base, to assess the overall health of the Town.

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). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation 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 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 has many governmental funds; the general fund and the stabilization fund are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other non-major governmental funds.

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

Proprietary funds. The Town maintains three types of proprietary funds.

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

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

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

Financial Highlights

	Governmental Activities	Business-Type Activities
Assets:		
Current and other assets	$50,796,318	$ 13,592,253
Capital assets	$98,834,697	$ 43,825,772
Total assets	**$149,631,015**	**$ 57,418,025**
Liabilities:		
Current and other liabilities (excluding debt)	$2,984,083	$ 755,912
Long-term liabilities	$42,662,635	$ 9,450,184
Total liabilities	**$45,646,718**	**$ 10,206,096**
Net Assets:		
Capital assets, net of related debt	$61,156,678	$ 34,467,245
Restricted	$8,209,690	$ -
Unrestricted	$34,617,929	$ 12,744,684
Total net assets	**$103,984,297**	**$ 47,211,929**
Program Revenues:		
Charges for services	$3,684,299	$ 8,135,424
Operating grants and contributions	$18,967,997	$ 142,422
Capital Grants and contributions	$2,306,224	$ 121,957
Total program revenues	**$24,958,520**	**$ 8,399,803**
General Revenues:		
Real estate and personal property taxes	$33,103,412	$ -
Motor vehicle and other excise taxes	$3,127,020	$ -
Nonrestricted grants and Contributions	$3,132,572	$ -
Unrestricted investment income	$616,002	$ -
Other revenues	$485,246	$ -
Total general revenues	**$40,464,252**	**$ -**
Expenses:		
General Government	$7,030,089	$ -
Public Safety	$7,943,128	$ -
Education	$40,771,552	$ -
Public Works	$4,168,106	$ 7,628,543
Human Services	$638,225	$ -
Culture and Recreation	$1,429,904	$ -
Interest	$1,581,496	$ -
State and county charges	$531,973	$ -
Total expenses	**$64,094,473**	**$7,628,543**
Change in net assets	**$1,328,299**	**$771,260**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by $103,984,297 at the close of FY2003.

Net assets of $61,156,678 (59%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets $8,209,690 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* $34,617,929 (33%) may be used to meet the government's ongoing obligations to citizens and creditors.

Business-type activities assets exceeded liabilities by $47,211,929 at the close of FY2003. Net assets of $34,467,245 (73%) reflects its investment in capital assets less any debt used to acquire those assets that are still outstanding. The remaining balance of *unrestricted net assets* of $12,744,684 (27%) may be used to meet the ongoing obligations.

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

There was an increase of $771,260 in net assets reported in connection with the business-type activities.

The governmental activities net assets increased by $1,328,299 during the current fiscal year which reflects the general fund's fund based results of operations, depreciation expense and proceeds from the issuance of long-term debt exceeding debt service principal reduction and capital outlay by ($4,253,807) and the decrease in full accrual revenue and other expenses of ($773,245). Since this is the first year of reporting under GASB #34 no meaningful historical trends have been established to draw further conclusions.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $28,506,482, an increase of $6,355,352 from the prior year. Most of the increase is attributable to the issuance of $8,079,000 general obligation bonds, less capital outlay.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was $3,808,691 while total fund balance was $10,085,172. 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. Unreserved/undesignated fund balance represents 6.5% of total general fund expenditures, while total fund balance represents 17% of that same amount.

General Fund Budgetary Highlights

The ($2,289,612) decrease between the original expenditure budget and the final amended budget was mainly due to $2,721,313 of the general fund balance that has been reserved and carried over to fiscal year 2004.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's debt burden is less than the undepreciated balance of the capital assets acquired with the debt. Outstanding long-term debt of governmental funds, as of June 30, 2003, totaled $37,678,019.

The enterprise funds have $9,358,526 in debt that is supported by the rates. This debt excludes 40% of the sewer bonds that are being repaid by the general fund and are included as liabilities thereto.

Please refer to notes 6 and 8 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Marshfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report and requests for additional financial information should be addressed to the Town Administrator, Town Hall, 870 Moraine Street, Marshfield, MA 02050.

BASIC FINANCIAL STATEMENTS

TOWN OF MARSHFIELD, MASSACHUSETTS

Statement of Net Assets

June 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 28,069,899	$ 10,290,352	$ 38,360,251
Investments	3,176,139		3,176,139
Receivables, net of allowance for uncollectibles	19,550,280	3,301,901	22,852,181
Capital assets, net of accumulated depreciation	98,834,697	43,825,772	142,660,469
Total assets	$ 149,631,015	$ 57,418,025	$ 207,049,040
LIABILITIES			
Accounts payable and other current liabilities	$ 1,540,578	$ 212,211	$ 1,752,789
Salaries payable and employee withholdings	665,135		665,135
Accrued interest payable	101,351	43,701	145,052
Provision for refund of paid taxes	494,280		494,280
Landfill closure costs		500,000	500,000
Deferred revenue	182,739		182,739
Noncurrent liabilities			
Due within one year	2,998,037	1,151,056	4,149,093
Due in more than one year	39,664,598	8,299,128	47,963,726
Total liabilities	45,646,718	10,206,096	55,852,814
NET ASSETS			
Invested in capital assets, net of related debt	61,156,678	34,467,245	95,623,923
Restricted	8,209,690		8,209,690
Unrestricted	34,617,929	12,744,684	47,362,613
Total net assets	103,984,297	47,211,929	151,196,226
Total liabilities and net assets	$ 149,631,015	$ 57,418,025	$ 207,049,040

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

Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government							
Governmental activities:							
General government	$ 7,030,089	$ 1,019,678	$ 211,645	$ 538,327	$ (5,260,439)	$ -	$ (5,260,439)
Public safety	7,943,128	851,766	708,469		(6,382,893)		(6,382,893)
Education	40,771,552	1,219,910	17,071,891	948,999	(21,530,752)		(21,530,752)
Public works	4,168,106	24,917		375,498	(3,767,691)		(3,767,691)
Health and human services	638,225	47,738	243,209	443,400	96,122		96,122
Culture and recreation	1,429,904	520,290			(909,614)		(909,614)
Interest	1,581,496		732,783		(848,713)		(848,713)
State and county charges	531,973	-	-	-	(531,973)	-	(531,973)
Total governmental activities	64,094,473	3,684,299	18,967,997	2,306,224	(39,135,953)	-	(39,135,953)
Business-type activities							
Sewer	2,442,633	2,021,810	52,965	61,952		(305,906)	(305,906)
Solid Waste	3,405,781	3,073,088	22,467			(310,226)	(310,226)
Water	1,780,129	3,040,526	66,990	60,005	-	1,387,392	1,387,392
Total business-type activities	7,628,543	8,135,424	142,422	121,957	-	771,260	771,260
Total primary government	$ 71,723,016	$ 11,819,723	$ 19,110,419	$ 2,428,181	(39,135,953)	771,260	(38,364,693)
General revenues							
Property taxes and payments in lieu, net of allowance for uncollectibles					33,103,412		33,103,412
Excise taxes					3,127,020		3,127,020
Penalties and interest on taxes					257,550		257,550
Grants and contributions not restricted to specific programs					3,132,572		3,132,572
Investment income					616,002		616,002
Departmental					227,696		227,696
Total general revenues, special items and transfers					40,464,252	-	40,464,252
Change in net assets					1,328,299	771,260	2,099,559
Net assets - beginning of year					102,655,998	46,440,669	149,096,667
Net assets - end of year					$ 103,984,297	$ 47,211,929	$ 151,196,226

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2003

	General Fund	Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 12,493,668	$ 9,409,868	$ 6,166,363	$ 28,069,899
Investments	154,347	801,752	2,220,040	3,176,139
Receivables, net	19,583,239	-	264,194	19,847,433
Total assets	$ 32,231,254	$ 10,211,620	$ 8,650,597	$ 51,093,471
LIABILITIES				
Accounts payable and other current liabilities	$ 1,402,347	$ -	$ 138,231	$ 1,540,578
Salaries payable and employee withholdings	626,652		38,482	665,134
Provision for refund of paid taxes	494,280			494,280
Deferred revenue	19,622,803	-	264,194	19,886,997
Total liabilities	22,146,082	-	440,907	22,586,989
FUND BALANCES				
Reserved for				
Encumbrances and continued appropriations	2,721,313			2,721,313
Unreserved:				
General Fund	7,363,859			7,363,859
Special revenue funds		10,211,620	3,782,114	13,993,734
Capital projects funds			3,318,187	3,318,187
Permanent fund	-	-	1,109,389	1,109,389
Total fund balances	10,085,172	10,211,620	8,209,690	28,506,482
Total liabilities and fund balances	$ 32,231,254	$ 10,211,620	$ 8,650,597	$ 51,093,471

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances of governmental funds	$ 28,506,482
Capital assets used in governmental activities are not financial resources and not reported in funds.	98,834,697
Receivables and other long-term assets are not available to pay for current-period expenditures and are deferred in funds, net of allowance for uncollectibles	19,407,104
Debt and other long-term liabilities are not due and payable in the current period and are not included in funds.	(42,662,635)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(101,351)
Net assets of governmental activities	$ 103,984,297

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2003

	General	Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 32,775,668	$ -	$ 620,201	$ 33,395,869
Excise taxes	3,196,541			3,196,541
Licenses and permits	698,596			698,596
Penalties and interest	256,207		1,343	257,550
Investment income	449,675	262,020	54,579	766,274
Fines and fees	291,331			291,331
Departmental and other	805,832		2,341,867	3,147,699
Intergovernmental	20,529,476	-	3,425,389	23,954,865
Total revenues	59,003,326	262,020	6,443,379	65,708,725
Expenditures				
Current:				
General government	6,977,489		1,049,977	8,027,466
Public safety	7,022,700		341,758	7,364,458
Education	37,118,457		4,101,745	41,220,202
Public works	2,489,185		412,977	2,902,162
Human services	581,692		2,069,152	2,650,844
Culture and recreation	702,933		533,297	1,236,230
State and county assessments	531,973			531,973
Debt service	3,499,039	-	-	3,499,039
Total expenditures	58,923,468	-	8,508,906	67,432,374
Revenues over (under) expenditures	79,858	262,020	(2,065,527)	(1,723,649)
Other financing sources (uses)				
Proceeds from the issuance of long-term debt			8,079,000	8,079,000
Transfers in from other funds	847,612	450,000	570,000	1,867,612
Transfers out to other funds	(1,010,000)	(600,000)	(257,612)	(1,867,612)
Total other financing sources (uses)	(162,388)	(150,000)	8,391,388	8,079,000
Revenues and other financing sources over (under) expenditures and other financing uses	(82,530)	112,020	6,325,861	6,355,351
Fund balance, beginning of year	10,167,702	10,099,600	1,883,829	22,151,131
Fund balance, end of year	$ 10,085,172	$ 10,211,620	$ 8,209,690	$ 28,506,482

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

TOWN OF MARSHFIELD, MASSACHUSETTS

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
To Statement of Activities
For the Year Ended June 30, 2003

Revenues and other financing sources over expenditures and other financing uses	$ 6,355,351
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	4,834,290
Depreciation recorded for the fiscal year	(2,959,816)
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, net of allowance for uncollectible accounts	(285,953)
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.	
Principal payments on long-term debt	1,950,719
Proceeds from issuance of long-term debt	(8,079,000)
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	(33,176)
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	(454,116)
Change in net assets of governmental activities	$ 1,328,299

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

TOWN OF MARSHFIELD, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis

General Fund - Budget and Actual

For the Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Property taxes	$ 31,034,505	$ 32,471,888	$ 33,600,179	$ 1,128,291
Excise taxes	2,406,400	2,406,400	3,196,541	790,141
Licenses and permits	414,500	414,500	698,596	284,096
Penalties and interest	297,000	297,000	256,207	(40,793)
Investment interest	315,000	315,000	449,675	134,675
Fines and fees	286,900	286,900	291,331	4,431
Departmental and other	675,700	675,700	805,832	130,132
Intergovernmental	16,328,464	16,328,464	16,981,417	652,953
Total revenues	51,758,469	53,195,852	56,279,778	3,083,926
Expenditures				
General government	8,752,051	8,472,075	7,654,846	817,229
Public safety	7,631,912	7,250,495	7,122,700	127,795
Education	34,527,794	33,681,420	33,636,617	44,803
Public works	2,821,992	2,038,183	2,597,310	(559,127)
Human services	535,561	608,596	581,692	26,904
Culture and recreation	783,916	712,845	702,933	9,912
State and county assessments	524,927	524,927	531,973	(7,046)
Debt service	3,552,543	3,552,543	3,433,509	119,034
Total expenditures	59,130,696	56,841,084	56,261,580	579,504
Revenues over (under) expenditures	(7,372,227)	(3,645,232)	18,198	3,663,430
Other financing sources (uses)				
Transfers in from other funds	1,714,864	1,714,864	1,725,476	10,612
Transfers out to other funds	-	(1,020,000)	(1,010,000)	10,000
Total other financing sources (uses)	1,714,864	694,864	715,476	20,612
Revenues and other financing sources over (under) expenditures and other financing uses	(5,657,363)	(2,950,368)	733,674	$ 3,684,042
Fund balance, beginning of year			10,739,936	
Fund balance, end of year			$ 11,473,610	
Other budget items				
Free cash appropriations	$ 2,794,698	$ 2,809,172		
Overlay surplus appropriations	522,852	522,852		
Carryover encumbrances	2,375,747	(345,722)		
Funding of prior year deficits	(35,934)	(35,934)		
Total other budget items	5,657,363	2,950,368		
Net budget	$ -	$ -		

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Net Assets - Proprietary Funds
June 30, 2003

	Business-Type Activities			
	Sewer	Solid Waste	Water	Totals
ASSETS				
ash and cash equivalents	$ 3,617,691	$ 1,607,103	$ 5,065,558	$ 10,290,352
eceivables, net of allowance for uncollectibles	2,024,759	312,944	964,198	3,301,901
Capital assets, net of accumulated depreciation	19,445,915	1,617,618	22,762,239	43,825,772
Total assets	$ 25,088,365	$ 3,537,665	$ 28,791,995	$ 57,418,025
LIABILITIES				
ccounts payable and other current liabilities	$ 69,583	$ 97,353	$ 45,275	$ 212,211
ccrued interest payable	31,705	3,789	8,207	43,701
Landfill closure costs		500,000		500,000
oncurrent liabilities				
Due within one year	471,056	30,000	650,000	1,151,056
Due in more than one year	7,025,414	114,178	1,159,536	8,299,128
Total liabilities	7,597,758	745,320	1,863,018	10,206,096
NET ASSETS				
vested in capital assets, net of related debt	11,962,388	1,482,618	21,022,239	34,467,245
nrestricted	5,528,219	1,309,727	5,906,738	12,744,684
Total net assets	17,490,607	2,792,345	26,928,977	47,211,929
Total liabilities and net assets	$ 25,088,365	$ 3,537,665	$ 28,791,995	$ 57,418,025

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

TOWN OF MARSHFIELD, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended June 30, 2003

	Business-Type Activities			
	Sewer	Solid Waste	Water	Totals
Operating revenues				
Charges for service	$ 1,785,269	$ 2,527,570	$ 2,887,056	$ 7,199,895
Departmental and other	236,541	545,518	153,470	935,529
Total operating revenues	2,021,810	3,073,088	3,040,526	8,135,424
Operating expenses				
Salaries and wages	532,804	271,438	786,346	1,590,588
Operating expenses	921,653	3,065,241	371,582	4,358,476
Depreciation and amortization	523,002	61,478	566,933	1,151,413
Total operating expenses	1,977,459	3,398,157	1,724,861	7,100,477
Operating income (loss)	44,351	(325,069)	1,315,665	1,034,947
Non operating revenues (expenses)				
Intergovernmental	61,952		60,005	121,957
Investment income	52,965	22,467	66,990	142,422
Interest expense	(465,174)	(7,624)	(55,268)	(528,066)
Total non operating revenue, net	(350,257)	14,843	71,727	(263,687)
Change in net assets	(305,906)	(310,226)	1,387,392	771,260
Net assets at beginning of year	17,796,513	3,102,571	25,541,585	46,440,669
Net assets at end of year	$ 17,490,607	$ 2,792,345	$ 26,928,977	$ 47,211,929

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities			
	Sewer	Solid Waste	Water	Totals
Operating revenues				
Charges for service	$ 1,785,269	$ 2,527,570	$ 2,887,056	$ 7,199,895
Departmental and other	236,541	545,518	153,470	935,529
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Operating expenses				
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Non operating revenues (expenses)				
Intergovernmental	61,952		60,005	121,957
Investment income	52,965	22,467	66,990	142,422
Interest expense	(465,174)	(7,624)	(55,268)	(528,066)
Total non operating revenue, net	(350,257)	14,843	71,727	(263,687)
Income (loss) before transfers and contributions	(305,906)	(310,226)	1,387,392	771,260
Change in net assets	(305,906)	(310,226)	1,387,392	771,260
Net assets at beginning of year	17,796,513	3,102,571	25,541,585	46,440,669
Net assets at end of year	$ 17,490,607	$ 2,792,345	$ 26,928,977	$ 47,211,929

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities			
	Sewer	Solid Waste	Water	Total
ash flows from operating activities				
Receipts from customers and users and other sources	$ 1,991,883	$ 3,129,074	$ 3,016,275	$ 8,137,232
Payments to vendors and employees	(1,827,977)	(3,327,580)	(1,146,906)	(6,302,463)
Net cash provided by (used for) operating activities	163,906	(198,506)	1,869,369	1,834,769
Cash flows from noncapital financing activities				
Intergovernmental subsidy	877,029	-	12,505	889,534
Net cash provided by noncapital financing activities	877,029	-	12,505	889,534
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(5,159,357)		(1,007,594)	(6,166,951)
Proceeds from bonds-net	4,194,296		835,000	5,029,296
Principal payments on bonds and notes	(301,078)	(30,000)	(230,000)	(561,078)
Interest paid	(219,544)	(8,415)	(55,478)	(283,437)
Net cash provided by (used for) capital and related financing activities	(1,485,683)	(38,415)	(458,072)	(1,982,170)
ash flows from investing activities				
Investment income	52,965	22,466	66,990	142,421
Net cash provided by investing activities	52,965	22,466	66,990	142,421
et change in cash and cash equivalents	(391,783)	(214,455)	1,490,792	884,554
Cash and cash equivalents at beginning of year	4,009,474	1,821,558	3,574,766	9,405,798
ash and cash equivalents at end of year	$ 3,617,691	$ 1,607,103	$ 5,065,558	$ 10,290,352
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	$ 44,351	$ (325,069)	$ 1,315,665	$ 1,034,947
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income and expenses, net				-
Depreciation	523,002	61,478	566,933	1,151,413
Changes in assets and liabilities:				
User fees receivable	(29,926)	55,986	(24,252)	1,808
Accounts payable and accrued expenses	(373,521)	9,099	11,023	(353,399)
Total adjustments	119,555	126,563	553,704	799,822
Net cash provided by (used for) operating activities	$ 163,906	$ (198,506)	$ 1,869,369	$ 1,834,769

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2003

	Private Purpose Trust Funds	Agency Accounts
ASSETS		
Cash and cash equivalents	$ 196,734	$ 995,937
Total assets	$ 196,734	$ 995,937
LIABILITIES		
Accounts payable and other current liabilities	$ -	$ 995,937
Total liabilities		995,937
NET ASSETS		
Held in trust	196,734	-
Total liabilities and net assets	$ 196,734	$ 995,937

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

TOWN OF MARSHFIELD, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

For the Year Ended June 30, 2003

	Private Purpose Trust Funds
Additions	
Interest and dividends	$ 3,439
Total additions	3,439
Deductions	
Scholarships and awards	4,000
Total deductions	4,000
Change in net assets	(561)
Net assets at beginning of year	197,295
Net assets at end of year	$ 196,734

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Reporting Entity

A. Organization

The Town of Marshfield, Massachusetts (the "Town"), was incorporated in 1640, and has a Town Meeting form of government with administrative authority vested in a three member Board of Selectmen and an appointed Town Administrator. The Town's major operations include police and fire protection, parks, library, recreation, public works, education, and general administrative services. In addition, the Town owns and operates a water system, sewer system and a solid waste transfer station.

B. Reporting Entity

General

The accompanying financial statements present the Town of Marshfield (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 of Marshfield 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 paid by the Town in 2003. Financial statements may be obtained from each joint venture by contacting them directly.

Joint venture and address	Purpose	FY 2003 Assessment
Massachusetts Bay Transportation Authority 45 High Street, Boston, MA 02110	To provide regional transportation services	$364,416

Related Organizations

The Marshfield Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth, are legally responsible for the overall operation.

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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and analysis- for State and Local Governments.* Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
    - A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
    - Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.)
    - A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town has elected to implement the general provisions of the Statement in the current year.

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, schools, and general administrative services are classified as governmental activities. The Town's water and sewer services and solid waste activities 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 general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

- Stabilization fund is a special revenue fund of the Town. It is used to account for the accumulation of resources to provide general and/or capital reserves, and ongoing and future operations.

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 (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.

- 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. Currently, the Town does not utilize internal service funds.

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. GASBS 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 account, 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, and certificates of deposits 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 these 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 and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 30% of ambulance charges outstanding to be uncollectable. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable. Outstanding water, sewer and transfer station charges are also subject to lien procedures; accordingly, such amounts are considered to be fully collectible.

F. 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 capital 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:

➢ Buildings & Improvements	20-40 years
➢ Easements	20 years
➢ Machinery and Equipment	3-20 years
➢ Fire Apparatus	15 years
➢ Computer Related	3-10 years
➢ Textbooks and Related	5-20 years
➢ Vehicles	5 years
➢ Communications Equipment	7 years
➢ Infrastructure	20-50 years
➢ Seawalls	20 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.

G. 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, 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.

H. 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.

I. 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.

J. 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.

K. 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 the subsequent November 1 and May 1. 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.

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 budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2003, is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)
As reported on a budgetary basis	$ 56,279,778	$ 56,261,580	$ 715,476
Adjustment of property tax revenues to modified accrual basis	(824,511)		
State funded teacher's pension	3,482,529	3,482,529	
Adjustment for prior year accrual of expenditures		(233,000)	
Gross up revenue and expenditures for MWPAT subsidy on GAAP fund basis	65,530	65,530	
Highway Chapter 90 expenditures accounted for in general fund		224,693	
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(877,864)	(877,864)
As reported on a GAAP basis	$ 59,003,326	$ 58,923,468	$(162,388)

C. Fund equities

Operations of the various Town funds for fiscal 2003 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 and the balance of appropriations for capital expenditures and longer term projects which are continued until completion of the authorized project. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure 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.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term debt.

At June 30, 2003, the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	$ 2,721,313
Unreserved:	
Undesignated	3,808,691
Designated for expenditure	4,049,440
Snow and ice deficit	(205,783)
Chapter 90 highway deficit	(292,536)
Other deficits	(32,324)
Designated other	36,371
Total unreserved	7,363,859
Total General Fund Equities	$ 10,085,172

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types.

D. 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 receipts reserved for appropriation from proceeds of sale of real estate and insurance reimbursements 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:

Capital Project Fund balances	$3,318,187
Special Revenue Fund balances:	
Community Preservation Act Fund	1,689,742
Other Special Revenue Funds	2,092,372
Permanent Funds:	
Expendable	334,823
Non-expendable	774,566
Total restricted net assets	$8,209,690

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), a pooled investment account. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

At year-end, deposits per the banks totaled $40,983,749 and had a carrying amount of $39,552,922. Of the bank balance, $700,000 was covered by depository insurance or collateralized and $40,283,749 was uninsured and uncollateralized as allowed under the general laws of Massachusetts. The difference between bank deposits and carrying amount consists primarily of outstanding checks and deposits in transit.

The Town's investments at year-end are categorized below to give an indication of level of risk assumed by the Town. Category I investments consist of investments that are insured, or registered, or for which the securities are held by the Town or its agent in the Town's name. MMDT deposits are not categorized since the units of investment are not evidenced by securities that exist in physical or book entry form.

	Category 1	Uncategorized	Fair Value/ Carrying Amount	Cost
U.S. Government Securities and Mutual funds	$926,646	$	$ 926,646	$ 915,000
MMDT deposits		2,176,375	2,176,375	2,176,375
Stocks	73,118	-	73,118	62,049
	$999,764	$2,176,375	$3,176,139	$3,153,424

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 deferred and unearned:

Receivable type	Gross Amount	Allowance for Uncollectible	Net Amount	Deferred Revenue
Real estate and personal property taxes	$ 510,714	$ 17,816	$ 492,898	$ 367,538
Tax liens, deferrals and foreclosures	938,953		938,953	938,953
Excise taxes	477,822	115,811	362,011	477,822
Charges for service	635,985	163,526	472,459	635,985
Other	3,030		3,030	3,030
Intergovernmental:				
School Building Assistance	15,423,902		15,423,902	15,423,902
Commonwealth highway awards	750,164		750,164	750,164
Accrued debt service subsidies	847,060		847,060	847,060
Grants and other	259,803	-	259,803	259,803
Totals	$ 19,847,433	$ 297,153	$ 19,550,280	$ 19,704,257

The Town also received $182,739 of fiscal year 2004 property taxes during fiscal 2003. This amount has been reported as deferred revenue in the accompanying financial statements.

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

Receivable type	Gross Amount
Sewer charges and betterments	$2,024,759
Solid waste charges	312,944
Water charges and betterments	916,698
Intergovernmental	47,500
Totals	$3,301,901

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	$15,294,270	$ 222,400	$ 18,033	$15,498,637
Construction in progress	25,601,185	4,305,918	127,146	29,779,957
Sub-total	40,895,455	4,528,318	145,179	45,278,594
Capital assets being depreciated:				
Buildings and related improvements	13,849,652	38,760		13,888,412
Equipment, machinery and vehicles	11,182,924	248,721	44,691	11,386,854
Books, software, and other	2,762,787		271,232	2,491,555
Infrastructure	53,348,869	183,044	-	53,531,913
Sub-total	81,144,132	470,525	315,923	81,298,734
Less accumulated depreciation:				
Buildings and related improvements	8,881,690	315,600		9,197,290
Equipment, machinery, and vehicles	5,821,174	1,060,279	296,549	6,584,904
Books, software, and other	1,252,559	299,563		1,552,122
Infrastructure	9,123,941	1,284,374	-	10,408,315
Sub-total	25,079,364	2,959,816	296,549	27,742,631
Governmental capital assets, net	$96,960,223	$2,039,027	$ 164,553	$98,834,697

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Capital assets not being depreciated:				
Land	$ 2,184,987	$ -	$ -	$ 2,184,987
Construction in progress	-	5,581,389	-	5,581,389
Sub-total	2,184,987	5,581,389		7,766,376
Capital assets being depreciated:				
Buildings and related improvements	9,834,028			9,834,028
Equipment, machinery & vehicles	4,886,502		75,000	4,811,502
Infrastructure	44,501,772	585,562	-	45,087,334
Sub-total	59,222,302	585,562	75,000	59,732,864
Less accumulated depreciation:				
Buildings and related improvements	3,534,269	206,479		3,740,748
Equipment, machinery & vehicles	4,502,218	72,955	(75,000)	4,500,173
Infrastructure	14,560,568	871,979	-	15,432,547
Sub-total	22,597,055	1,151,413	(75,000)	23,673,468
Business-type activities capital assets, net	$388,810,234	$5,015,538	$ -	$43,825,772

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

Governmental activities:	
General government	$ 87,867
Public safety	468,723
Education	571,293
Public works	1,634,503
Health and human services	3,756
Culture and recreation	193,674
Total depreciation expense – governmental activities	$2,959,816
Business-type activities:	
Sewer	$ 523,002
Solid waste	61,478
Water	566,933
Total depreciation expense – business-type activities	$1,151,413

Note 7. Interfund balances and activity

There are no amounts due to or from governmental funds.

Interfund transfers, for the fiscal year ended June 30, 2003, consisted of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Funds	Enterprise Funds
Appropriated transfers from/to various funds to fund FY 2003 operating fund	$(162,388)	$(360,612)	$570,000	$(47,000)	$ -
Totals on governmental fund basis	(162,388)	$(360,612)	$570,000	$(47,000)	
Amounts transferred from Enterprise Funds to fund indirect costs appropriated in general fund	877,864				(877,864)
Totals on budgetary basis	$ 715,746				$(877,864)

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2003:

Purpose	Balance July 1, 2002	Additions	(Reductions)	Balance June 30, 2003	Current Portion
Governmental activities:					
Sewer, 2.35-8.90%, due 1996-2019	$ 1,928,418	$3,261,320	$ 200,719	$ 4,989,019	$ 310,037
Schools, 4.61-5.15%, due 1996-2021	24,380,000	2,334,000	1,390,000	25,324,000	1,579,000
Multipurpose and other, 4.61-5.15%, due 1996-2021	1,980,000	5,745,000	360,000	7,365,000	1,109,000
Total governmental bonds payable	28,288,418	11,340,320	1,950,719	37,678,019	2,998,037
Compensated absences	4,350,000	634,116	-	4,984,616	-
Total governmental noncurrent liabilities	$32,638,918	$11,974,436	$(1,950,719)	$42,662,635	$2,998,037

Purpose	Balance July 1, 2002	Additions	(Reductions)	Balance June 30, 2003	Current Portion
Business-type activities:					
Enterprise Funds:					
Water, 4.61-8.00%, due 1996-2009	$1,135,000	$ 835,000	$(230,000)	$1,740,000	$ 650,000
Sewer, 2.35-8.90%, due 1996-2009	2,892,625	4,891,979	(301,078)	7,483,526	471,056
Solid waste, 5.15%, due 1996-2008	165,000	-	(30,000)	135,000	30,000
Total business-type activity bonds payable	4,192,625	5,726,979	(561,078)	9,358,526	1,151,056
Compensated absences	83,796	7,862	-	91,658	-
Total business-type noncurrent Liabilities	$4,276,421	$5,734,841	$(561,078)	$9,450,184	$1,151,056

Long-term debt

The Town has applied for and received approval for school building assistance grants from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on the $25,455,000 (original issue) school bonds. Reimbursement commenced in fiscal 2002 and will be made over 20 years at approximately 67% of eligible costs of the project, subject to approval and annual appropriation by the Commonwealth of Massachusetts. Pursuant to Government Accounting Standards Board (GASB) Statement No. 33, the portion of this reimbursement applicable to reimbursable project costs incurred has been included in the financial statements as a receivable from the Commonwealth of Massachusetts. The eligible construction and interest costs are subject to final audit from the Commonwealth of Massachusetts. No provision for uncollectible amounts has been provided for this receivable.

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 the debt service payments relating to these issues 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 financial statements, however, these payments are not included in the budgetary basis statement because it is not part of the local budget. The Town has voted to allocate the repayment of the sewer bonds to the general fund and sewer fund 40% and 60%, respectively. Accordingly, liabilities and related activity have been allocated as such in these financial statements.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2003, including interest, are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2004	$ 4,389,094	$ 1,350,192	$ 5,739,286
2005	4,227,559	1,260,404	5,487,963
2006	4,049,328	752,035	4,801,363
2007	3,822,272	618,071	4,440,343
2008	3,699,874	596,738	4,296,612
2009 – 2013	15,020,801	2,488,642	17,509,443
2014 – 2018	9,400,810	2,029,726	11,430,536
2019 – 2023	5,259,964	1,761,695	7,021,659
Total principal and interest	49,869,702	10,857,503	60,727,205
Less interest	12,191,683	1,498,977	13,690,660
	$37,678,019	$ 9,358,526	$47,036,545

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, 2003:

Purpose	Year(s) Authorized	Amount
General Purpose		
School projects	2003	$ 185,000
Various DPW and other projects	2003	200,000
Seawalls	2003	200,000
		585,000
Enterprise		
Sewer	2002	195,000
Sewer extension	2003	689,420
Transfer station	2003	150,000
		1,034,420
Total authorized and unissued		$1,619,420

The Town pays assessments, which include debt service payments to other local governmental units providing services on behalf of the Town (commonly referred to as overlapping debt.) The Town is indirectly liable, through its assessments to these governments, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Town's Statement of Net Assets.

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 payments for non-cancelable operating leases are immaterial as of June 30, 2003.

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 outstanding.

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 Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2003 are as follows:

Type	Purpose	Balance July 1, 2002	Issued	Redeemed	Balance June 30, 2003
Governmental activities:					
BAN	Fire engine/ladder	$ 595,000	$	$ 595,000	$
BAN	Schools-fire alarm/security	970,000		970,000	
BAN	DPW–replace floor drains	75,000		75,000	
BAN	DPW-seawalls	1,350,000		1,350,000	
BAN	Senior center	260,000	430,000	690,000	
SAN	PWED Downtown revitalization	100,000		100 000	
BAN	FBI/Mart School Project	-	520,000	520,000	-
Total governmental activities		$3,350,000	$ 950,000	$4,300,000	$ -
Business-type activities:					
BAN	MWPAT-Sewer 2000	$ 474,207	$1,181,701	$1,655,908	$
BAN	Water mains	-	535,000	535,000	-
Total business-type activity		$ 474,207	$1,716,701	$2,190,908	$ -

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances in the Capital Projects Fund. These deficits will be funded through long-term borrowing.

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Marshfield, Massachusetts contributes for eligible employees to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The System issues an annual report, including financial statements and required supplementary information, which is available to the public and may be obtained by contacting the Plymouth County Retirement Association, 11 South Russell Street, Plymouth, MA 02360. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution, which was equal to its required contribution, is $1,652,757, representing approximately 8.0% 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, 2002 and 2001 were $1,604,845 and $1,557,283 respectively, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting principles generally accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures/expenses in the financial statements. Accordingly, $3,482,529 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as general government operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and general government expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis statement.

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

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, dental and life insurance premiums for approximately 349 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. For 2003, those costs totaled approximately $727,000.

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. Estimated future closure and postclosure care costs are reflected as a liability in these financial statements.

As of June 30, 2003, $500,000 is included as a liability in the Enterprise Fund for the remaining cost of 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. The Town carries commercial insurance for all risks. The Town belongs to the Plymouth County Health Claims Trust Fund for health insurance. The Town pays annual premiums to the fund, which is self-insured but has stop-loss insurance for individual claims in excess of $150,000.

Note 13. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2003, including those claims asserted which are incidental to performing ordinary governmental functions. Such litigation includes actions commenced and claims asserted against the Town for property damage and personal injury and other alleged violations of law. The potential estimated liability of the Town for the above litigation cannot be determined. 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 loss has been made in the accompanying 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

During fiscal year 2003 the Town implemented the following GASB pronouncements:

- Statement # 34 – *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*
- Statement # 37 – *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: omnibus*
- Statement # 38 – *Certain Financial Statement Note Disclosures*

The pronouncements identified above are all related to new financial reporting requirements as defined in Statement # 34. Fiscal 2003 is the required implementation date. The changes in financial reporting are documented in Note 2 and result in several prior year adjustments. The cumulative effect of prior year adjustments to the beginning of year fund balances is as follows:

Fund financial statements:

	Special Revenue Funds	Capital Projects Funds	Trust Funds	Non-Major Govt. Funds	Stabilization Fund	Fiduciary Funds
Fund balances June 30, 2002	$ 2,177,401	$(1,933,069)	$ 11,936,392	$	$	$
To reclassify funds to new reporting model	(2,177,401)	1,933,069	(11,936,392)	1,883,829	10,099,600	197,295
Fund balances as reclassified as of July 1, 2002	$ -	$ -	$ -	$1,833,829	$10,099,600	$197,295

Business-type activities:

	Sewer Operation	Solid Waste Operation	Water Operation	Total
Net assets as reported June 30, 2002	$ 3,811,052	$ 2,101,927	$ 3,869,482	$ 9,782,461
Adjustment to record all revenue on a full accrual basis	2,564,971		556,181	3,121,152
Adjustment to record additional fixed assets, net of accumulated depreciation	14,809,560	1,679,096	22,321,578	38,810,234
Adjustment to record debt and other liabilities on a full accrual basis	(3,389,070)	(678,452)	(1,205,656)	(5,273,178)
Net assets as restated as of July 1, 2002	$ 17,796,513	$ 3,102,571	$ 25,541,585	$ 46,440,669

Government-wide financial statements:

Reclassified fund balances of non-major governmental funds at June 30, 2002	$ 1,883,829
General fund balance at June 30, 2002 (unadjusted)	10,167,702
Major fund balance - Stabilization Fund at June 30, 2002	10,099,600
Adjustment to record revenue on full-accrual basis, net of allowance for uncollectible accounts	19,693,057
Bonds payable at June 30, 2002, including subsidy to sewer fund for MWPAT bonds	(31,549,738)
Accrued interest, net of related subsidies at June 30, 2002	(68,175)
Fixed assets, net of accumulated depreciation at June 30, 2002	96,960,223
Compensated absences at June 30, 2002	(4,530,500)
Governmental net assets at July 1, 2002	$ 102,655,998