TOWN OF MARSHFIELD, MASSACHUSETTS

BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2004

TOWN OF MARSHFIELD, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

Thevenin, Lynch, Bienvenue, LLP
CERTIFIED PUBLIC ACCOUNTANTS

71 LEGION PARKWAY, BROCKTON, MA 02301
TELEPHONE (508) 584-5850 - FAX (508) 584-5886

9 BAYSTATE COURT, BREWSTER, MA 02631
TELEPHONE (508) 255-2240 - FAX (508) 255-2351

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, as of and for the year ended June 30, 2004, 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 of Marshfield, Massachusetts' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marshfield, Massachusetts as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2004, except for capital assets which are dated February 8, 2005 on our consideration of Town of Marshfield, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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

December 3, 2004, except for capital assets, which are dated February 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MARSHFIELD, MASSACHUSETTS

Management's Discussion and Analysis
June 30, 2004

As management of the Town of Marshfield, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the years ended June 30, 2004 and 2003. We encourage readers to consider the information presented here in the Management Discussion and Analysis and the following accompanying pages.

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 present two types of statements – government wide statements and fund financial statements, each with a different view of the Town's finances. The government wide financial statements provide both long and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, including budgetary comparisons, reporting the Town's operations in more detail than the government wide statements. Both presentations (government wide and fund) allow the reader to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements.

Government-Wide Statements

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

Statement of Net Assets: 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 reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

Statement of Activities: 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 occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes, or earned but unused sick and vacation time). 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 and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges. The governmental activities of the Town include the broad functions of general government, public safety, education, public works, health and human services, culture and recreation, and the major services provided within each functional category.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation to be familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities, the Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements.

All of the Town funds can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

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. This comparison will assist the reader in understanding the long-term impact of the government's near term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements.

The Town maintains several governmental funds. Of the funds three (3) are considered major funds (general fund, sewer fund and stabilization fund) and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds.

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

Proprietary Funds: Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. These funds measure economic resources using the full accrual basis of accounting. The Town maintains two types of proprietary funds.

Enterprise funds are used to report activities that the government operates more like a business. These activities become the government's business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and solid waste activities.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the Town's functions and activities. The full accrual basis of accounting is used for fiduciary funds.

The fiduciary fund financial statements provide separate information for private purpose trust funds and agency funds. The fiduciary fund financial statements can be found on 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 can be found the accompanying pages of this report.

Government Wide Financial analysis

Governmental Activities

Statement of Net Assets: The following table reflects the condensed schedule of net assets based on the statement of net assets found on the accompanying pages of this report. The Town's sewer operation was reclassified as a governmental activity for fiscal 2004. The beginning balance has been restated in the accompanying financial statements. Accordingly, fiscal 2003 activity reported in the following tables has been restated for comparison purposes.

	Total Governmental Activities June 30, 2004	(Restated) Total Governmental Activities June 30, 2003	% Change
Current assets	$ 54,894,454	$ 56,438,768	(2.7)%
Capital assets, net	121,556,629	118,280,612	2.8%
Total assets	**$176,451,083**	**$174,719,380**	**1.0%**
Current liabilities	$ 8,084,978	$ 6,554,464	23.4%
Long-term liabilities	44,286,314	46,690,012	(5.2)%
Total liabilities	**$ 52,371,292**	**$ 53,244,476**	**(1.6)%**
Net assets:			
Invested in capital assets, net	$ 78,634,176	$ 73,119,066	7.5%
Restricted	11,752,859	13,737,909	(14.5)%
Unrestricted	33,692,756	34,617,929	(2.7)%
Total net assets	**$124,079,791**	**$121,474,904**	**2.1%**

The Town's net assets exceeded its liabilities at fiscal year ending June 30, 2004 and 2003 by $124,079,791 and $121,474,904 (presented as net assets), respectively. Included in these amounts are unrestricted net assets of $33,692,756 and $34,617,929, respectively.

The components of net assets include investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is $78,634,176 and $73,119,066 at June 30, 2004 and 2003 indicating the amount of capital debt does not exceed the net book value of the Town's capital assets. The Town uses these capital assets to service the community; therefore they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Statement of Activities: The Town's total net assets (primary government) increased by $2,604,887 and $1,022,393 during fiscal year 2004 and 2003.

This summary schedule of activities is based upon the statement found on the accompanying pages of this report:

Town of Marshfield
Summary of Schedule of Governmental Activities
For the Years Ended June 30, 2004 and 2003

	June 30, 2004	(Restated) June 30, 2003	% Change
Revenues:			
Program Revenues:			
Charges for services	$ 5,885,116	$ 5,469,568	7.6%
Operating grants and contributions	21,927,806	19,029,949	15.2%
Capital grants and contributions	1,880,964	2,306,224	(18.4%)
Total program revenues	**29,693,886**	**26,805,741**	**10.7%**
General Revenues:			
Property taxes levied	33,992,431	33,103,412	2.6%
Excise taxes	3,196,830	3,127,020	2.2%
Penalties and interest on taxes	205,069	257,550	20.3%
Grants and contributions not restricted	5,443,606	3,132,572	73.7%
Investment income	609,612	668,967	(8.9)%
Premium on issuance of debt	11,879		
Departmental	786,600	464,237	69.4%
Total general revenues	**44,246,027**	**40,753,758**	**8.6%**
Total Revenues	**73,939,913**	**67,559,499**	**9.4%**
Expenses:			
General government	$ 12,467,991	$ 10,512,618	18.6%
Public safety	7,652,420	7,943,128	(3.7)%
Education	39,853,325	37,,289,023	6.8%
Public works	6,153,720	6,145,565	1.0%
Health and human services	662,223	638,225	3.8%
Culture and recreation	1,570,381	1,429,904	9.8%
Interest on long term debt	2,021,432	2,046,670	(2.0)%
State and county charges	707,303	531,973	32.9%
Total Expenses	**71,088,795**	**66,537,106**	**6.8%**
Special items			
Loss on disposal of capital assets	(221,514)		
Transfers, net	(24,717)		
	(246,231)		
Change in net assets	**2,604,887**	**1,022,393**	**154.7%**
Net assets – beginning of year (restated)	121,474,904	120,452,511	
Net assets – end of year	$124,079,791	$121,474,904	2.1%

Total Revenues

Total governmental activities revenue for 2004 and 2003 for the Town are comprised of general revenue of $44,246,027 and $40,753,758, charges for services of $5,885,116 and $5,469,568, operating grants and contributions of $21,927,806 and $19,029,949, capital grant and contribution revenue of $1,880,964 and $2,306,224, respectively.

General Revenues

Property tax revenues are the Town's largest revenue source at $33,992,431 and $33,103,412, representing 77% and 81% of general revenues for 2004 and 2003, respectively. The assessed tax valuation base is $3,534,171,843, up from $2,916,811,557 assessed in the prior year, showing a 21% increase due to new construction and an increase in property valuation.

Program Revenues

Charges for services are $5,885,116 and $5,469,568 representing a variety of departmental revenues.

Operating grants and contributions of $21,927,806 and $19,029,949 represent several federal and state grants restricted to specific grant conditions. This accounts for approximately 29.8 % and 28.9% of the total Town governmental activities revenues. Included in these amounts is state aid, accrued MWPAT subsidies and "on-behalf" payments made by the Massachusetts Teachers' Retirement Board.

Expenses

For fiscal year ended June 30, 2004 and 2003, expenses for governmental activities totaled $71,088,795 and $66,537,106. Education continues to be one of the Town's highest expenditures representing $39,853,325 and $37,289,023 or 56.1% and 56.0% of the total Governmental expenses.

Business-type Activities

Statement of Net Assets: The following table provides a summary schedule of business-type activities, based upon the statement found on the accompanying pages of this report. The Town's sewer operation was reclassified as a governmental activity for fiscal 2004. The beginning balances have been restated in the accompanying financial statements. Accordingly, fiscal 2003 activity reported in the following tables has been restated for comparison purposes.

	2004 Water	2004 Solid Waste	2004 Total	(Restated) Total 2003
Current assets	$ 6,151,839	$2,058,556	$ 8,210,395	$ 7,949,803
Capital assets, net	22,514,552	1,677,470	24,192,022	24,379,857
Total assets	**$28,666,391**	**$3,736,026**	**$32,402,417**	**$32,329,660**
Current liabilities	$ 712,632	$ 816,080	$ 1,528,712	$ 1,334,624
Non-current liabilities	518,737	204,676	723,413	1,273,714
Total liabilities	**$ 1,231,690**	**$1,020,756**	**$ 2,252,125**	**$ 2,608,338**
Invested in capital assets, net	$21,424,552	$1,422,470	$22,847,022	$22,504,857
Unrestricted	6,010,470	1,292,800	7,303,270	7,216,465
Total net assets	**$27,435,022**	**$2,715,270**	**$30,150,292**	**$29,721,322**

The Town's business-type activities' assets exceeded its liabilities at fiscal year ending June 30, 2004 and 2003 by $30,150,292 and $29,721,322 (presented as net assets), respectively. Included in these amounts are unrestricted net assets of $7,303,270 and $7,216,465, respectively.

The components of net assets include investment in capital assets such as land, buildings, equipment, and infrastructure (water mains, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is $22,847,022 and $22,504,857 at June 30, 2004 and 2003 indicating the amount of capital debt does not exceed the net book value of the Town's capital assets.

Statement of Activities: The Town's total net assets (business-type activities) increased by $428,970 and $1,077,166 during fiscal year 2004 and 2003.

	2004 Water	2004 Solid Waste	2004 Total	(Restated) 2003 Total
Operating revenues:				
Charge for services/departmental and other	$ 3,419,994	$ 3,299,925	$ 6,719,919	$ 6,113,614
Total operating revenues	**3,419,994**	**3,299,925**	**6,719,919**	**6,113,614**
Total Revenues	**3,419,994**	**3,299,925**	**6,719,919**	**6,113,614**
Expenses:				
Salaries and wages	791,857	276,547	1,068,404	1,057,784
Operating expenses	1,566,772	3,050,395	4,617,167	3,436,823
Depreciation	587,318	64,148	651,466	628,411
Total operating expenses	**2,945,947**	**3,391,090**	**6,337,037**	**5,123,018**
Operating Income (Loss)	**474,047**	**(91,165)**	**382,882**	**990,596**
Non-operating income (expense)				
Intergovernmental	4,145		4,145	60,005
Investment income	55,414	14,286	69,700	89,457
Interest expense	(45,409)	(7,065)	(52,474)	(62,892)
Total non-operating revenue, net	14,150	7,221	21,371	86,570
Income (Loss) before transfers	488,197	(83,944)	404,253	1,077,166
Transfers				
Transfers in	17,848	6,869	24,717	
Change in net assets	506,045	(77,075)	428,970	1,077,166
Net assets – beginning of year (restated)	26,928,977	2,792,345	29,721,322	28,644,156
Net assets – end of year	$27,435,022	$2,715,270	$30,150,292	$29,721,322

Operating Revenues

Charges for services for the Town's business-type activities for the years 2004 and 2003 are $6,106,268 and $5,414,590, respectively. These amounts reflect receipts for water rates and trash fees collected. Departmental revenue for the Town's business-type activities for the years 2004 and 2003 are $613,651 and $698,988, respectively. These amounts represent various miscellaneous departmental receipts.

Operating Expenses

For the fiscal year ended June 30, 2004 and 2003, expenses for the Town's business-type activities totaled $6,337,037 and $5,123,018. Included in this 2004 total are $1,068,404, or, (16.8%) of salaries and wages and $4,617,167, or (72.8%) of depreciation expense. The remaining $651,466 or (10.4%) represents other operational expenditures.

Financial Analysis of the Government's Fund Financial Statements

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 financial 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 previously mentioned, the Town's sewer fund was reclassified as a governmental activity for fiscal 2004. The beginning fund balances have been restated in the accompanying financial statements. As of June 30, 2004 and 2003, the Town's governmental funds reported combined ending fund balances of $28,319,745 and $35,539,386, a decrease of $7,219,641 in fiscal 2004. Approximately $25.2 and $32.8 million constitutes unreserved fund balance, of this amount $3,127,424 and $4,049,440 has been appropriated for the next fiscal year. The remainder of the fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts; continued appropriations for capital outlay and improvement purposes; non-current loans receivable; non expendable permanent fund balances; and community preservation program statutory purpose services.

The general fund is the chief operating fund of the Town. At June 30, 2004 and 2003, unreserved fund balance of the general fund is $6,100,057 and $7,363,859 respectively. 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 fund balance represents 9.5% and 12.4% of total general fund expenditures, while total fund balance represents 14.4% and 17.1% at June 30, 2004 and 2003, respectively.

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. As of June 30, 2004 and 2003 the Town's unreserved fund balance is 10.2 % and 12.5 % of the general fund operating revenues.

The total general fund balance of the Town decreased by $905,941 or 8.9 % during 2004 and decreased by $82,530 or .0081% during 2003. For 2004 this occurred because fund expenditures increased 8.4% and revenues increased 1.2%. Net transfers in(out) from other funds during 2004 and 2003 were $3,247,650 and $(162,388), respectively. Current year transfers included $2,937,000 utilized from the Town's stabilization fund.

Property tax growth represents a combination of the annual increase allowed in the levy by proposition 2 ½ and new growth. The Town's total levy grew 4.4% and 4.1 % in 2004 and 2003 (including new growth), not maximizing the allowable under proposition 2 ½.

General Fund Budgetary Highlights

The difference between the original budget of $62,066,189 and the final budget of $63,684,923 is due to approximately $2,577,373 of additional appropriations at special town meetings and approximately $900,000 in encumbrances being carried over to the subsequent fiscal year.

Capital Asset and Debt Administration

Governmental Activities

Capital Assets: The Town's investment in capital assets for governmental activities as of June 30, 2004 and 2003, amounts to $121,556,629 and $118,280,612, which is net of accumulated depreciation of $46,197,773 and $42,736,786. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

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

	Governmental Activities	
		(Restated)
	2004	2003
Land	$ 15.7	$ 15.6
Construction in progress	9.2	34.8
Buildings and improvements	47.1	20.7
Machinery, equipment, and vehicles	15.9	15.3
Books, software, and other	2.9	2.9
Infrastructure	76.9	71.7
	$167.7	$161.0

Major capital asset events during 2004 include the following:

- Approximately $26.3 million of school and other buildings placed in service from construction in progress.
- Approximately $5.1 million of infrastructure (sewer mains) placed in service from construction in progress.
- Approximately $5.7 million of additions to construction in progress. Included in this amount is $1.5 million construction related to the Town's Senior Center and $2.9 of sewer infrastructure (mains).
- Approximately $1.0 million of airport runway and building improvements placed in service from construction in progress.
- Approximately $1.0 million retirement of vehicles, machinery and equipment.

Business-type Activities

Capital Assets: The Town's investment in capital assets for business-type activities as of June 30, 2004 and 2003, amounts to $24,192,022 and $24,379,857, which is net of accumulated depreciation of $9,224,739 and $8,679,313. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

The table below represents a summary of the Town's business-type activities capital assets by category (in millions):

	Business-type Activities	
		(Restated)
	2004	2003
Land	$ 2.0	$2.0
Construction in progress	.5	.4
Buildings and improvements	3.0	3.0
Machinery , equipment, and vehicles	.9	.7
Infrastructure (mains, wells, tanks, meters, valves)	27.0	26.9
Total	$33.4	$33.0

Capital asset events during 2004 include the following:

Replacement of a loader for the Transfer Station.
Various additions and retirements of equipment and vehicles.
Addition construction of water mains (construction in progress).

Long Term Debt

Governmental Activities

At June 30, 2004 and 2003, the Town's governmental activities had total bonded debt outstanding of $42,922,453 and $45,161,545, respectively. This debt is a general obligation of the Town's governmental activities.

The Town's governmental activities had no short-term debt obligations outstanding in either 2004 or 2003.

Business-type Activities

At June 30, 2004 and 2003, the Town's business-type activities had total bonded debt outstanding of $1,345,000 and $1,875,000, respectively. This debt is supported by water rates and trash fees.

The Town's business-type activities had no short-term debt outstanding in either 2004 or 2003.

The Town of Marshfield maintains bond rating with Standard & Poor's and Moody's Investor Service of AA-, and Aa3, respectively.

Economic Factors and Next Year's Budgets and Rates

The Town has increased its property tax levy by 1.04% which includes new growth and debt exclusion.

The operating budget increased 1.05% over the FY 04 budget. The increase is attributable to rising health insurance costs. The capital budget is approximately the same as for FY 04.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to Town of Marshfield, Attn: Town Administrator, 870 Moraine Street, Marshfield, MA 02050.

BASIC FINANCIAL STATEMENTS

TOWN OF MARSHFIELD, MASSACHUSETTS

Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 28,086,566	$ 6,156,955	$ 34,243,521
Investments	3,011,332		3,011,332
Receivables, net of allowance for uncollectibles	23,796,556	2,053,440	25,849,996
Capital assets, net of accumulated depreciation	121,556,629	24,192,022	145,748,651
Total assets	$ 176,451,083	$ 32,402,417	$ 208,853,500
LIABILITIES			
Accounts payable and other current liabilities	$ 3,505,859	$ 314,851	$ 3,820,710
Accrued interest payable	259,128	8,861	267,989
Provision for refund of paid taxes	712,750		712,750
Noncurrent liabilities			
Due within one year	3,607,241	735,000	4,342,241
Due in more than one year	44,286,314	1,193,413	45,479,727
Total liabilities	52,371,292	2,252,125	54,623,417
NET ASSETS			
Invested in capital assets, net of related debt	78,634,176	22,847,022	101,481,198
Restricted	11,752,859		11,752,859
Unrestricted	33,692,756	7,303,270	40,996,026
Total net assets	124,079,791	30,150,292	154,230,083
Total liabilities and net assets	$ 176,451,083	$ 32,402,417	$ 208,853,500

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets – Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government							
Governmental activities:							
General government	$ 12,467,991	$ 267,896	$ 5,065,526	$ 232,478	$ (6,902,091)	$ -	$ (6,902,091)
Public safety	7,652,420	649,519	443,338		(6,559,563)		(6,559,563)
Education	39,853,325	1,012,834	14,302,694	1,491,886	(23,045,911)		(23,045,911)
Public works	6,153,720	2,604,803	1,188,980		(2,359,937)		(2,359,937)
Health and human services	662,223	816,914	166,827		321,518		321,518
Culture and recreation	1,570,381	533,150	760,441	156,600	(120,190)		(120,190)
Interest	2,021,432				(2,021,432)		(2,021,432)
State and county charges	707,303	-	-	-	(707,303)	-	(707,303)
Total governmental activities	71,088,795	5,885,116	21,927,806	1,880,964	(41,394,909)	-	(41,394,909)
Business-type activities							
Solid Waste	3,398,155	3,299,925	14,286			(83,944)	(83,944)
Water	2,991,356	3,419,994	59,559	-	-	488,197	488,197
Total business-type activities	6,389,511	6,719,919	73,845	-	-	404,253	404,253
Total primary government	$ 77,478,306	$ 12,605,035	$ 22,001,651	$ 1,880,964	(41,394,909)	404,253	(40,990,656)
General revenues							
Property taxes and payments in lieu, net of allowance for uncollectibles					33,992,431		33,992,431
Excise taxes					3,196,830		3,196,830
Penalties and interest on taxes					205,069		205,069
Grants and contributions not restricted to specific programs					5,443,606		5,443,606
Premium on issuance of debt					11,879		11,879
Investment income					609,612		609,612
Departmental					786,600		786,600
Special items							
Loss on disposal of capital assets					(221,514)		(221,514)
Transfers, net					(24,717)	24,717	-
Total general revenues, special items and transfers					43,999,796	24,717	44,024,513
Change in net assets					2,604,887	428,970	3,033,857
Net assets - beginning of year (restated - Note 14)					121,474,904	29,721,322	151,196,226
Net assets - end of year					$ 124,079,791	$ 30,150,292	$ 154,230,083

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

TOWN OF MARSHFIELD, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2004

	General Fund	Sewer Fund	Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 12,482,374	$ 3,144,445	$ 5,530,867	$ 6,928,880	$ 28,086,566
Investments	281,592		1,856,788	872,952	3,011,332
Receivables, net	18,087,939	3,320,966	-	2,055,624	23,464,529
Total assets	$ 30,851,905	$ 6,465,411	$ 7,387,655	$ 9,857,456	$ 54,562,427
LIABILITIES					
Accounts payable and other current liabilities	$ 3,093,473	$ 73,757	$ -	$ 338,628	$ 3,505,858
Provision for refund of paid taxes	712,750				712,750
Deferred revenue	17,866,451	2,416,386	-	1,741,237	22,024,074
Total liabilities	21,672,674	2,490,143	-	2,079,865	26,242,682
FUND BALANCES					
Reserved for					
Encumbrances and continued appropriations	3,079,174	139,509			3,218,683
Unreserved:					
General Fund	6,100,057				6,100,057
Special revenue funds		3,835,759	7,387,655	5,385,134	16,608,548
Capital projects funds				1,364,864	1,364,864
Permanent fund	-	-	-	1,027,593	1,027,593
Total fund balances	9,179,231	3,975,268	7,387,655	7,777,591	28,319,745
Total liabilities and fund balances	$ 30,851,905	$ 6,465,411	$ 7,387,655	$ 9,857,456	$ 54,562,427

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances of governmental funds	$ 28,319,745
Capital assets used in governmental activities are not financial resources and not reported in funds. The cost the assets is $167,754,402, and accumulated depreciation is $46,197,773	121,556,629
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	22,356,101
Debt and other long-term liabilities are not due and payable in the current period and are not included in funds.	(47,893,555)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(259,129)
Net assets of governmental activities	$ 124,079,791

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, 2004

	General Fund	Sewer Fund	Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 33,903,844	$ -	$ -	$ 695,480	$ 34,599,324
Excise taxes	3,152,606			25,079	3,177,685
Licenses and permits	591,778			168,649	760,427
Penalties and interest	205,069				205,069
Investment income	384,867	40,346	113,035	68,393	606,641
Fines and fees	309,896			9,585	319,481
Charge for services	766,758	1,602,586		1,412,372	3,781,716
Departmental and other	192,201	181,930		916,860	1,290,991
Intergovernmental	20,176,430	416,565	-	4,184,675	24,777,670
Total revenues	59,683,449	2,241,427	113,035	7,481,093	69,519,004
Expenditures					
Current:					
General government	12,039,624			630,996	12,670,620
Public safety	7,431,355			412,226	7,843,581
Education	35,423,392			4,430,861	39,854,253
Public works	2,505,445	4,529,962		801,492	7,836,899
Human services	593,785			1,594,964	2,188,749
Culture and recreation	761,235			728,714	1,489,949
State and county assessments	707,303				707,303
Debt service	4,386,780	977,673	-	-	5,364,453
Total expenditures	63,848,919	5,507,635	-	8,599,253	77,955,807
Revenues over (under) expenditures	(4,165,470)	(3,266,208)	113,035	(1,118,160)	(8,436,803)
Other financing sources (uses)					
Proceeds from the issuance of long-term debt		195,000		1,035,000	1,230,000
Premium on issuance of debt	11,879				11,879
Transfers in from other funds	3,305,939	13,572		63,232	3,382,743
Transfers out to other funds	(58,289)	-	(2,937,000)	(412,171)	(3,407,460)
Total other financing sources (uses)	3,259,529	208,572	(2,937,000)	686,061	1,217,162
Revenues and other financing sources over (under) expenditures and other financing uses	(905,941)	(3,057,636)	(2,823,965)	(432,099)	(7,219,641)
Fund balance, beginning of year (restated-Note 14)	10,085,172	7,032,904	10,211,620	8,209,690	35,539,386
Fund balance, end of year	$ 9,179,231	$ 3,975,268	$ 7,387,655	$ 7,777,591	$ 28,319,745

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, 2004

Revenues and other financing sources over expenditures and other financing uses	$ (7,219,641)
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	7,701,237
Depreciation recorded for the fiscal year	(4,203,706)
Loss on disposal of capital assets	(221,514)
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	4,409,033
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	3,469,093
Proceeds from issuance of long-term debt	(1,230,000)
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	(126,072)
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	26,457
Change in net assets of governmental activities	$ 2,604,887

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, 2004

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Property taxes	$ 31,622,082	$ 33,858,928	$ 33,974,910	$ 115,982
Excise taxes	2,308,600	2,308,600	3,152,606	844,006
Licenses, permits, and fees	412,000	412,000	591,778	179,778
Penalties and interest	250,000	250,000	205,069	(44,931)
Investment interest	315,000	315,000	384,867	69,867
Fees	286,400	286,400	309,896	23,496
Departmental and other	703,200	703,200	958,960	255,760
Intergovernmental	15,621,157	15,621,157	15,876,711	255,554
Total revenues	51,518,439	53,755,285	55,454,797	1,699,512
Expenditures				
General government	9,079,696	8,986,653	8,422,515	564,138
Public safety	7,573,701	7,539,480	7,431,355	108,125
Education	35,532,969	35,479,990	35,423,392	56,598
Public works	3,357,375	2,999,672	2,745,776	253,896
Human services	598,822	622,217	593,785	28,432
Culture and recreation	812,331	766,638	761,236	5,402
State and county assessments	698,958	698,958	707,303	(8,345)
Debt service	4,412,337	4,412,337	4,386,780	25,557
Total expenditures	62,066,189	61,505,945	60,472,142	1,033,803
Revenues over (under) expenditures	(10,547,750)	(7,750,660)	(5,017,345)	2,733,315
Other financing sources (uses)				
Premium on issuance of debt			11,879	11,879
Transfers in from other funds	3,983,942	3,983,942	4,228,881	244,939
Transfers out to other funds	-	(58,289)	(58,289)	-
Total other financing sources (uses)	3,983,942	3,925,653	4,182,471	256,818
Revenues and other financing sources over (under) expenditures and other financing uses	(6,563,808)	(3,825,007)	(834,874)	$ 2,990,133
Fund balance, beginning of year (restated)			10,452,710	
Fund balance, end of year			$ 9,617,836	
Other budget items				
Free cash appropriations	$ 3,982,624	$ 4,322,997		
Overlay surplus appropriations	66,816	66,816		
Carryover encumbrances	2,721,469	(357,705)		
Funding of prior year deficits	(207,101)	(207,101)		
Total other budget items	6,563,808	3,825,007		
Net budget	$ -	$ -		

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
Sewer Fund - Budget and Actual
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
User charges	$ 1,661,894	$ 1,661,894	$ 1,602,586	$ (59,308)
Investment interest	30,000	30,000	40,346	10,346
Departmental and other	240,000	240,000	188,411	(51,589)
Total revenues	1,931,894	1,931,894	1,831,343	(100,551)
Expenditures				
Salaries and wages	655,633	669,205	574,087	95,118
Expenses	1,040,843	901,334	561,856	339,478
Debt service	568,946	568,946	567,589	1,357
Total expenditures	2,265,422	2,139,485	1,703,531	435,954
Revenues over (under) expenditures	(333,528)	(207,591)	127,812	335,403
Other financing sources (uses)				
Transfers in from other funds		13,572	13,572	-
Transfers out to other funds	(305,815)	(305,815)	(305,815)	-
Total other financing sources (uses)	(305,815)	(292,243)	(292,243)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(639,343)	(499,834)	(164,431)	$ 335,403
Fund balance, beginning of year (restated - Note 14)			3,696,783	
Fund balance, end of year			$ 3,532,352	
Other budget items				
Retained earnings appropriations	580,000	580,000		
Carryover encumbrances and articles	59,343	(80,166)		
Total other budget items	639,343	499,834		
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, 2004

	Business-type activities		
	Solid Waste	Water	Totals
ASSETS			
Cash and cash equivalents	$ 1,472,874	$ 4,684,081	$ 6,156,955
Receivables, net of allowance for uncollectibles	585,682	1,467,758	2,053,440
Capital assets, net of accumulated depreciation	1,677,470	22,514,552	24,192,022
Total assets	$ 3,736,026	$ 28,666,391	$ 32,402,417
LIABILITIES			
Accounts payable and other current liabilities	$ 252,036	$ 62,815	$ 314,851
Accrued interest payable	4,044	4,817	8,861
Noncurrent liabilities			
Due within one year	90,000	645,000	735,000
Due in more than one year	674,676	518,737	1,193,413
Total liabilities	1,020,756	1,231,369	2,252,125
NET ASSETS			
Invested in capital assets, net of related debt	1,422,470	21,424,552	22,847,022
Unrestricted	1,292,800	6,010,470	7,303,270
Total net assets	2,715,270	27,435,022	30,150,292
Total liabilities and net assets	$ 3,736,026	$ 28,666,391	$ 32,402,417

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		
	Solid Waste	**Water**	**Totals**
Operating revenues			
Charges for service	$ 2,857,131	$ 3,249,137	$ 6,106,268
Departmental and other	442,794	170,857	613,651
Total operating revenues	3,299,925	3,419,994	6,719,919
Operating expenses			
Salaries and wages	276,547	791,857	1,068,404
Operating expenses	3,050,395	1,566,772	4,617,167
Depreciation and amortization	64,148	587,318	651,466
Total operating expenses	3,391,090	2,945,947	6,337,037
Operating income (loss)	(91,165)	474,047	382,882
Non operating revenues (expenses)			
Intergovernmental		4,145	4,145
Investment income	14,286	55,414	69,700
Interest expense	(7,065)	(45,409)	(52,474)
Total non operating revenue, net	7,221	14,150	21,371
Income (Loss) before Transfers	(83,944)	488,197	404,253
Transfers			
Transfer in	6,869	17,848	24,717
Change in net assets	(77,075)	506,045	428,970
Net assets at beginning of year	2,792,345	26,928,977	29,721,322
Net assets at end of year	$ 2,715,270	$ 27,435,022	$ 30,150,292

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, 2004

	Business-type activities		
	Solid Waste	**Water**	**Total**
Cash flows from operating activities			
Receipts from customers and users and other sources	$ 3,027,564	$ 2,916,434	$ 5,943,998
Payments to vendors and employees	(3,172,138)	(2,340,278)	(5,512,416)
Net cash provided by (used for) operating activities	(144,574)	576,156	431,582
Cash flows from noncapital financing activities			
Intergovernmental subsidy	-	4,145	4,145
Net cash provided by noncapital financing activities	-	4,145	4,145
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(124,000)	(339,631)	(463,631)
Proceeds from bonds-net	150,000		150,000
Principal payments on bonds and notes	(30,000)	(650,000)	(680,000)
Transfer from other funds	6,869	17,848	24,717
Interest paid	(6,810)	(45,409)	(52,219)
Net cash (used for) capital and related financing activities	(3,941)	(1,017,192)	(1,021,133)
Cash flows from investing activities			
Investment income	14,286	55,414	69,700
Net cash provided by investing activities	14,286	55,414	69,700
Net change in cash and cash equivalents	(134,229)	(381,477)	(515,706)
Cash and cash equivalents at beginning of year	1,607,103	5,065,558	6,672,661
Cash and cash equivalents at end of year	$ 1,472,874	$ 4,684,081	$ 6,156,955
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	$ (91,165)	$ 474,047	$ 382,882
Adjustments to reconcile operating income to net cash provided by operating activities:			
Other income, and expenses, net			
Depreciation	64,148	587,318	651,466
Changes in assets and liabilities:			
User fees receivable	(272,738)	(503,559)	(776,297)
Accounts payable and accrued expenses	155,181	18,350	173,531
Total adjustments	(53,409)	102,109	48,700
Net cash provided by (used for) operating activities	$ (144,574)	$ 576,156	$ 431,582

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

TOWN OF MARSHFIELD, MASSACHUSETTS
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2004

	Private Purpose Trust Funds	Agency Accounts
ASSETS		
Cash and cash equivalents	$ 181,647	$ 1,462,475
Investments	13,723	-
Total assets	$ 195,370	$ 1,462,475
LIABILITIES		
Accounts payable and other current liabilities	$ -	$ 1,278,972
Due to students	-	183,503
Total liabilities		1,462,475
NET ASSETS		
Held in trust	195,370	-
Total liabilities and net assets	$ 195,370	$ 1,462,475

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, 2004

	Private Purpose Trust Funds
Additions	
Interest and dividends	$ 2,586
Total additions	2,586
Deductions	
Scholarships and awards	3,950
Total deductions	3,950
Change in net assets	(1,364)
Net assets at beginning of year	196,734
Net assets at end of year	$ 195,370

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 2004. Financial statements may be obtained from each joint venture by contacting them directly. The Town does not have an equity interest in any joint venture.

Joint venture and address	Purpose	FY 2004 Assessment
Massachusetts Bay Transportation Authority 45 High Street, Boston, MA 02110	To provide regional transportation services	$ 290,672

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.

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, sewer operations, and general administrative services are classified as governmental activities. The Town's water 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:

- 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.

- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town's sewer fund is classified as a special revenue fund.

- 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:

- 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. Currently, the Town reports its water and solid waste funds as enterprise funds.

- 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. Currently, the Town has determined its sewer and stabilization funds to be major funds.

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 uncollectible. 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, 2004, is presented below:

	Revenues	**Expenditures**	**Other Financing Sources (Uses)**
As reported on a budgetary basis	$ 55,454,797	$ 60,472,142	$ 4,182,471
Adjustment of property tax revenues to modified accrual basis	(71,067)		
State funded teacher's pension	4,299,719	4,299,719	
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(922,942)	(922,942)
As reported on a GAAP basis	$ 59,683,449	$ 63,848,919	$ 3,259,529

C. Fund equities

Operations of the various Town funds for fiscal 2004 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, 2004, the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	$ 3,079,174
Unreserved:	
Undesignated	3,084,449
Designated for expenditure	3,127,424
Snow and ice deficit	(148,187)
Designated other	36,371
Total unreserved	6,100,057
Total General Fund Equities	$ 9,179,231

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	$ 1,364,864
Special Revenue Fund balances:	
Sewer Fund	3,975,268
Community Preservation Act Fund	2,965,645
Other Special Revenue Funds	2,419,489
Permanent Funds:	
Expendable	221,811
Non-expendable	805,782
Total restricted net assets	$11,752,859

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 $36,524,207 and had a carrying amount of $35,887,643. Of the bank balance, $705,163 was covered by depository insurance or collateralized and $35,819,044 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	$2,381,644	$	$2,381,644	$2,415,000
MMDT deposits		519,538	519,538	519,538
Stocks	123,873	-	123,873	109,928
	$2,505,517	$519,538	$3,025,055	$3,044,466

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	$ 630,255	$ 17,176	$ 613,079	$ 438,605
Tax liens, deferrals and foreclosures	955,833		955,833	955,833
Excise taxes	507,978	126,822	381,156	507,978
Charges for service	1,005,503	122,975	1,481,528	1,005,503
Other	14,372		14,372	14,372
Intergovernmental:				
School Building Assistance	15,215,358		15,215,358	15,215,358
Commonwealth highway awards	781,342		781,342	751,504
Community Preservation matching funds	705,842		705,842	705,842
Accrued MWPAT subsidies	2,930,339		2,930,339	2,025,759
Grants and other	717,707		717,707	403,320
Total-Governmental Funds	23,464,529			$22,024,074
Accrual of unbilled charges for services	599,000	-	-	-
Total-Governmental Activities	$24,063,529	$266,973	$23,796,556	

The Town also received $202,880 of fiscal year 2005 property taxes during fiscal 2004. This amount has been reported as an other current liability in the accompanying financial statements.

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

Receivable type	Gross Amount
Solid waste charges	$ 585,682
Water charges and betterments	1,467,758
Totals	$2,053,440

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	$ 15,613,524	$ 89,600	$	$ 15,703,124
Construction in progress	34,770,298	5,723,045	31,268,428	9,224,915
Sub-total	50,383,822	5,812,645	31,268,428	24,928,039
Capital assets being depreciated:				
Buildings and related improvements	20,758,382	26,371,249		47,129,631
Equipment, machinery and vehicles	15,199,683	1,608,750	964,233	15,844,200
Books, software, and other	2,931,803	28,644		2,960,447
Infrastructure	71,743,708	5,148,377	-	76,892,085
Sub-total	110,633,576	33,157,020	964,233	142,826,363
Less accumulated depreciation:				
Buildings and related improvements	12,302,717	1,148,246		13,450,963
Equipment, machinery, and vehicles	10,602,613	1,080,255	742,719	10,940,149
Books, software, and other	1,524,431	272,250		1,796,681
Infrastructure	18,307,025	1,702,955	-	20,009,980
Sub-total	42,736,786	4,203,706	742,719	46,197,773
Governmental capital assets, net	$118,280,612	$34,765,959	$31,489,942	$121,556,629
Business-type activities				
Capital assets not being depreciated:				
Land	$ 2,070,100	$ -	$ -	$ 2,070,100
Construction in progress	422,032	329,520	213,074	538,478
Sub-total	2,492,132	329,520	213,074	2,608,578
Capital assets being depreciated:				
Buildings and related improvements	2,964,058			2,964,058
Equipment, machinery & vehicles	727,441	264,385	95,000	896,826
Infrastructure	26,875,539	82,800	11,040	26,947,299
Sub-total	30,567,038	347,185	106,040	30,808,183
Less accumulated depreciation:				
Buildings and related improvements	649,261	69,080		718,341
Equipment, machinery & vehicles	496,213	62,905	95,000	464,118
Infrastructure	7,533,839	519,481	11,040	8,042,280
Sub-total	8,679,313	651,466	106,040	9,224,739
Business-type activities capital assets, net	$24,379,857	$ 25,239	$ 213,074	$ 24,192,022

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

Governmental activities:	
General government	$ 279,616
Public safety	446,529
Education	1,123,377
Public works	2,250,995
Culture and recreation	103,189
Total depreciation expense – governmental activities	$4,203,706
Business-type activities:	
Solid waste	$ 64,148
Water	587,318
Total depreciation expense – business-type activities	$ 651,466

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, 2004, consisted of the following:

	General Fund	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Enterprise Funds
Appropriated transfers from/to various funds to fund FY 2004 operating fund - and other reclassifications	$3,247,650	$(3,231,241)	$(30,949)	$(10,177)	$ 24,717
Totals on governmental fund basis	3,247,650	$(3,231,241)	$(30,949)	$(10,177)	$ 24,717
Amounts transferred from other funds to fund indirect costs appropriated in general fund	922,942	(305,815)			(617,127)
Totals on budgetary basis	$4,170,592	$(305,815)			$(617,127)

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2004:

Purpose	Balance July 1, 2003	Additions	(Reductions)	Balance June 30, 2004	Current Portion
Governmental activities:					
Sewer, 1.93-4.94%, due 1997-2021	$12,472,545	$ 195,000	$(785,092)	$11,882,453	$ 719,240
Schools, 1.93-5.15%, due 1996-2021	25,324,000	505,000	(1,664,000)	24,165,000	1,760,000
Multipurpose and other, 1.93-5.15%, due 1996-2013	7,365,000	530,000	(1,020,000)	6,875,000	1,128,001
Total governmental bonds payable	45,161,545	1,230,000	(3,469,092)	42,922,453	3,607,241
Compensated absences	4,997,559	-	(26,457)	4,971,102	-
Total governmental noncurrent liabilitie	$50,159,104	$1,230,000	$(3,495,549)	$47,893,555	$3,607,241

Purpose	Balance July 1, 2003	Additions	(Reductions)	Balance June 30, 2004	Current Portion
Business-type activities:					
Enterprise Funds:					
Water, 4.61-5.15%, due 1996-2011	$1,740,000	$	$(650,000)	$1,090,000	$645,000
Solid waste, 5.15%, due 1996-2009	135,000	150,000	(30,000)	255,000	60,000
Total business-type activity bonds payable	1,875,000	150,000	(680,000)	1,345,000	705,000
Landfill closure and monitoring liability	500 000			500 000	30 000
Compensated absences	78,714	4,699	-	83,413	-
Total business-type non-current liabilities	$2,453,714	$154,699	$(680,000)	$1,928,413	$735,000

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 reported within the governmental activities in these financial statements.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2004, including interest, are as follows:

	Government Activities			Business-type Activities		
Year Ending June 30,	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2005	$3,607,241	$ 1,762,850	$ 5,370,091	$ 705,000	$ 38,400	$ 743,400
2006	3,511,815	1,645,246	5,157,061	220,000	23,280	243,280
2007	3,341,796	1,534,747	4,876,543	120,000	16,245	136,245
2008	3,317,152	1,409,141	4,726,293	115,000	10,983	125,983
2009	3,254,051	1,296,554	4,550,605	90,000	7,110	97,110
2010 – 2014	11,930,398	4,843,675	16,774,073	95,000	5,780	100,780
2015 – 2019	9,295,000	2,492,483	11,787,483			
2020 – 2023	4,665,000	394,163	5,059,163	-	-	-
Total	$42,922,453	$15,378,859	$58,301,312	$1,345,000	$101,798	$1,446,798

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, 2004:

Purpose	Year(s) Authorized	Unissued Balance June 30,2003	Issued	Authorization	Unissued Balance June 30, 2004
General Purpose					
School projects	2004	$ 185,000	$(535,000)	$1,043,000	$ 693,000
Various DPW and other projects	2004	350,000	(250,000)	1,373,500	1,473,500
Seawalls and dredging	2004	50,000	(250,000)	950,000	750,000
Sewer	2002	195,000	(195,000)		
Sewer extension	2003	689,420			689,420
Sewer building repairs and equipment	2004	-	-	468,000	468,000
		1,469,420	(1,230,000)	3,834,500	4,073,920
Enterprise					
Transfer station	2003	150,000	(150,000)		
Water main	2004	-	-	340,000	340,000
		150,000	(150,000)	340,000	340,000
Total authorized and unissued		$1,619,420	$(1,380,000)	$4,174,500	$4,413,920

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. The Town had no temporary borrowings in either the governmental or business-type activities during fiscal 2004. Accordingly, there is no short-term debt outstanding as of June 30, 2004.

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 $1,908,741, representing approximately 7.9% 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, 2003 and 2002 were $1,652,757 and $1,604,845 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, $4,299,719 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 356 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. For 2004, those costs totaled approximately $872,000.

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, 2004, $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, 2004, 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. Prior period restatements

The Town has reclassified the sewer operations from enterprise funds to governmental fund activities. The effect of this reclassification is presented in the tables below.

Reclassification of sewer operations as a governmental activity:

	Sewer Operations
Net Assets at June 30, 2003	$ 17,490,607
Amounts not reported on fund basis as of June 30, 2003	
Capital assets, net	(19,445,915)
Accrued MWPAT revenue	(1,270,591)
Accrued departmental receivables	(754,168)
Accrued interest	31,705
Compensated absences	12,943
Bonds payable	7,483,527
MWPAT receivable not previously reported	3,484,796
Fund balance at June 30, 2003 (restated)	$ 7,032,904

Fund financial statements:

	General Fund	**Sewer Fund**	**Stabilization Fund**	**Other Governmental Funds**	**Total Governmental Funds**
Fund balances at June 30, 2003	$10,085,172	$	$10,211,620	$ 8,209,690	$28,506,482
Reclassified sewer operations	-	7,032,904	-	-	7,032,904
Fund balances restated as of July 1, 2003	$10,085,172	$7,032,904	$10,211,620	$ 8,209,690	$35,539,386

Business-type activities:

	Sewer Operations	**Solid Waste Operations**	**Water Operations**	**Total**
Net assets as of June 30, 2003	$ 17,490,607	$ 2,792,345	$26,928,977	$ 47,211,929
Sewer operations reclassified as A governmental activity	(17,490,607)	-	-	(17,490,607)
Net assets restated as of July 1, 2003	$ -	$ 2,792,345	$26,928,977	$ 29,721,322

Government-wide financial statements:

	Governmental Activities	**Business-type Activities**	**Total**
Net assets as of June 30, 2003	$103,984,297	$ 47,211,929	$151,196,226
Reclassification of sewer operations as a governmental activity	17,490,607	(17,490,607)	-
Net assets restated as of July 1, 2003	$121,474,904	$ 29,721,322	$151,196,226