

*The Town of
Westwood, Massachusetts*



*Comprehensive Annual
Financial Report*

*For the Fiscal Year
July 1, 2003 – June 30, 2004*



Westwood Town Hall

*The Town of
Westwood, Massachusetts*



**Comprehensive
Annual Financial Report**

**For the Fiscal Year
July 1, 2003 through June 30, 2004**

Board of Selectmen

**Patrick J. Ahearn, Chairman
Anthony J. Antonellis
Nancy Hyde**

**Prepared by:
Pamela Dukeman, Finance Director**

Town of Westwood, Massachusetts
Comprehensive Annual Financial Report
For the Year Ended June 30, 2004

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Introductory Section

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A Few Words About Westwood

Directory of Officials

Organization Chart

Certificate of Achievement



*Finance Director Pamela Dukeman and Finance Team Receiving
FY03 CAFR Award from Board of Selectmen*

*Pictured from left to right: Treasurer James Gavin, Town Accountant Marie O'Leary,
Finance Director Pamela Dukeman, Selectmen Anthony Antonellis, Nancy Hyde, and
Patrick Ahearn, Finance Commission Administrator Sheila Nee and Assistant Treasurer Patricia Conley*



Town of Westwood
Commonwealth of Massachusetts

Office of the Finance Director

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Email:
PDukeman@Townhall.Westwood.MA.US

Letter of Transmittal

October 26, 2004

To the Honorable Board of Selectmen and Citizens of the Town of Westwood:

State law requires the Town of Westwood to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principals generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Westwood, Massachusetts, for the fiscal year ending June 30, 2004 for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit raters as well as residents and taxpayers of Westwood.

This report consists of management's representations concerning the finances of the Town of Westwood. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Westwood's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Westwood for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion the Town of Westwood's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Westwood was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Westwood's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

designed to compliment MD&A and should be read in conjunction with it. The Town of Westwood's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Westwood was incorporated as a Town in 1897. With a population of approximately 14,000, Westwood is located in eastern Massachusetts, 13 miles south of Boston, with a land area of 11 square miles. Situated at the junction of Routes 95/128 and 93, Westwood provides an excellent location for its residents and its businesses. The Town offers the further convenience of two commuter rail lines, full MBTA bus service on some major routes, and Amtrak high speed rail access to Boston and New York.

Westwood is known throughout the state for its high quality school system and beautiful open space. Westwood students consistently score in the top percentiles on national tests, and the overwhelming majority of students graduating from the High School go on to higher education.

Westwood is recognized throughout the state for its attractive open space and rambling New England stone walls.

The Town offers a full range of services including police and fire protection, education, maintenance of streets and infrastructure, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services.

The Town operates under a Board of Selectmen/Open Town Meeting/Executive Secretary form of government. The elected, three-member Board of Selectmen makes policy decisions. The Executive Secretary is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the Town.

An elected, five-member School Committee appoints a School Superintendent who administers the public school system of the Town. School Committee members, like the Board of Selectmen, are elected at-large to three-year staggered terms.

Factors Affecting Financial Condition

The Town of Westwood continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. The Town remains a very desirable community given its close proximity to Boston and quality of services provided. The residential sales market has been very strong, reflecting the solid interest in the community.

The Town continues to maintain a strong commercial tax base. In FY04, commercial property represented 15.8% of the total Town value. The Town continues to focus on the needs of its business community, primarily in the University Avenue Park. This area represents the economic engine that drives the Town's commercial tax base. While occupancy rates in the Park are relatively stable given the current economic conditions, the Town realizes it must continue the initiative to improve the road systems and revitalize the commercial areas in order to attract new and retain existing development.

Residential values have continued to increase and residential sales remain strong. The residential values demonstrate the desirability of the Town. The Town's proximity to Boston and major highways, its quality of life, and dedication to public education maintains the community's popular reputation.

On the Town's operating side, the current state fiscal problems will have some impact on the delivery of Town services. State aid will at best be level funded in the following years. This will leave the Town in a position of having to rely mainly on property taxes to cover the increasing cost of providing services and replace the revenue

lost from the state. As the Town is not highly dependent on state aid, the Town will not be as adversely affected as other communities in the state.

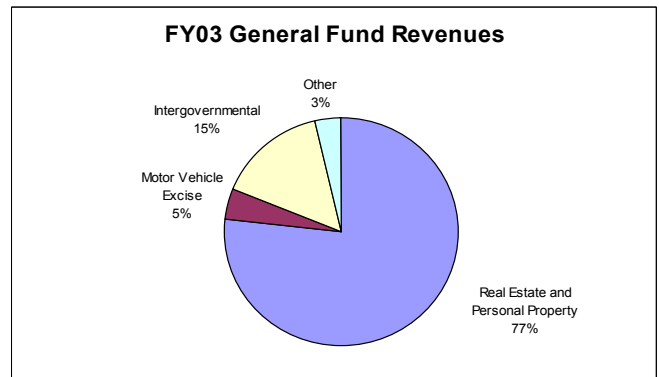
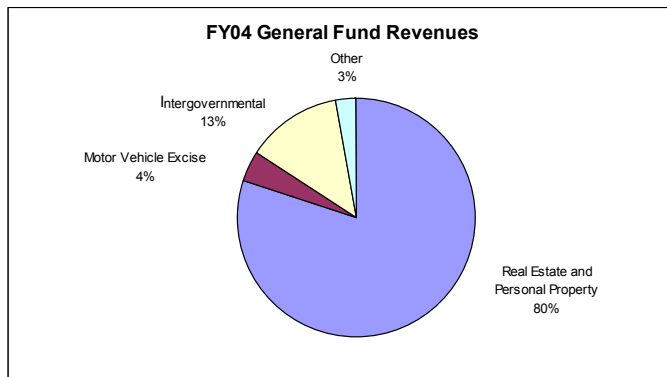
The Town continues to manage its financial affairs in prudent manner. It has maintained its *“excellent”* bond rating of Aa1 even with the fiscal crisis our state experienced in FY04 and the overall unsettled economy. It has been able to do so by incorporating long range planning tools such as a five-year Capital Improvement Program; maintaining reserve balances despite tight budgets; investing in technology to ensure efficient operations; and maintaining an aggressive pay as you go financing strategy for capital improvements.

The Town of Westwood has also enhanced its revenue flexibility by establishing enterprise funds for sewer operations. This has allowed the Town to shift one hundred percent of the operating cost and capital improvements to the users of sewer services so that no tax support goes towards providing these services. All sewer related debt is related to the sewer infrastructure and is funded through sewer user fees. By doing so the Town is able to provide the maximum tax dollars available to all other services.

Financial Summary

The following schedule presents a summary of general fund revenue for the fiscal year ended June 30, 2004 and the change from the prior year.

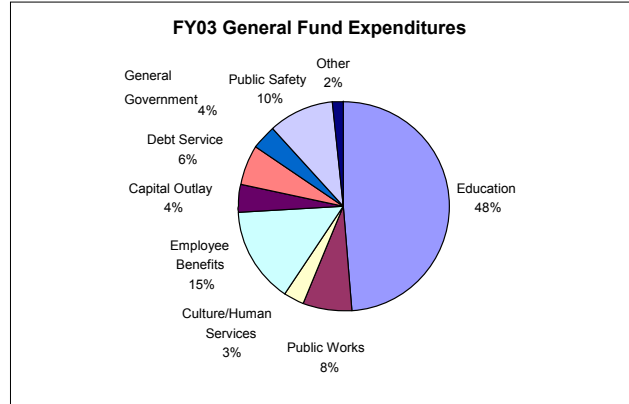
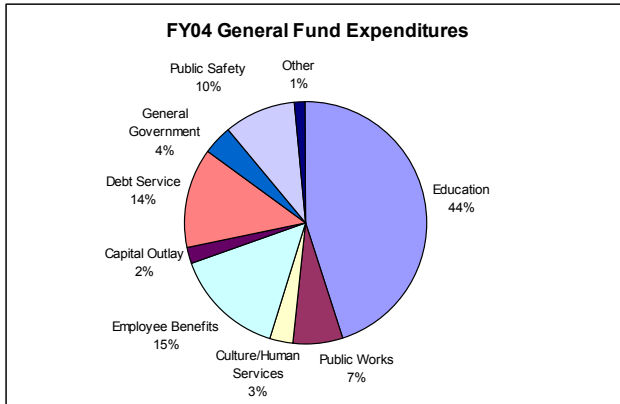
Revenues	FY2004	Percent of Total	FY2003	Percent of Total	Amount of Incr/(Decr) \$	%
Real estate and personal property taxes net of tax refunds	\$42,985,534	80.04%	37,231,915	76.55%	\$5,753,619	15.45%
Motor vehicle and other excise taxes	2,273,692	4.23%	2,268,563	4.66%	\$5,129	0.23%
Charges for services						
Penalties and interest on taxes	109,524	0.20%	95,211	0.20%	\$14,313	15.03%
Fees and rentals	193,562	0.36%	194,161	0.40%	(\$599)	-0.31%
Licenses and permits	390,896	0.73%	389,218	0.80%	\$1,678	0.43%
Fines and forfeitures	20,103	0.04%	22,131	0.05%	(\$2,028)	-9.16%
Intergovernmental	7,009,108	13.05%	7,446,384	15.31%	(\$437,276)	-5.87%
Departmental and other	225,296	0.42%	254,273	0.52%	(\$28,977)	-11.40%
Special assessments	2,279	0.00%	2,635	0.01%	(\$356)	-13.51%
Contributions						
Investment Income	494,065	0.92%	731,824	1.50%	(\$237,759)	-32.49%
	\$53,704,059	100.00%	\$48,636,315	100.00%	\$5,067,744	10.42%



- Overall, general fund revenue increased 10.4% compared to FY03. This increase is primarily due to significant increases in tax revenue, slightly offset by decreases to intergovernmental revenue and investment income.
- Tax revenue continues to be the most significant revenue source for the Town, approximately 80% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2 ½ % over the preceding year plus an allowance for new growth. Tax revenue increased by 15.5% in FY04, primarily due to additional taxes collected outside Proposition 2 ½ for significant debt payments related to school building projects.
- Intergovernmental revenue represents 13% of total general fund revenues. This includes state aid as well as approximately \$3,718,000 in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits. Intergovernmental revenue declined by 6% from FY03 due to a reduction in state education funding.
- Motor vehicle revenue continued to be a strong source of revenue, although not increasing in total from FY03. Motor vehicle revenue represents approximately 4% of the total general fund revenues.
- Investment income declined by 32% from FY03. This decline, as expected, is due to a reduced average cash balance as major school construction projects are completed.
- License and permit revenue remained strong, reflecting strong home renovation and building activity in the Town.

The following table summarizes the general fund expenditures by category and the change from the prior year.

Expenditures	FY2004	Percent of Total	FY2003	Percent of Total	Amount of Incr/(Decr) \$	%
General government	\$1,985,381	3.69%	1,992,367	3.92%	(\$6,986)	-0.35%
Public safety	5,226,004	9.71%	5,100,926	10.04%	\$125,078	2.45%
Education	24,209,045	44.98%	24,687,088	48.60%	(\$478,043)	-1.94%
Public works	3,626,277	6.74%	3,875,532	7.63%	(\$249,255)	-6.43%
Human services	503,854	0.94%	481,554	0.95%	\$22,300	4.63%
Culture and recreation	1,070,023	1.99%	1,055,615	2.08%	\$14,408	1.36%
Pension benefits	4,914,630	9.13%	4,623,294	9.10%	\$291,336	6.30%
Property and liability insurance	273,966	0.51%	241,297	0.48%	\$32,669	13.54%
Employee benefits	3,068,685	5.70%	2,872,277	5.65%	\$196,408	6.84%
State and county charges	513,867	0.95%	538,506	1.06%	(\$24,639)	-4.58%
Capital outlay	1,148,062	2.13%	2,129,695	4.19%	(\$981,633)	-46.09%
Debt service:						
Principal	4,028,000	7.48%	2,360,000	4.65%	\$1,668,000	70.68%
Interest	3,258,430	6.05%	834,458	1.64%	\$2,423,972	290.48%
	\$53,826,224	100.00%	\$50,792,609	100.00%	\$3,033,615	5.97%



- Expenditures in the general fund increased 6% as compared to FY03. The primary increase occurred in debt service relating to a major bond sale in FY04.
- Education continues to represent the largest category of general fund expenditures, approximately 44% in FY04. The Town is committed to providing a high-quality education through its public schools.
- Public Safety and Public Works represent a combined 17% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.
- Debt service costs significantly increased in FY04, more than doubling over FY03. Debt service costs in FY04 were 14% of total general fund expenditures, reflecting increased principal and interest payments associated with school building programs.
- Employee benefits costs increased 6.8% over FY03, reflecting increased pension costs and high health insurance costs experienced throughout the state and region.

The total undesignated fund balance in the general fund increased to \$2,130,372, reflecting strong revenue collections in FY04. Undesignated fund balance at June 30, 2004 represents 3.4% of the general fund expenditures as compared with 3.7% at June 30, 2003.

The Town's general fund undesignated fund balance that is available for appropriation by Town Meeting is certified as "free cash" by the Department of Revenue's Bureau of Accounts. Westwood's "free cash" as of June 30, 2004 is not yet certified, although it is expected to be comparable with that of June 30, 2003. The Town remains committed to conservative budgets and tight management controls. In addition, the Town is committed to maintaining reserves, particularly the Stabilization Fund. The Stabilization Fund balance at June 30, 2004 is \$782,142.

Financial and Management Systems

Internal Controls

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Finance Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Because the cost of internal controls should not outweigh their benefits, the Town of Westwood's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Budgetary Controls

The Town Administrator is responsible for preparing and presenting the budget to the Board of Selectmen. The Selectmen review all requests and Town wide issues and present a budget to Town Meeting for approval. A fifteen member Finance Commission reviews the budget and makes recommendations to Town Meeting.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Finance Commission, upon request by the Board of Selectmen, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash Management

Cash management is handled by the Town Treasurer. The Town Treasurer monitors the Town's cash flow and provides for the investment of Town funds. The Treasurer seeks to maximize the return on Town funds while maintaining adequate protection and liquidity of funds.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short term basis to maintain cash flow. The Town's investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and unemployment compensation claims.

Buildings and property are fully insured against fire, theft and natural disaster to the extent that losses exceed \$1,000 per incident.

The Town is a member of the Massachusetts Interlocal Insurance Association ("MIIA"), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation benefits for employees other than uniformed police and fire personnel. MIIA is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance. The total premiums assessed by MIIA to the Town in 2004 amounted to \$100,016 and were recorded in the General Fund.

The Town takes specific measures to reduce all risk exposure. The Town has an Employee Safety Committee which meets bi-monthly to review claims and accidents, and develops and implements safety programs.

Debt Administration

The Town Treasurer has oversight of all Town debt. The Town's credit rating was reaffirmed as an Aa1 rating in 2003, a strong reflection on the financial condition and management of the Town.

The Town seeks to maintain a ten year repayment policy whenever possible. This policy has worked very well in structuring a smooth debt schedule. In addition, this policy permits the Town to continually address capital needs through debt replacement programs.

It is the Town's policy for sewer debt to be paid through sewer receipts. In addition, the Town has issued sewer debt through a state program with resulting interest rates of 1.26%.

As of June 30, 2004, the Town has outstanding debt of \$59,493,582, of which \$4,823,582 is sewer construction debt. Bonds issued for road and school improvements were approved as debt exclusions to Proposition 2 ½. The additional tax payments for the bonds will end when the bonds are repaid. The school related debt qualifies for state programs that will pay for 59% of the total principal and interest costs.

The Town has authorized and unissued debt for school expansion and land acquisition projects. Total authorized and unissued debt as of June 30, 2004 is \$6,683,340. The authorized and unissued debt includes \$5,033,340 to complete a new high school.

The significant increase in the outstanding debt is due to debt associated with the Town's commitment to build the new high school at a cost of \$43 million. The new high school will be a state-of-the art complex providing outstanding educational facilities. In addition, it will provide significant community resources including a theater, pool, library, playing fields and meeting space facilities.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Westwood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report. Westwood has received this award annually since FY97.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the Town's FY00 budget received the GFOA Distinguished Budget Presentation Award. This award is the highest form of recognition in governmental budgeting and is a significant achievement for the Town and the financial staff. The FY99 and FY98 budgets previously received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy documentation, finance, financial planning and organization.

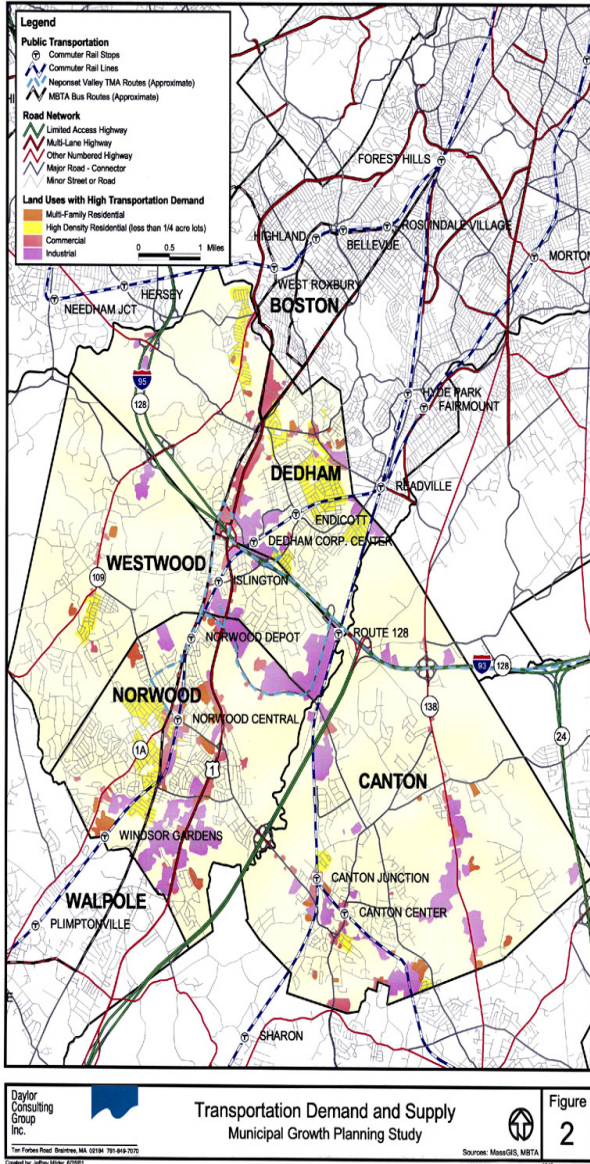
This report represents significant effort by the entire financial team of the Town, whose dedicated efforts have significantly improved the financial operations of the Town. I particularly would like to acknowledge the efforts of Sheila Nee, whose assistance was invaluable in the preparation of this Comprehensive Annual Financial Report. I would also like to thank the Town's management team for their recognition of the importance of the CAFR and the encouragement given to the financial departments.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Pamela Dukeman".

Pamela Dukeman
Finance Director

A Few Words About Westwood....



Westwood was incorporated as a town in 1897 and has a current population of approximately 14,000. The town is located in eastern Massachusetts, 13 miles south of its capital city of Boston. One major attraction of Westwood is its location in relation to Boston and major roadways. The commuter rail has four convenient stops within five minutes of town, one of which doubles as an Amtrak station. The Amtrak station provides connections originating in Boston and continuing to Providence, Rhode Island and New York City.

The town is recognized for the quality of its schools. Students consistently score in the top percentile on national tests, and the overwhelming majority of students graduating from the High School go on to higher education.

Westwood operates under a Board of Selectmen/Open Town Meeting/Executive Secretary form of government. The elected, three-member Board of Selectmen makes policy decisions. The Executive Secretary is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the town. An elected, five-member School Committee appoints a School Superintendent who administers the town's public school system. School Committee members, like the Board of Selectmen, are elected at-large to three-year staggered terms.

The town offers a full range of services including police and fire protection, education, maintenance of streets and infrastructure, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services.

From a natural perspective, the town works very hard to conserve land. It is the hope of preservation workers that Westwood can create its own emerald necklace with its conservation land and walking paths. Hale Reservation is one of the town's hidden gems. With 1,200 acres of wooded area and a large pond, Hale is an active part of the community. During the summer, Hale's membership beach attracts over 500 families. Hale Reservation is the largest summer day camp in the nation with 2,025 students.

The formation of Westwood has been influenced by a number of factors. Character, community, and location are just three of its most admirable traits.

*Town of Westwood,
Massachusetts*

Principal Officials

Board of Selectmen

Patrick J. Ahearn, Chairman
Anthony J. Antonellis
Nancy Hyde

Executive Secretary – Michael Jaillet
Finance Director – Pamela Dukeman
School Superintendent – Dr. Paul Ash
Town Treasurer – James Gavin
Police Chief – William Chase
Fire Chief – William Scoble
DPW Director – Timothy Walsh

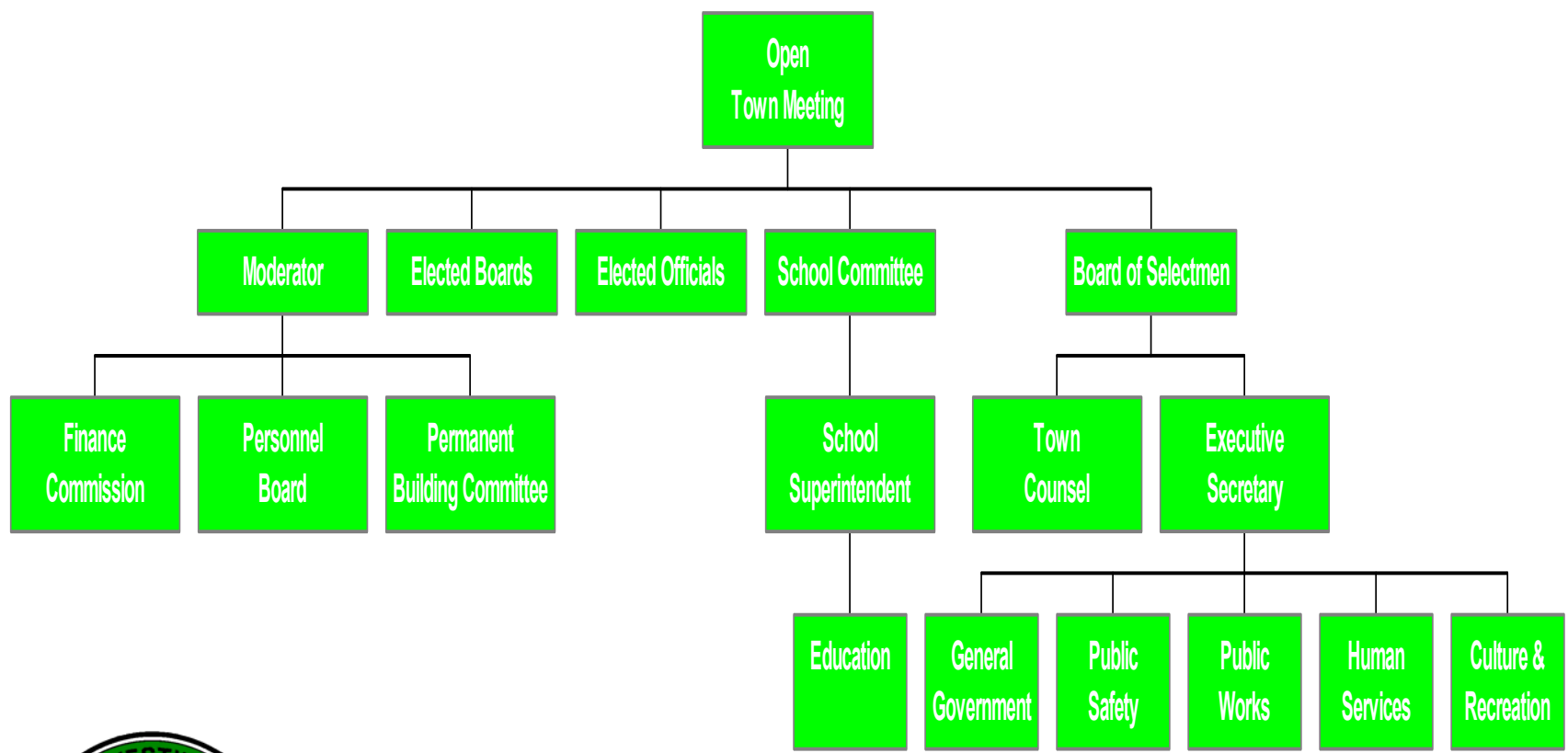
Town of Westwood, Massachusetts

Total Budget Salaries of Principal Officials

June 30 , 2004

Position	Salary
School Superintendent	\$121,555
Assistant School Superintendent	\$106,162
Police Chief	\$ 95,035
Executive Secretary	\$ 99,770
Department of Public Works Director	\$ 91,440
Fire Chief	\$ 91,728
Finance Director	\$ 81,511
Town Counsel	\$ 74,639
Library Director	\$ 75,616
Information Systems Director	\$ 65,233
Town Accountant	\$ 66,373
Recreation Director	\$ 64,933
Town Clerk (Elected)	\$ 60,786
Health Director	\$ 60,979
Council on Aging Director	\$ 59,353
Building Inspector	\$ 60,759
Youth Director	\$ 57,371
Assistant Treasurer	\$ 49,279
Board of Selectmen (Elected)	\$ 2,000
Board of Assessors (Elected)	\$ 1,800
Treasurer (Elected)	\$ 4,000
Tax Collector (Elected)	\$ 4,000

The Town of Westwood



Elected Boards

- Regional Vocational School Rep.
- Housing Authority
- Library Trustees
- Planning Board
- Assessors

Elected Officials

- Town Clerk
- Town Collector
- Town Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Westwood,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

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Financial Section

*Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Other Supplementary Information*



Carby Street Municipal Office Building



At the 2001 Annual Town Meeting, residents approved \$2.6 M to construct a new municipal office building. The building opened in the summer of 2004 and houses all Land Use departments and the Department of Public Works administrative offices.



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 member

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Westwood, 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 Westwood, Massachusetts, as of and for the fiscal year ended June 30, 2004, which comprise the Town's basic financial statements. These financial statements are the responsibility of the Town of Westwood, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinion.

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 Westwood, Massachusetts, as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof for the fiscal 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 August 27, 2004, on our consideration of the Town of Westwood, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Westwood, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are 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.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Bowers + Sullivan". The signature is written in dark ink and is positioned above the date.

August 27, 2004

Management's Discussion and Analysis

As management of the Town of Westwood, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2004. This is the second year our financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34 – Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town of Westwood's financial statements have significant departures from GAAP the independent auditors' may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and our ability to borrow money at favorable interest rates. The Town of Westwood has enjoyed an unqualified opinion on its financial statements since the fiscal year ended June 30, 1984.

Financial Highlights

- The governmental assets of the Town of Westwood exceeded its liabilities at the close of the most recent fiscal year by \$58,099,481 (net assets).
- Of this amount, 14% or \$8,079,192 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Westwood's general fund reported an ending fund balance of \$4,940,462, an increase of \$1,504,114 in comparison with the prior year. Total fund balance represents 9.1% of total general fund expenditures. Approximately \$3.5 million of this total amount is available for appropriation at the government's discretion. Of this amount, \$1,446,270 was appropriated to balance the subsequent year's budget.
- The Town of Westwood's total governmental debt decreased by \$2.6 million during the current fiscal year. This was the net effect of \$4,028,000 in principal payments on debt and the issuance of \$2,262,000 in debt for the New High School. The Commonwealth of Massachusetts is committed to provide assistance in the form of a capital grant of 59% of the cost of the project through the state's school building assistance program.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Westwood's basic financial statements. The Town of Westwood's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the Town of Westwood'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 of Westwood is improving or deteriorating.

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

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

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

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

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

The Town of Westwood adopts an annual appropriated budget for its general fund. A budgetary comparison schedule is included as required supplementary information for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains only one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations.

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

Notes to 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Westwood, assets exceeded liabilities by \$74,350,402 at the close of the fiscal year 2004.

Governmental net assets of \$47,624,251 (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Westwood's net assets \$2,396,038 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,079,192 (14%) may be used to meet the government’s ongoing obligations to citizens and creditors.

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

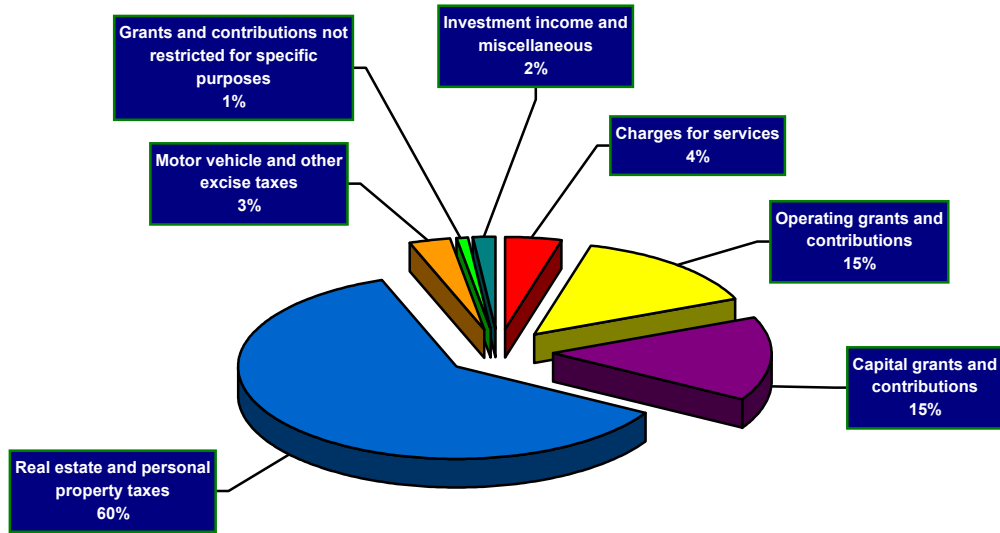
	Balance at June 30, 2004	Balance at June 30, 2003
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 24,332,882	\$ 37,876,225
Noncurrent assets (excluding capital).....	31,223,965	20,444,741
Capital assets.....	65,707,829	48,253,318
Total assets.....	121,264,676	106,574,284
Liabilities:		
Current liabilities (excluding debt).....	7,442,716	6,930,306
Noncurrent liabilities (excluding debt).....	1,052,479	467,000
Current debt.....	4,415,000	4,266,824
Noncurrent debt.....	50,255,000	53,039,041
Total liabilities.....	63,165,195	64,703,171
Net Assets:		
Capital assets net of related debt.....	47,624,251	32,916,498
Restricted.....	2,396,038	1,982,394
Unrestricted.....	8,079,192	6,972,221
Total net assets.....	\$ 58,099,481	\$ 41,871,113

Governmental activities. The governmental activities net assets increased by \$16,228,368 during the current fiscal year. The major reasons for this increase is directly attributed to the recognition of \$10,228,895 in capital grant revenue, the acquisition of approximately \$1,000,000 in capital assets from current revenues and the current reduction of debt exceeding depreciation by approximately \$2,200,000. All of these factors improve the Town's financial position.

	June 30, 2004	June 30, 2003
Program revenues:		
Charges for services.....	\$ 2,932,439	\$ 2,396,705
Operating grants and contributions.....	10,228,691	9,583,746
Capital grants and contributions.....	10,228,896	8,850,568
General Revenues:		
Real estate and personal property taxes.....	42,923,460	37,137,655
Motor vehicle and other excise taxes.....	2,167,086	2,417,791
Nonrestricted grants and contributions.....	700,468	724,330
Unrestricted investment income.....	494,065	731,824
Miscellaneous revenues.....	620,879	569,178
Total revenues.....	70,295,984	62,411,797
Expenses:		
General Government.....	2,902,036	2,749,932
Public Safety.....	6,885,140	6,041,399
Education.....	33,719,574	33,612,065
Public Works.....	4,538,604	4,094,204
Human Services.....	686,770	653,619
Culture and recreation.....	1,660,585	1,474,254
Property and liability insurance.....	273,966	241,297
Interest.....	2,887,074	1,300,036
State and county charges.....	513,867	538,506
Total expenses.....	54,067,616	50,705,312
Transfers.....	-	212,000
Change in net assets.....	\$ 16,228,368	\$ 11,918,485

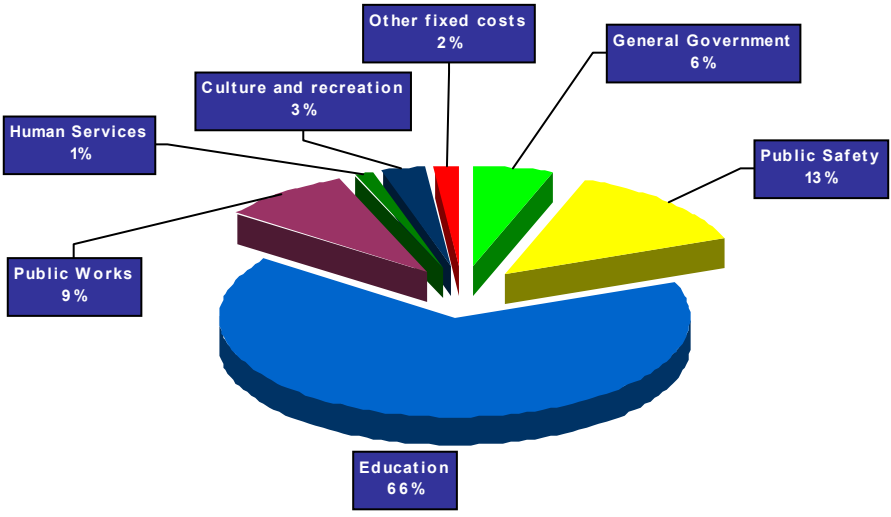
- Charges for services represent about 4% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Board of Selectmen are included in this category.
- Operating and capital grants and contributions account for 30% of the governmental activities resources. Most of these resources apply to education operations. These resources offset cost within the school department in addition to their General Fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprise 61% of all resources.
- Other taxes comprise 5% of the governmental activity's resources.

FY04 Governmental Revenues

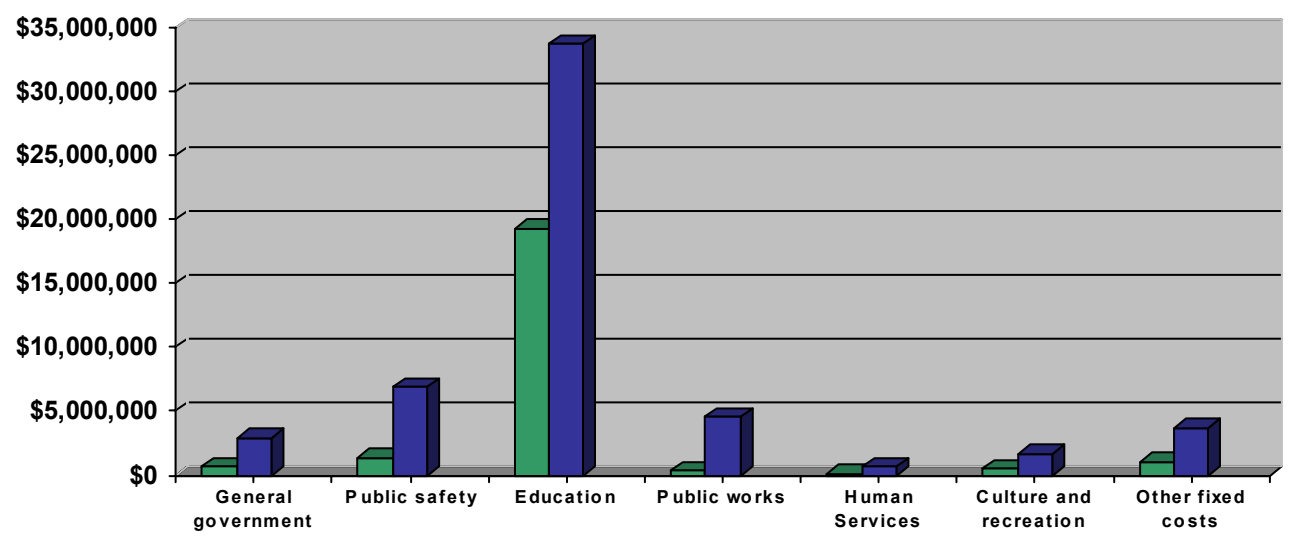


- Education is by far the largest governmental activity of the Town at 62%. Approximately \$33.3 million in taxes and other revenue were needed to cover its FY 2004 operating expenses.
- Public safety and public works are significant activities of the Town. Approximately \$6.4 million and \$4.4 million of taxes and other revenue were needed to cover their FY 2004 operating expenses, respectively. Combined, they represent 20% of governmental activity's expenses.

FY04 Governmental Expenses



Expenses and Program Revenues - Governmental Activities



Business-type activities. For sewer business-type activities assets exceeded liabilities by \$16,250,421 at the close of fiscal year 2004. Capital assets net of related debt was \$12,576,170 (77%) while unrestricted net assets was \$3,674,751 (23%). There was an increase of \$425,854 in net assets reported in connection with the sewer enterprise. This relative small change in net assets reflects management's goal of maintaining the system while only charging users for the cost of operations.

Changes in Revenues & Expenses – Business-type

	June 30, 2004	June 30, 2003
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 3,657,703	\$ 3,673,919
Operating grants and contributions.....	114,779	130,477
Total revenues.....	3,772,482	3,804,396
Expenses:		
Sewer.....	3,346,728	3,531,101
Total expenses.....	3,346,728	3,531,101
Transfers.....	-	(212,000)
Change in net assets.....	\$ 425,754	\$ 61,295

Changes in Net Assets – Business-type

	Balance at June 30, 2004	Balance at June 30, 2003
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 3,317,370	\$ 3,635,207
Noncurrent assets (excluding capital).....	505,591	532,714
Capital assets.....	17,399,752	17,582,823
Total assets.....	21,222,713	21,750,744
Liabilities:		
Current liabilities (excluding debt).....	148,210	119,767
Current debt.....	968,918	982,228
Noncurrent debt.....	3,854,664	4,823,582
Total liabilities.....	4,971,792	5,925,577
Net Assets:		
Capital assets net of related debt.....	12,576,170	11,777,013
Unrestricted.....	3,674,751	4,048,154
Total net assets.....	\$ 16,250,921	\$ 15,825,167

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Westwood'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 of Westwood's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,759,792, a decrease of \$14,098,827 from the prior year. Most of the decrease is attributable to expenditures used to acquire capital assets. At June 30, 2004 \$6,064,002 of unspent capital projects funds represent the most significant portion of fund balance. In FY05 these funds will be reduced by the expenditures of funds to acquire capital assets and therefore the fund balance will be reduced.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,130,372, while total fund balance reached \$4,490,462. 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 4% of total general fund expenditures, while total fund balance represents 8.3% of that same amount.

The fund balance of the general fund increased by \$1,504,114 which represents management's intention to maintain sufficient reserves while maintain a structural balanced budget each fiscal year.

The Town also maintains a stabilization fund, which management has classified as a major governmental fund. The stabilization fund has a year end balance of \$782,142 which represents 1.45% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. Please refer to Note 11 for additional information on the Town's stabilization fund.

The New High School fund is used to account for the construction of a new High School facility. This fund had a year end fund balance of \$4,389,146 which is the unspent proceeds of the FY03 bond issuance of \$37,000,300 to finance the project. The Town expects to complete this project during FY05.

The Highway Improvement fund is used to account for the Town's roadway projects that are funded through the Massachusetts Highway Department under the provisions of Massachusetts General Law Chapter 90 § 34 which is referred to as "Chapter 90 funds". These funds are reimbursed to communities based on certified expenditure reports submitted to the Massachusetts Highway Department. The Town expended approximately \$300,000 through this program during fiscal year 2004. The Town has reported a receivable balance at year end of approximately \$547,000. This consists of approximately \$163,000 in reimbursements related to a \$1,100,000 project at the University Avenue Industrial Park and approximately \$384,000 in new roadway projects.

General Fund Budgetary Highlights

Actual general fund revenues exceeded the final budget amount by 2%, primarily occurring in the real estate tax and investment income accounts. Real estate tax collections were very strong and abatements granted very low.

Investment income exceeded budget by 64% due to higher than average cash balances from construction projects. This high investment income will decline going forward as major construction projects are completed.

Actual general fund expenditures are less than final budget by 1.2%, with the majority of the variance occurring in education and reserve fund accounts.

The general fund education expenditures were less than final budget by approximately \$240,000 or 1%, due to unanticipated changes in special education student assignments.

The reserve account varied from budget by approximately \$112,000 or 28%, as reserve funds were not fully needed for snow and ice expenditures due to a milder than normal winter.

The \$12,000 increase between the original budget and the final amended budget was due to supplementary appropriations to fund capital outlay and health and liability insurance budgets.

All of this increase was funded out of the town's available fund balances.

Capital Assets and Debt Management

In conjunction with the operating budget, the Town annually prepares a capital budget which includes detailed information concerning those capital requests for the upcoming fiscal year as well as summary information for the following four fiscal years to identify current projections of what level of capital outlay will be required in future years.

As part of the capital plan the Town has historically financed the acquisition of some capital assets from current revenue. As noted above, this policy will continue to improve the financial position as net assets will increase by the amount of acquisitions less the current depreciation.

Major capital assets are funded by the issuance of long-term debt. The effect on net assets during the construction phase of the project is neutral since the Town increases its assets and associated liability by the same amount. In subsequent years the net assets will be reduced through depreciation and will be increased by the revenues raised to support the debt principal payments. Outstanding long-term debt of the general government, as of June 30, 2004, totaled \$54,670,000, of which, approximately \$49,979,300 is related to school projects, leaving a balance of only approximately \$5,000,000 for other non-school related projects.

The enterprise fund has \$4,823,582 in sewer enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital project is used to account for the Town's new high school construction project which is anticipated to cost approximately \$45,000,000. To fund the project, the Town issued \$39,262,300 of long term bonds in FY03. The Commonwealth of Massachusetts is committed to provide assistance in the form of a capital grant of 59% of the cost of the project through the state's school building assistance program. The Town has recorded \$19,079,464 of capital grants during FY04 and FY03 equal to 59% the allowable capital expenses incurred each year.

Please refer to notes 6, 7, 8 and 9 for further discussion of the major capital and debt activity.

CAPITAL ASSETS

	Cost of Capital Assets at end of year	Accumulated Depreciation at end of year	Capital Assets, net
	<u> </u>	<u> </u>	<u> </u>
Governmental activities:			
Land.....	\$ 5,273,382	\$ -	\$ 5,273,382
Construction in progress.....	35,858,789	-	35,858,789
Buildings and improvements.....	35,145,911	(15,027,111)	20,118,800
Vehicles.....	4,600,521	(2,660,722)	1,939,799
Machinery and equipment.....	4,333,186	(2,649,747)	1,683,439
Furniture and fixtures.....	174,936	(104,178)	70,758
Infrastructure.....	<u>852,271</u>	<u>(89,409)</u>	<u>762,862</u>
Total governmental activities.....	<u>86,238,996</u>	<u>(20,531,167)</u>	<u>65,707,829</u>
Business-type activities:			
Land.....	350,850	-	350,850
Plant and infrastructure.....	25,172,007	(11,763,805)	13,408,202
Other buildings and improvements...	5,506,646	(2,039,537)	3,467,109
Vehicles.....	190,130	(116,548)	73,582
Machinery and equipment.....	230,326	(130,317)	100,009
Furniture and fixtures.....	<u>35,323</u>	<u>(35,323)</u>	<u>-</u>
Total business-type activities.....	<u>31,485,282</u>	<u>(14,085,530)</u>	<u>17,399,752</u>
Total capital assets.....	<u>\$ 117,724,278</u>	<u>\$ (34,616,697)</u>	<u>\$ 83,107,581</u>

GOVERNMENTAL BONDS PAYABLE

Project	Interest Rate (%)	Outstanding at June 30, 2003	Issued	Redeemed	Outstanding at June 30, 2004
Roads.....	4.40-5.70%	\$ 440,000	\$ -	\$ 220,000	\$ 220,000
Land acquisition.....	4.40-5.70%	60,000	-	30,000	30,000
Middle school/gym.....	3.50-4.00%	1,409,000	-	234,000	1,175,000
Middle school/gym.....	3.50-4.00%	330,000	-	55,000	275,000
Land acquisition.....	3.50-4.00%	240,000	-	40,000	200,000
Senior center.....	3.50-4.00%	144,000	-	24,000	120,000
School fields.....	3.50-4.00%	114,000	-	19,000	95,000
Middle school/gym completion.....	3.50-4.00%	90,000	-	15,000	75,000
Middle school/gym completion.....	3.50-4.00%	43,000	-	8,000	35,000
Lowell land purchase.....	4.89%	135,000	-	135,000	-
Martha Jones School construction.....	3.90-5.00%	6,480,000	-	720,000	5,760,000
Downey School construction.....	3.90-5.00%	5,670,000	-	630,000	5,040,000
Striar land purchase.....	3.90-5.00%	1,170,000	-	130,000	1,040,000
Cemetery land purchase.....	3.90-5.00%	270,000	-	30,000	240,000
School planning.....	2.50-5.38%	37,000,300	2,262,000	1,738,000	37,524,300
Public building.....	3.00-5.00%	2,600,000	-	-	2,600,000
Public building.....	3.00-5.00%	240,700	-	-	240,700
Total governmental bonds payable.....		\$ 56,436,000	\$ 2,262,000	\$ 4,028,000	\$ 54,670,000

ENTERPRISE BONDS PAYABLE

Project	Interest Rate (%)	Outstanding at June 30, 2003	Issued	Redeemed	Outstanding at June 30, 2004
Sewer (WPAT).....	1.26%	\$ 12,312	\$ -	\$ 6,017	\$ 6,295
Sewer (WPAT).....	1.26%	867,773	-	431,688	436,085
Sewer.....	4.40-5.70%	170,000	-	85,000	85,000
Sewer.....	4.40-5.70%	60,000	-	30,000	30,000
Sewer.....	3.50-4.00%	480,000	-	80,000	400,000
Sewer.....	3.50-4.00%	240,000	-	40,000	200,000
Sewer (MWRA).....	0.00%	20,614	-	20,614	-
Sewer (WPAT).....	3.88%	2,605,111	-	138,909	2,466,202
Sewer.....	3.90-5.00%	1,350,000	-	150,000	1,200,000
Total enterprise bonds payable.....		\$ 5,805,810	\$ -	\$ 982,228	\$ 4,823,582

The Town of Westwood maintains an “AA+” rating from Standard & Poor’s and a AA1 from Moody’s for general obligation debt.

Economic Factors and Next Year’s Budget and Rates

- The Commonwealth of Massachusetts is recovering from budget deficits of prior years and local aid has stabilized. The Town budgeted level funding for local aid for FY05.
- The operating budget increased 3.4% over the FY04 budget. This increase is attributable to moderate 3 – 4% increases for school and municipal operating budgets, a 7% decrease in debt service, and a 13% increase in employee health insurance.
- The FY05 budget includes a \$25,000 appropriation to the Stabilization reserve account.

All these factors were considered in preparing the Town of Westwood’s budget for fiscal year 2005.

The official tax rates for FY05 have not yet been set. However, the Town’s residential tax rate will remain flat or slightly decline from the current \$12.96 per thousand of valuation. The Town’s commercial tax rate will also remain flat or slightly decline from the current rate of \$23.36. The tax rate declines are primarily due to the pending receipt of capital grant funds from the state for school construction projects.

Sewer rates will increase by 4% for fiscal year 2005. The increase is primarily due to the increase in the assessment charged by the state for the Massachusetts Water Resource Authority (MWRA).

Requests for Information

This financial report is designed to provide a general overview of the Town of Westwood’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town Hall, 580 High Street, Westwood, Massachusetts 02090

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 22,722,516	\$ 1,056,075	\$ 23,778,591
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	163,752	-	163,752
Tax liens.....	115,158	-	115,158
Motor vehicle excise taxes.....	111,590	-	111,590
User charges.....	-	2,234,172	2,234,172
Departmental and other.....	223,282	-	223,282
Special assessments.....	2,803	-	2,803
Intergovernmental.....	993,781	27,123	1,020,904
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	31,223,965	505,591	31,729,556
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	23,114,209	350,850	23,465,059
Depreciable.....	42,593,620	17,048,902	59,642,522
TOTAL ASSETS.....	121,264,676	21,222,713	142,487,389
LIABILITIES			
CURRENT:			
Warrants payable.....	5,022,845	85,428	5,108,273
Accrued payroll.....	808,863	5,514	814,377
Accrued interest.....	275,871	44,268	320,139
Other liabilities.....	255,339	-	255,339
Capital lease obligations.....	344,798	-	344,798
Compensated absences.....	735,000	13,000	748,000
Bonds and notes payable.....	4,415,000	968,918	5,383,918
NONCURRENT:			
Capital lease obligations.....	605,479	-	605,479
Compensated absences.....	447,000	-	447,000
Bonds and notes payable.....	50,255,000	3,854,664	54,109,664
TOTAL LIABILITIES.....	63,165,195	4,971,792	68,136,987
NET ASSETS			
Invested in capital assets, net of related debt.....	47,624,251	12,576,170	60,200,421
Restricted for:			
Permanent funds:			
Expendable.....	219,535	-	219,535
Nonexpendable.....	260,154	-	260,154
Other purposes.....	1,916,349	-	1,916,349
Unrestricted.....	8,079,192	3,674,751	11,753,943
TOTAL NET ASSETS.....	\$ 58,099,481	\$ 16,250,921	\$ 74,350,402

See notes to basic financial statements.

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STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,902,036	\$ 189,373	\$ 489,163	\$ -	\$ (2,223,500)
Public safety.....	6,885,140	824,255	549,984	-	(5,510,901)
Education.....	33,719,574	1,362,860	7,957,238	9,964,397	(14,435,079)
Public works.....	4,538,604	31,090	22,946	264,499	(4,220,069)
Human services.....	686,770	53,350	73,062	-	(560,358)
Culture and recreation.....	1,660,585	471,511	72,713	-	(1,116,361)
Property and liability insurance.....	273,966	-	-	-	(273,966)
Interest.....	2,887,074	-	1,063,585	-	(1,823,489)
State and county charges.....	513,867	-	-	-	(513,867)
Total Governmental Activities.....	<u>54,067,616</u>	<u>2,932,439</u>	<u>10,228,691</u>	<u>10,228,896</u>	(30,677,590)
<i>Business-Type Activities:</i>					
Sewer.....	<u>3,346,728</u>	<u>3,657,703</u>	<u>114,779</u>	<u>-</u>	<u>425,754</u>
Total Primary Government.....	<u>\$ 57,414,344</u>	<u>\$ 6,590,142</u>	<u>\$ 10,343,470</u>	<u>\$ 10,228,896</u>	\$ (30,251,836)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (30,677,590)	\$ 425,754	\$ (30,251,836)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	42,923,460	-	42,923,460
Motor vehicle and other excise taxes.....	2,167,086	-	2,167,086
Penalties and interest on taxes.....	109,524	-	109,524
Grants and contributions not restricted to specific programs.....	700,468	-	700,468
Unrestricted investment income.....	494,065	-	494,065
Miscellaneous.....	511,355	-	511,355
Total general revenues and transfers.....	46,905,958	-	46,905,958
Change in net assets.....	16,228,368	425,754	16,654,122
<i>Net Assets:</i>			
Beginning of year.....	41,871,113	15,825,167	57,696,280
End of year.....	\$ 58,099,481	\$ 16,250,921	\$ 74,350,402

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2004

ASSETS	General	Stabilization	New High School	Highway Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments.....	\$ 7,239,861	\$ 782,142	\$ 7,781,358	\$ 115,791	\$ 6,803,364	\$ 22,722,516
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	163,752	-	-	-	-	163,752
Tax liens.....	115,158	-	-	-	-	115,158
Motor vehicle and other excise taxes.....	111,590	-	-	-	-	111,590
Departmental and other.....	8,888	-	-	-	214,394	223,282
Special assessments.....	2,803	-	-	-	-	2,803
Intergovernmental.....	31,472,697	-	-	547,186	197,863	32,217,746
TOTAL ASSETS.....	\$ 39,114,749	\$ 782,142	\$ 7,781,358	\$ 662,977	\$ 7,215,621	\$ 55,556,847
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 1,359,520	\$ -	\$ 3,392,212	\$ -	\$ 271,113	\$ 5,022,845
Accrued payroll.....	808,863	-	-	-	-	808,863
Other liabilities.....	255,339	-	-	-	-	255,339
Deferred revenues.....	31,750,565	-	-	547,186	412,257	32,710,008
TOTAL LIABILITIES.....	34,174,287	-	3,392,212	547,186	683,370	38,797,055
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	1,363,820	-	-	-	-	1,363,820
Perpetual permanent funds.....	-	-	-	-	260,154	260,154
Unreserved:						
Designated for subsequent year's expenditures.....	1,446,270	-	-	-	-	1,446,270
Undesignated, reported in:						
General fund.....	2,130,372	-	-	-	-	2,130,372
Special revenue funds.....	-	782,142	-	115,791	4,377,706	5,275,639
Capital projects funds.....	-	-	4,389,146	-	1,674,856	6,064,002
Permanent funds.....	-	-	-	-	219,535	219,535
TOTAL FUND BALANCES.....	4,940,462	782,142	4,389,146	115,791	6,532,251	16,759,792
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 39,114,749	\$ 782,142	\$ 7,781,358	\$ 662,977	\$ 7,215,621	\$ 55,556,847

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2004

Total governmental fund balances.....		\$ 16,759,792
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		65,707,829
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		32,710,008
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(275,871)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(54,670,000)	
Capital lease obligations.....	(950,277)	
Compensated absences.....	<u>(1,182,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(56,802,277)</u>
Net assets of governmental activities.....		<u>\$ 58,099,481</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2004

	General	Stabilization	New High School	Highway Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 42,985,534	\$ -	\$ -	\$ -	\$ -	\$ 42,985,534
Motor vehicle and other excise taxes.....	2,273,692	-	-	-	-	2,273,692
Charges for services.....	-	-	-	-	2,651,950	2,651,950
Penalties and interest on taxes.....	109,524	-	-	-	-	109,524
Fees and rentals.....	193,562	-	-	-	-	193,562
Licenses and permits.....	390,896	-	-	-	-	390,896
Fines and forfeitures.....	20,103	-	-	-	-	20,103
Intergovernmental.....	7,009,108	-	-	336,657	1,933,184	9,278,949
Departmental and other.....	225,296	-	-	-	90,252	315,548
Special assessments.....	2,279	-	-	-	-	2,279
Contributions.....	-	-	-	-	292,751	292,751
Investment income.....	494,065	8,858	-	-	23,179	526,102
TOTAL REVENUES.....	53,704,059	8,858	-	336,657	4,991,316	59,040,890
EXPENDITURES:						
Current:						
General government.....	1,985,381	-	-	-	455,501	2,440,882
Public safety.....	5,226,004	-	-	-	197,020	5,423,024
Education.....	24,209,045	-	16,561,795	-	2,954,537	43,725,377
Public works.....	3,626,277	-	-	312,592	1,696,416	5,635,285
Human services.....	503,854	-	-	-	50,037	553,891
Culture and recreation.....	1,070,023	-	-	-	282,995	1,353,018
Pension benefits.....	4,914,630	-	-	-	-	4,914,630
Property and liability insurance.....	273,966	-	-	-	-	273,966
Employee benefits.....	3,068,685	-	-	-	4,800	3,073,485
State and county charges.....	513,867	-	-	-	-	513,867
Capital outlay.....	1,148,062	-	-	-	-	1,148,062
Debt service:						
Principal.....	4,028,000	-	-	-	-	4,028,000
Interest.....	3,258,430	-	-	-	-	3,258,430
TOTAL EXPENDITURES.....	53,826,224	-	16,561,795	312,592	5,641,306	76,341,917
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(122,165)	8,858	(16,561,795)	24,065	(649,990)	(17,301,027)
OTHER FINANCING SOURCES (USES):						
Proceeds from bonds and notes.....	-	-	2,262,000	-	-	2,262,000
Premium from issuance of bonds.....	-	-	-	-	511,354	511,354
Capital lease financing.....	428,846	-	-	-	-	428,846
Transfers in.....	1,197,433	-	-	-	-	1,197,433
Transfers out.....	-	-	-	-	(1,197,433)	(1,197,433)
TOTAL OTHER FINANCING SOURCES (USES).....	1,626,279	-	2,262,000	-	(686,079)	3,202,200
NET CHANGE IN FUND BALANCES.....	1,504,114	8,858	(14,299,795)	24,065	(1,336,069)	(14,098,827)
FUND BALANCES AT BEGINNING OF YEAR.....	3,436,348	773,284	18,688,941	91,726	7,868,320	30,858,619
FUND BALANCES AT END OF YEAR.....	\$ 4,940,462	\$ 782,142	\$ 4,389,146	\$ 115,791	\$ 6,532,251	\$ 16,759,792

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds..... \$ (14,098,827)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	19,309,906
Depreciation expense.....	<u>(1,855,395)</u>

Net effect of reporting capital assets..... 17,454,511

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....

10,743,740

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital lease financing.....	(80,412)
Proceeds from bonds and notes.....	(2,262,000)
Debt service principal payments.....	<u>4,028,000</u>

Net effect of reporting long-term debt..... 1,685,588

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	72,000
Net change in accrued interest on long-term debt.....	<u>371,356</u>

Net effect of recording long-term liabilities..... 443,356

Change in net assets of governmental activities..... \$ 16,228,368

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Business-type Sewer Enterprise</u>
ASSETS	
CURRENT:	
Cash and short-term investments.....	\$ 1,056,075
Receivables, net of allowance for uncollectibles:	
User fees.....	2,234,172
Intergovernmental.....	<u>27,123</u>
Total current assets.....	<u>3,317,370</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	505,591
Capital assets, net of accumulated depreciation:	
Nondepreciable.....	350,850
Depreciable.....	<u>17,048,902</u>
Total noncurrent assets.....	<u>17,905,343</u>
TOTAL ASSETS.....	<u>21,222,713</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	85,428
Accrued payroll.....	5,514
Accrued interest.....	44,268
Compensated absences.....	13,000
Bonds and notes payable.....	<u>968,918</u>
Total current liabilities.....	<u>1,117,128</u>
NONCURRENT:	
Bonds and notes payable.....	<u>3,854,664</u>
TOTAL LIABILITIES.....	<u>4,971,792</u>
NET ASSETS	
Invested in capital assets, net of related debt.....	12,225,320
Unrestricted.....	<u>4,025,601</u>
TOTAL NET ASSETS.....	<u>\$ 16,250,921</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2004

	Business-type Sewer Enterprise
OPERATING REVENUES:	
Charges for services	\$ 3,416,654
Sewer betterments.....	241,049
TOTAL OPERATING REVENUES	3,657,703
OPERATING EXPENSES:	
Cost of services and administration	404,500
MWRA Assessment.....	1,822,911
Depreciation.....	662,179
TOTAL OPERATING EXPENSES	2,889,590
OPERATING INCOME (LOSS).....	768,113
NONOPERATING REVENUES (EXPENSES):	
Interest expense.....	(245,138)
Intergovernmental.....	114,779
Other expenses.....	(212,000)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(342,359)
CHANGE IN NET ASSETS.....	425,754
NET ASSETS AT BEGINNING OF YEAR.....	15,825,167
NET ASSETS AT END OF YEAR.....	\$ 16,250,921

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2004

		Business-type Sewer Enterprise
<hr/>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$	3,831,494
Payments to vendors.....		(1,912,578)
Payments to employees.....		(273,509)
		<hr/>
NET CASH FROM OPERATING ACTIVITIES.....		1,645,407
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Advances to other funds.....		(212,000)
Intergovernmental subsidy.....		140,644
		<hr/>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....		(71,356)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....		(479,108)
Principal payments on bonds and notes.....		(982,228)
Interest expense.....		(258,019)
		<hr/>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....		(1,719,355)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....		(145,304)
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR.....		1,201,379
		<hr/>
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....	\$	1,056,075
		<hr/>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$	768,113
Adjustments to reconcile operating income (loss) to net		
cash from operating activities:		
Depreciation.....		662,179
Changes in assets and liabilities:		
User fees.....		173,791
Warrants payable.....		31,271
Accrued payroll.....		5,514
Accrued compensated absences.....		4,539
		<hr/>
Total adjustments.....		877,294
		<hr/>
NET CASH FROM OPERATING ACTIVITIES.....	\$	1,645,407
		<hr/>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and short-term investments.....	\$ 342,796	\$ 132,803
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	43,459
TOTAL ASSETS	<u>342,796</u>	<u>176,262</u>
LIABILITIES		
Warrants payable.....	-	3,483
Liabilities due depositors.....	-	172,779
TOTAL LIABILITIES	<u>-</u>	<u>176,262</u>
NET ASSETS	<u>\$ 342,796</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 30,111
Net investment income:	
Interest.....	<u>55,916</u>
TOTAL ADDITIONS.....	<u>86,027</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>70,450</u>
CHANGE IN NET ASSETS.....	15,577
NET ASSETS AT BEGINNING OF YEAR.....	<u>327,219</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 342,796</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Westwood, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

An elected three-member Board of Selectmen governs the Town.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the Primary Government) and its component units. The Town did not identify any component units requiring inclusion in the basic financial statements.

Joint Ventures

The Town has entered into a joint venture with the Towns of Avon, Canton, Dedham, Braintree, Holbrook, Milton, Norwood, and Randolph to pool resources and share the costs, risks and rewards of providing vocational education through the Blue Hills Regional Technical School District (District). As of June 30, 2004, the District has no significant unreserved fund balance and has approximately \$1.3 million in outstanding long-term bonds related to capital improvements. The following is the address where the District's financial statements are available, its purpose, and the assessment paid by the Town during fiscal year 2004.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2004 Assessment</u>
Blue Hills Regional Technical School District 800 Randolph Street, Canton, MA 02021	To provide vocational education	<u>\$ 86,843</u>

The Town has no equity interest in the District.

Jointly Governed Organizations

The Board of Selectmen is responsible for appointing three of the six-member Board of Water Commissioners of the Dedham-Westwood Water District. The Town's accountability for this organization does not extend beyond making these appointments.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all fund of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and sewer enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable 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 personal 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.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *stabilization fund* is used to account for the accumulation of resources to provide general and/or capital reserves.

The *new high school fund* is used to account for financial resources to expand and upgrade the high school facilities.

The *highway improvement fund* is used to account for funds received from the State Highway Department which are used for construction, reconstruction and improvements of roadways.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The *permanent fund* is 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 fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

The *sewer enterprise fund* is used to account for the sewer activities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency funds consist primarily of public safety and custodial details worked by Town employees.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate tax liens are processed annually on delinquent properties. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy and are recorded under the modified accrual basis of accounting.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

Sewer charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in October of every year and included as a lien on the property owner's tax bill. Sewer charges are recorded as receivables in the fiscal year of the levy and are recorded under the full accrual basis of accounting.

Departmental and Other

Departmental and other receivables consist primarily of police details, ambulance fees and school rentals and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of street, construction and particular apportioned betterments. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements and therefore are not reported.

G. Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

As allowed by GASB Statement #34, the Town has elected to delay the retroactive reporting of all major general governmental infrastructure assets that were acquired prior to the implementation of GASB Statement #34. Consequently, infrastructure assets that were acquired, or significantly reconstructed or improved prior to fiscal year 2003 are not included in these financial statements.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	7-40
Vehicles.....	5-10
Machinery and equipment.....	5-50
Furniture and fixtures.....	5-20
Infrastructure.....	5-50

H. Interfund Transfers

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transfers between and within governmental funds and are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

I. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents the expendable resources generated by amounts held in trust which stipulate that only earnings may be used for purposes that support governmental programs.

"Permanent funds - nonexpendable" represents the permanently restricted portion of amounts held in trust which stipulate that only earnings may be used for purposes that support governmental programs.

"Other purposes" – represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual permanent funds" represents the permanently restricted portion of amounts held in trust which stipulate that only earnings may be used for purposes that support governmental programs.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2004 operating budget.

J. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

K. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

L. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

M. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50-60% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2004, this expenditure totaled approximately \$766,000. There were approximately 284 participants eligible to receive benefits at June 30, 2004.

N. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

O. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column 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 2 – CASH AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all Funds. Each Fund Type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments." The deposits and investments of the Trust Funds are held separately from those of other Town funds.

At fiscal year-end, the carrying amount of the Town's deposits totaled \$23,666,059 and the bank balance totaled \$24,062,254. Of the bank balance, \$800,000 was covered by Federal Depository Insurance and the Depositors Insurance Fund and \$1,147,781 was uninsured and uncollateralized.

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Town participates in the Pool, which meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Short-term investments and investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the Town or its agent in the Town's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Town's name.

	Cash and Short-term Investments
Checking, savings and NOW accounts.....	\$ 1,558,068
Money market deposits.....	22,107,991
Total carrying amount of cash.....	23,666,059
 <u>Investments not subject to categorization:</u>	
MMDT.....	428,430
Mutual funds.....	159,701
Total investments.....	588,131
<i>Total cash and short-term investments.....</i>	<i>\$ 24,254,190</i>

NOTE 3 – RECEIVABLES

At June 30, 2004, receivables for the individual major governmental funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 163,752	\$ -	\$ 163,752
Tax liens.....	115,158	-	115,158
Motor vehicle and other excise taxes.....	154,388	(42,798)	111,590
Departmental and other.....	261,236	(37,954)	223,282
Special assessments.....	2,803	-	2,803
Intergovernmental.....	32,217,746	-	32,217,746
Total.....	\$ 32,915,083	\$ (80,752)	\$ 32,834,331

At June 30, 2004, receivables for the fiduciary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Details.....	\$ 43,459	\$ -	\$ 43,459

At June 30, 2004, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer fees.....	\$ 2,234,172	\$ -	\$ 2,234,172

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 39,429	\$ -	\$ 39,429
Tax liens.....	115,158	-	115,158
Motor vehicle and other excise taxes.....	111,590	-	111,590
Departmental and other.....	8,888	214,394	223,282
Special assessments.....	2,803	-	2,803
Intergovernmental.....	31,472,697	745,049	32,217,746
Total.....	\$ 31,750,565	\$ 959,443	\$ 32,710,008

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2004, there were no interfund receivables or payables.

Interfund transfers in for the fiscal year ended June 30, 2004, are summarized as follows:

	<u>Total</u>
Budgeted appropriations from pension reserve funds.....	\$ 350,000
Budgeted appropriations from ambulance fund.....	357,463
Budgeted appropriations from conservation fund.....	7,000
Budgeted appropriations from cemetery permanent funds.....	10,000
Budgeted appropriations from sale of land fund.....	72,970
Budgeted appropriations from revolving funds.....	<u>400,000</u>
Transfers to the General Fund from the Nonmajor Governmental funds.....	<u>\$ 1,197,433</u>

NOTE 5 – PENSION PLAN

Plan Description - The Town contributes to the Norfolk Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Commonwealth of Massachusetts' Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,718,000 for the fiscal year ended June 30, 2004, and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Pension Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Norfolk County Contributory Retirement Board and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 480 Neponset Street, Building 15, Canton, MA, 02021.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,148,264, \$1,101,179 and \$1,092,886 respectively, which equaled its required contribution for each fiscal year.

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2004 totaled approximately \$48,000.

Pension Reserve Fund – The Town has established a pension reserve fund (accounted for in the nonmajor governmental funds) that is distinct and separate from the System. The purpose of the fund is to provide a reserve to meet future annual contributions to the System. The assets of this fund are invested in certificates of deposit.

A summary of changes in the pension reserve fund during fiscal year 2004 is as follows:

Beginning balance, July 1, 2003.....	\$	688,769
Interest income.....		6,098
Transfers to the general fund.....		<u>(350,000)</u>
Ending balance, June 30, 2004.....	\$	<u><u>344,867</u></u>

NOTE 6 – CAPITAL ASSETS

The Town has elected to delay the retrospective reporting of general infrastructure assets as allowed by GASB Statement #34.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,273,382	\$ -	\$ -	\$ 5,273,382
Construction in progress.....	17,840,827	18,017,962	-	35,858,789
 Total capital assets not being depreciated.....	 23,114,209	 18,017,962	 -	 41,132,171
 <u>Capital assets being depreciated:</u>				
Buildings and improvements.....	34,786,270	359,641	-	35,145,911
Vehicles.....	4,604,907	361,376	(365,762)	4,600,521
Machinery and equipment.....	4,072,436	260,750	-	4,333,186
Furniture and fixtures.....	174,936	-	-	174,936
Infrastructure.....	542,094	310,177	-	852,271
 Total capital assets being depreciated.....	 44,180,643	 1,291,944	 (365,762)	 45,106,825
 <u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	14,199,029	828,082	-	15,027,111
Vehicles.....	2,622,341	404,143	(365,762)	2,660,722
Machinery and equipment.....	2,109,828	539,919	-	2,649,747
Furniture and fixtures.....	83,231	20,947	-	104,178
Infrastructure.....	27,105	62,304	-	89,409
 Total accumulated depreciation.....	 19,041,534	 1,855,395	 (365,762)	 20,531,167
 Total capital assets being depreciated, net.....	 25,139,109	 (563,451)	 -	 24,575,658
 Total governmental activities capital assets, net.....	 \$ 48,253,318	 \$ 17,454,511	 \$ -	 \$ 65,707,829

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 350,850	\$ -	\$ -	\$ 350,850
<u>Capital assets being depreciated:</u>				
Plant and infrastructure.....	24,729,899	442,108	-	25,172,007
Other buildings and improvements.....	5,469,646	37,000	-	5,506,646
Vehicles.....	190,130	-	-	190,130
Machinery and equipment.....	230,326	-	-	230,326
Furniture and fixtures.....	35,323	-	-	35,323
Total capital assets being depreciated.....	30,655,324	479,108	-	31,134,432
<u>Less accumulated depreciation for:</u>				
Plant and infrastructure.....	11,260,175	503,630	-	11,763,805
Other buildings and improvements.....	1,929,774	109,763	-	2,039,537
Vehicles.....	90,903	25,645	-	116,548
Machinery and equipment.....	107,176	23,141	-	130,317
Furniture and fixtures.....	35,323	-	-	35,323
Total accumulated depreciation.....	13,423,351	662,179	-	14,085,530
Total capital assets being depreciated, net.....	17,231,973	(183,071)	-	17,048,902
Total business-type activities capital assets, net.....	\$ 17,582,823	\$ (183,071)	\$ -	\$ 17,399,752

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

Governmental Activities:

General government.....	\$ 161,286
Public safety.....	292,718
Education.....	1,000,384
Public works.....	366,579
Human services.....	9,254
Culture and recreation.....	25,174

Total depreciation expense - governmental activities..... \$ 1,855,395

Business-Type Activities:

Sewer.....	\$ 662,179
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NOTE 7 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of an Aerial Ladder Fire Apparatus, six relocatable classroom buildings, and two rescue fire pumpers with down payments of \$254,515, \$135,000 and \$271,154, respectively. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Vehicles.....	\$ 890,000
Buildings and improvements.....	772,575
Accumulated depreciation.....	<u>(120,822)</u>
 Total.....	 \$ <u><u>1,541,753</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2005.....	\$ 385,999
2006.....	385,999
2007.....	<u>256,189</u>
 Total minimum lease payments.....	 1,028,187
 Less: amounts representing interest.....	 <u>(77,910)</u>
 Present value of minimum lease payments.....	 \$ <u><u>950,277</u></u>

NOTE 8 – SHORT-TERM FINANCING

The Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).
- 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).

Short-term loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the General Fund and Sewer Enterprise Fund.

The Town did not engage in any short-term debt activity during the current year and had no short-term debt outstanding at June 30, 2004.

NOTE 9 – LONG-TERM DEBT

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 2 1/2% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town's outstanding indebtedness at June 30, 2004, and the debt service requirements follow.

Project	Interest Rate (%)	Outstanding at June 30, 2003	Issued	Redeemed	Outstanding at June 30, 2004
Roads.....	4.40-5.70%	\$ 440,000	\$ -	\$ 220,000	\$ 220,000
Land acquisition.....	4.40-5.70%	60,000	-	30,000	30,000
Middle school/gym.....	3.50-4.00%	1,409,000	-	234,000	1,175,000
Middle school/gym.....	3.50-4.00%	330,000	-	55,000	275,000
Land acquisition.....	3.50-4.00%	240,000	-	40,000	200,000
Senior center.....	3.50-4.00%	144,000	-	24,000	120,000
School fields.....	3.50-4.00%	114,000	-	19,000	95,000
Middle school/gym completion.....	3.50-4.00%	90,000	-	15,000	75,000
Middle school/gym completion.....	3.50-4.00%	43,000	-	8,000	35,000
Lowell land purchase.....	4.89%	135,000	-	135,000	-
Martha Jones School construction.....	3.90-5.00%	6,480,000	-	720,000	5,760,000
Downey School construction.....	3.90-5.00%	5,670,000	-	630,000	5,040,000
Striar land purchase.....	3.90-5.00%	1,170,000	-	130,000	1,040,000
Cemetery land purchase.....	3.90-5.00%	270,000	-	30,000	240,000
School planning.....	2.50-5.38%	37,000,300	2,262,000	1,738,000	37,524,300
Public building.....	3.00-5.00%	2,600,000	-	-	2,600,000
Public building.....	3.00-5.00%	240,700	-	-	240,700
Total governmental bonds payable.....		\$ 56,436,000	\$ 2,262,000	\$ 4,028,000	\$ 54,670,000
Sewer (WPAT).....	1.26%	\$ 12,312	\$ -	\$ 6,017	\$ 6,295
Sewer (WPAT).....	1.26%	867,773	-	431,688	436,085
Sewer.....	4.40-5.70%	170,000	-	85,000	85,000
Sewer.....	4.40-5.70%	60,000	-	30,000	30,000
Sewer.....	3.50-4.00%	480,000	-	80,000	400,000
Sewer.....	3.50-4.00%	240,000	-	40,000	200,000
Sewer (MWRA).....	0.00%	20,614	-	20,614	-
Sewer (WPAT).....	3.88%	2,605,111	-	138,909	2,466,202
Sewer.....	3.90-5.00%	1,350,000	-	150,000	1,200,000
Total enterprise bonds payable.....		\$ 5,805,810	\$ -	\$ 982,228	\$ 4,823,582
Total general obligation bonds and notes payable.....		\$ 62,241,810	\$ 2,262,000	\$ 5,010,228	\$ 59,493,582

Debt service requirements for principal and interest for bonds payable in the general fund in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005.....	\$ 4,415,000	\$ 2,307,775	\$ 6,722,775
2006.....	4,165,000	2,137,364	6,302,364
2007.....	4,165,000	1,979,048	6,144,048
2008.....	4,165,000	1,835,447	6,000,447
2009.....	4,165,000	1,693,057	5,858,057
2010.....	3,770,000	1,523,055	5,293,055
2011.....	3,770,000	1,370,367	5,140,367
2012.....	3,770,000	1,215,793	4,985,793
2013.....	2,255,000	1,036,731	3,291,731
2014.....	2,255,000	923,981	3,178,981
2015.....	1,975,000	811,231	2,786,231
2016.....	1,975,000	712,481	2,687,481
2017.....	1,975,000	629,531	2,604,531
2018.....	1,975,000	523,375	2,498,375
2019.....	1,975,000	436,475	2,411,475
2020.....	1,975,000	347,600	2,322,600
2021.....	1,975,000	258,725	2,233,725
2022.....	1,975,000	167,875	2,142,875
2023.....	1,975,000	83,938	2,058,938
	<u>\$ 54,670,000</u>	<u>\$ 19,993,849</u>	<u>\$ 74,663,849</u>

Debt service requirements for principal and interest for bonds and notes payable in the sewer enterprise fund in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005.....	\$ 968,918	\$ 214,172	\$ 1,183,090
2006.....	414,166	168,651	582,817
2007.....	417,670	150,014	567,684
2008.....	421,953	131,845	553,798
2009.....	425,750	114,115	539,865
2010.....	309,838	98,312	408,150
2011.....	314,687	83,806	398,493
2012.....	319,700	68,863	388,563
2013.....	90,300	137,859	228,159
2014.....	176,300	53,434	229,734
2015.....	181,600	44,263	225,863
2016.....	187,100	34,816	221,916
2017.....	192,800	25,081	217,881
2018.....	198,500	15,178	213,678
2019.....	204,300	5,108	209,408
	<u>\$ 4,823,582</u>	<u>\$ 1,345,517</u>	<u>\$ 6,169,099</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (WPAT) on a periodic basis for principal in the amount of \$532,714 and interest costs for \$807,233. Thus, net WPAT loan repayments including interest are scheduled to be \$2,621,574. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2004 principal and interest subsidy totaled approximately \$26,000 and \$116,000, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the School Building Assistance Bureau (SBAB), provides resources for construction costs and debt service interest of general obligation school bonds outstanding. During fiscal year 2004, approximately \$330,000 of such assistance was received. Approximately \$42,593,000 will be received in future fiscal years. Of this amount, approximately \$11,120,000 represents reimbursement of long-term interest costs, and \$31,472,697 represents reimbursement of approved construction costs. Accordingly, \$31,472,697 intergovernmental receivable and corresponding deferred revenue has been recorded in the fund base financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2004, the Town had the following authorized and unissued debt:

Purpose	Date Voted	Article	Amount Authorized	Amount Unissued
Additional high school construction.....	STM 2/2002	5 & 6	\$ 8,333,640	\$ 5,033,340
Eminent domain land purchase.....	ATM 5/2001	15	300,000	300,000
Purchase of Islington Church.....	ATM 5/2004	16	600,000	600,000
Sewer engineering and construction.....	ATM 5/2004	17	<u>750,000</u>	<u>750,000</u>
Total.....			<u>\$ 9,983,640</u>	<u>\$ 6,683,340</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2004, the following changes occurred in long-term liabilities:

	Balance at June 30, 2003	Additions	Retirements and Other	Balance at June 30, 2004	Current Portion
Governmental Funds:					
Long-Term Bonds and Notes.....	\$ 56,436,000	\$ 2,262,000	\$ (4,028,000)	\$ 54,670,000	\$ 4,415,000
Capital Lease Obligations.....	869,865	80,412	-	950,277	344,798
Compensated Absences.....	1,254,000	715,000	(787,000)	1,182,000	735,000
Total Governmental Funds.....	<u>58,559,865</u>	<u>3,057,412</u>	<u>(4,815,000)</u>	<u>56,802,277</u>	<u>5,494,798</u>
Business Type Activities:					
Long-Term Bonds and Notes.....	5,805,810	-	(982,228)	4,823,582	968,918
Compensated Absences.....	8,461	13,000	(8,461)	13,000	13,000
Total Business Type Activities....	<u>5,814,271</u>	<u>13,000</u>	<u>(990,689)</u>	<u>4,836,582</u>	<u>981,918</u>
Total.....	<u>\$ 64,374,136</u>	<u>\$ 3,070,412</u>	<u>\$ (5,805,689)</u>	<u>\$ 61,638,859</u>	<u>\$ 6,476,716</u>

Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town provides health insurance to its employees through its participation in the West Suburban Health Group (the Group), a non-profit trust comprised of eleven towns, one school district and two educational collaboratives. The Group is self-sustaining through member premiums. The Town recognizes the cost of providing health insurance by recording its 60% share of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents. In the event the group is terminated, the Town is obligated to pay its prorated share of a deficit, should one exist.

The Town is a member of the Massachusetts Interlocal Insurance Association (MIIA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation benefits for employees other than uniformed police and fire personnel. MIIA is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance. The total premiums assessed by MIIA to the Town during fiscal year 2004 totaled \$100,000 and are recorded in the general fund.

The Town is self-insured for the workers' compensation claims of police officers and firefighters and are paid on a pay-as-you-go basis from the General Fund. The estimated liability for workers' compensation claims is based on history and injury type. The Town's liability is not material at June 30, 2004, and therefore is not reported.

The Town is self-insured for unemployment compensation. During fiscal year 2004, the Town appropriated \$75,000 to provide for anticipated costs of unemployment benefits. During fiscal year 2004, claims related to unemployment compensation totaled \$72,270. The liability for unemployment compensation was not material at June 30, 2004, and therefore is not reported.

NOTE 11 – STABILIZATION FUND

The Town has \$782,142 in a stabilization fund classified as a major governmental fund in the fund-based statements. The stabilization fund may be used for general and/or capital purposes upon Town Meeting approval. During fiscal year 2004, the stabilization fund earned investment income of approximately \$8,858.

NOTE 12 – COMMITMENTS

During fiscal year 2004, the Town continued construction of a new high school, with an expected total cost of approximately \$45,000,000. The Town has been approved for school construction assistance from the SBAB for 59% of the total costs of the project.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the Town grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2004, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2004, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2004.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2004, the following GASB pronouncement was implemented:

- Statement #39, Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement #14.

Future Implementation of GASB Pronouncements

- The GASB has issued Statement #40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement #3, which is required to be implemented during fiscal year 2005. The implementation of this statement will require changes to the note disclosures only. It will not effect the financial statements.

- The GASB issued Statement #41, Budgetary Comparison Schedule—Perspective Differences which is required to be implemented during fiscal year 2005. This statement will not effect the financial statements.
- During fiscal year 2004, the GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which is required to be implemented in fiscal year 2006.
- During fiscal year 2004, the GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The standards in this statement do not apply to the Town, however, a related statement (Statement #45), addresses new standards for the Town related to Other Postemployment Benefits.
- During fiscal year 2004, the GASB issued Statement #44, Economic Condition Reporting: The Statistical section—an amendment of NCGA Statement 1, which is required to be implemented in fiscal year 2006.
- During fiscal year 2005, the GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2008.

Required Supplementary Information

General Fund

Budgetary Comparison Schedule

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 42,248,978	\$ 42,248,978	\$ 42,825,907	\$ -	\$ 576,929
Tax and trash liens.....			-		-
Motor vehicle excise.....	2,250,000	2,250,000	2,273,692	-	23,692
Penalties and interest on taxes.....	80,000	80,000	109,524	-	29,524
Fees.....	120,259	120,259	193,562	-	73,303
Licenses and permits.....	320,000	320,000	390,896	-	70,896
Fines and forfeitures.....	15,000	15,000	20,103	-	5,103
Intergovernmental.....	3,267,809	3,267,809	3,290,892	-	23,083
Departmental and other.....	221,000	221,000	225,296	-	4,296
Special assessments.....	2,500	2,500	2,279	-	(221)
Investment income.....	300,000	300,000	494,065	-	194,065
TOTAL REVENUES.....	48,825,546	48,825,546	49,826,216	-	1,000,670
EXPENDITURES:					
SELECTMEN					
Salaries.....	315,171	315,171	315,128	-	43
Expenditures.....	49,350	49,350	49,331	-	19
TOTAL.....	364,521	364,521	364,459	-	62
FINANCE COMMISSION					
Salaries.....	28,137	28,137	27,883	-	254
Expenditures.....	20,000	20,000	17,808	-	2,192
TOTAL.....	48,137	48,137	45,691	-	2,446
ACCOUNTING					
Salaries.....	152,708	152,708	152,683	-	25
Expenditures.....	5,900	5,900	3,575	-	2,325
TOTAL.....	158,608	158,608	156,258	-	2,350
AUDIT-SCHOOL & MUNICIPAL FINANCIALS					
Professional Services.....	52,035	52,035	51,176	-	859
ASSESSORS					
Salaries.....	97,682	97,682	95,895	-	1,787
Expenditures.....	95,994	95,994	91,476	-	4,518
Revaluation.....	20,000	20,000	3,500	16,500	-
TOTAL.....	213,676	213,676	190,871	16,500	6,305
TREASURER					
Salaries.....	53,279	63,279	63,269	-	10
Expenditures.....	22,325	12,325	3,223	-	9,102
TOTAL.....	75,604	75,604	66,492	-	9,112
COLLECTOR					
Salaries.....	85,914	85,914	84,431	-	1,483
Expenditures.....	54,000	54,000	51,882	-	2,118
TOTAL.....	139,914	139,914	136,313	-	3,601
LEGAL					
Salaries.....	74,639	74,639	74,639	-	-
Expenditures.....	56,850	71,850	71,818	-	32
TOTAL.....	131,489	146,489	146,457	-	32
PERSONNEL BOARD					
Salaries.....	38,680	38,680	38,643	-	37
Expenditures.....	16,150	16,150	14,696	1,000	454
TOTAL.....	54,830	54,830	53,339	1,000	491
INFORMATION SYSTEMS					
Salaries.....	158,014	158,014	157,496	-	518
Expenditures.....	160,000	160,000	160,000	-	-
TOTAL.....	318,014	318,014	317,496	-	518

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
TOWN CLERK					
Salaries.....	121,792	121,792	114,158	-	7,634
Expenditures.....	42,700	42,700	27,448	688	14,564
TOTAL.....	164,492	164,492	141,606	688	22,198
CONSERVATION COMMISSION					
Salaries.....	28,366	28,366	26,424	-	1,942
Expenditures.....	2,550	2,550	2,197	-	353
TOTAL.....	30,916	30,916	28,621	-	2,295
PLANNING BOARD					
Salaries.....	66,582	66,582	65,447	-	1,135
Expenditures.....	4,530	4,530	2,949	1,300	281
TOTAL.....	71,112	71,112	68,396	1,300	1,416
ZONING BOARD OF APPEALS					
Salaries.....	22,077	22,077	19,370	-	2,707
Expenditures.....	3,500	3,500	2,961	-	539
TOTAL.....	25,577	25,577	22,331	-	3,246
BUSINESS DEVELOPMENT TASK FORCE					
Expenditures.....	26,575	38,575	38,328	65	182
OUTSIDE PROFESSIONAL SERVICES					
Expenditures.....	31,250	31,250	31,016	-	234
MASS HOUSING PARTNERSHIP					
Expenditures.....	11,800	11,800	11,605	-	195
HOUSING AUTHORITY					
Expenditures.....	5,000	5,000	4,946	-	54
OFFICE COMMUNICATIONS					
Expenditures.....	118,250	118,250	107,530	-	10,720
TRAINING					
Expenditures.....	4,000	4,000	2,450	-	1,550
MERIT INCREASE					
Reserve Fund.....	400,000	112,167	-	-	112,167
Total General Government.....	2,445,800	2,184,967	1,985,381	19,553	180,033
POLICE DEPARTMENT					
Salaries.....	2,155,139	2,155,139	2,106,210	-	48,929
Expenditures.....	138,262	138,262	133,549	182	4,531
TOTAL.....	2,293,401	2,293,401	2,239,759	182	53,460
CAREER INCENTIVE PROGRAM.....	125,423	125,423	107,100	-	18,323
ANIMAL CONTROL					
Salaries.....	28,023	28,023	27,799	-	224
Expenditures.....	6,400	6,400	4,344	-	2,056
TOTAL.....	34,423	34,423	32,143	-	2,280
CROSSING GUARDS					
Salaries.....	86,319	86,319	81,766	-	4,553
Expenditures.....	4,400	4,400	1,521	-	2,879
TOTAL.....	90,719	90,719	83,287	-	7,432
FIRE DEPARTMENT					
Salaries.....	1,990,339	1,990,339	1,990,276	-	63
Expenditures.....	133,700	133,700	132,770	-	930
TOTAL.....	2,124,039	2,124,039	2,123,046	-	993

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
BUILDING INSPECTION					
Salaries.....	201,348	201,348	190,592	-	10,756
Expenditures.....	24,380	24,380	20,460	1,554	2,366
TOTAL.....	225,728	225,728	211,052	1,554	13,122
CIVIL DEFENSE.....	2,000	2,000	771	-	1,229
Total Public Safety.....	4,895,733	4,895,733	4,797,158	1,736	96,839
PUBLIC SCHOOLS					
Salaries and expenditures.....	25,513,945	25,270,102	24,073,229	950,695	246,178
BLUE HILLS REGIONAL.....	5,010	86,843	86,843	-	-
Total Education.....	25,518,955	25,356,945	24,160,072	950,695	246,178
DEPARTMENT OF PUBLIC WORKS					
Salaries-admin.....	145,468	145,468	145,468	-	-
Salaries-operations.....	1,036,392	1,036,392	1,036,392	-	-
Expenditures.....	349,200	349,200	337,751	7,943	3,506
TOTAL.....	1,531,060	1,531,060	1,519,611	7,943	3,506
BUILDING MAINTENANCE					
Expenditures.....	318,620	318,620	318,616	-	4
MUNICIPAL & SCHOOL FIELD MAINTENANCE					
Expenditures.....	85,000	85,000	80,875	-	4,125
SNOW & ICE					
Expenditures.....	141,200	206,200	214,260	-	(8,060)
STREET LIGHTING					
Expenditures.....	90,000	90,000	88,425	-	1,575
CEMETERY COMMISSION					
Expenditures.....	300	300	265	-	35
WASTE/COLLECTION/DISPOSAL					
Expenditures.....	1,440,000	1,440,000	1,404,225	20,676	15,099
Total Public Works.....	3,606,180	3,671,180	3,626,277	28,619	16,284
HEALTH DIVISION					
Salaries.....	138,394	138,394	137,921	-	473
Expenditures.....	10,350	10,350	8,922	26	1,402
TOTAL.....	148,744	148,744	146,843	26	1,875
OUTSIDE HEALTH AGENCIES	14,316	14,316	13,776	-	540
DISABILITY COMMISSION					
Expenditures.....	500	500	250	-	250
COUNCIL ON AGING					
Salaries.....	132,194	132,194	131,677	-	517
Expenditures.....	16,710	16,710	16,593	-	117
TOTAL.....	148,904	148,904	148,270	-	634
YOUTH COMMISSION					
Salaries.....	137,036	137,036	136,954	-	82
Expenditures.....	14,310	14,310	14,211	-	99
TOTAL.....	151,346	151,346	151,165	-	181
VETERANS SERVICES					
Salaries.....	21,761	21,761	21,215	-	546
Expenditures.....	22,355	22,355	22,335	-	20
TOTAL.....	44,116	44,116	43,550	-	566
Total Health and Human Services.....	507,926	507,926	503,854	26	4,046

(Continued)

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
RECREATION					
Salaries.....	204,395	204,395	202,963	-	1,432
Expenditures.....	41,550	41,550	41,544	-	6
TOTAL.....	<u>245,945</u>	<u>245,945</u>	<u>244,507</u>	-	<u>1,438</u>
PUBLIC LIBRARY					
Salaries.....	634,356	637,356	636,833	-	523
Expenditures.....	189,876	189,876	186,430	2,615	831
TOTAL.....	<u>824,232</u>	<u>827,232</u>	<u>823,263</u>	2,615	<u>1,354</u>
MEMORIAL DAY					
Expenditures.....	3,600	3,600	2,253	-	1,347
Total Culture and Recreation.....	<u>1,073,777</u>	<u>1,076,777</u>	<u>1,070,023</u>	2,615	<u>4,139</u>
Contributory Pension.....	1,148,264	1,148,264	1,148,264	-	-
Non-Contributory Pension.....	66,021	51,021	48,150	-	2,871
Total Pension Benefits.....	<u>1,214,285</u>	<u>1,199,285</u>	<u>1,196,414</u>	-	<u>2,871</u>
General Liability.....	270,000	275,000	273,966	-	1,034
CAPITAL OUTLAY.....	1,631,819	1,887,662	1,083,802	749,042	54,818
EMPLOYEE BENEFITS.....	2,948,732	3,069,732	3,068,685	-	1,047
STATE AND COUNTY ASSESSMENTS.....	514,980	514,980	513,867	-	1,113
DEBT SERVICE PRINCIPAL.....	4,028,000	4,028,000	4,028,000	-	-
DEBT SERVICE INTEREST.....	3,258,430	3,258,430	3,258,430	-	-
TOTAL EXPENDITURES.....	<u>51,914,617</u>	<u>51,926,617</u>	<u>49,565,929</u>	1,752,286	<u>608,402</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..	<u>(3,089,071)</u>	<u>(3,101,071)</u>	260,287	(1,752,286)	1,609,072
OTHER FINANCING SOURCES (USES):					
Transfers in.....	1,190,433	1,197,433	1,197,433	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,190,433</u>	<u>1,197,433</u>	<u>1,197,433</u>	-	-
NET CHANGE IN FUND BALANCE.....	(1,898,638)	(1,903,638)	1,457,720	(1,752,286)	1,609,072
BUDGETARY FUND BALANCE, Beginning of year.....	3,811,143	3,811,143	3,811,143	-	-
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 1,912,505</u>	<u>\$ 1,907,505</u>	<u>\$ 5,268,863</u>	<u>\$ (1,752,286)</u>	<u>\$ 1,609,072</u>

See notes to required supplementary information.

(Concluded)

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Special Town Meeting approval via a special article.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2004 approved budget for the General Fund authorized \$50,814,816 in appropriations and other amounts to be raised and \$1,311,801 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2004, Town Meeting also approved supplemental appropriations totaling \$12,000.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts (Commonwealth)) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2004, is presented below:

	<u>General Fund</u>
Net change in fund balance - budgetary basis.....	\$ 1,457,720
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	102,327
Net change in recording tax refunds payable.....	57,300
Net change in expenditure accruals.....	(113,233)
Recognition of revenue for on-behalf payments.....	3,718,216
Recognition of expenditures for on-behalf payments.....	<u>(3,718,216)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 1,504,114</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2004, actual expenditures and encumbrances exceeded appropriations for snow and ice. This over-expenditure will be funded by available funds during fiscal year 2005.

Other Supplementary Information

Combining and Individual Fund Statements and Schedules

The combining financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type.

Nonmajor Governmental Funds

Fund Description

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or major capital project funds) that are restricted by law or administrative action to expenditures for specific purposes. The Town's special revenue funds are grouped into the following categories:

- **School Lunch Fund** – accounts for the operations of the public school lunch program.
- **Ambulance Fund** – accounts for the fees collected for ambulance services which can legally only be appropriated for costs to provide the service, such as Emergency Medical Technician firefighter stipend and ambulance supplies.
- **Departmental Grants/Other Revolving Funds** – accounts for various grants and legally restricted revenues for special programs administered by Town departments.
- **Educational Grants/Other Revolving Funds** – accounts for all educational programs specially financed by grants and other restricted revenues.
- **Pension Reserve Fund** – accounts for Town funding targeted to offset future cost impact of Norfolk County Contributory Retirement System.
- **Expendable Governmental Trusts** – accounts for contributions where both principal and investment earnings may be spent to support the government.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital assets (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The Town's grouping for non-major capital project funds is as described as follows:

- **Roadway Improvements** – accounts for construction, reconstruction and improvements of roadways, streets and sidewalks. Funding is provided primarily by bond proceeds, various grants and legally restricted revenues for special programs administered by Town departments.
- **School Building Renovations** – accounts for renovation, improvements and capital equipment associated with public school buildings.
- **Facilities Renovations** – accounts for renovation, improvements and capital equipment associated with town buildings and facilities.

Permanent 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 reporting government's programs.

- ***Cemetery Fund*** – accounts for contributions associated with cemetery care and maintenance.
- ***Other Nonexpendable Trust Funds*** – accounts for various contributions associated with the public library, schools and veterans services.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINED BALANCE SHEET**

JUNE 30, 2004

Special Revenue Funds							
ASSETS	School Lunch	Ambulance	Departmental Grants/ Other Revolving	Educational Grants/ Other Revolving	Pension Reserve	Expendable Governmental Trusts	Sub-total
Cash and short-term investments.....	\$ 275,014	\$ 413,008	\$ 1,956,103	\$ 1,428,958	\$ 344,867	\$ 75,550	\$ 4,493,500
Departmental and other.....	-	-	160,882	52,812	-	-	213,694
Intergovernmental.....	-	-	-	197,863	-	-	197,863
TOTAL ASSETS.....	\$ 275,014	\$ 413,008	\$ 2,116,985	\$ 1,679,633	\$ 344,867	\$ 75,550	\$ 4,905,057
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Warrants payable.....	\$ 13,732	\$ -	\$ 19,045	\$ 83,017	\$ -	\$ -	\$ 115,794
Deferred revenues.....	-	-	160,882	250,675	-	-	411,557
TOTAL LIABILITIES.....	13,732	-	179,927	333,692	-	-	527,351
FUND BALANCES:							
Reserved for:							
Perpetual permanent funds.....	-	-	-	-	-	-	-
Unreserved:							
Undesignated, reported in:							
Special revenue funds.....	261,282	413,008	1,937,058	1,345,941	344,867	75,550	4,377,706
Capital projects funds.....	-	-	-	-	-	-	-
Permanent funds.....	-	-	-	-	-	-	-
TOTAL FUND BALANCES.....	261,282	413,008	1,937,058	1,345,941	344,867	75,550	4,377,706
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 275,014	\$ 413,008	\$ 2,116,985	\$ 1,679,633	\$ 344,867	\$ 75,550	\$ 4,905,057

(Continued)

Capital Projects Funds				Permanent Funds			Total Nonmajor Governmental Funds
Roadway Improvements	School Building Renovations	Facilities Renovations	Sub-total	Cemetery	Other Nonexpendable Trust Funds	Sub-total	
\$ 572,203	\$ 87,809	\$ 1,169,863	\$ 1,829,875	\$ 274,878	\$ 205,111	\$ 479,989	\$ 6,803,364
-	-	-	-	700	-	700	214,394
-	-	-	-	-	-	-	197,863
<u>\$ 572,203</u>	<u>\$ 87,809</u>	<u>\$ 1,169,863</u>	<u>\$ 1,829,875</u>	<u>\$ 275,578</u>	<u>\$ 205,111</u>	<u>\$ 480,689</u>	<u>\$ 7,215,621</u>
\$ -	\$ -	\$ 155,019	\$ 155,019	\$ -	\$ 300	\$ 300	\$ 271,113
-	-	-	-	700	-	700	412,257
-	-	155,019	155,019	700	300	1,000	683,370
-	-	-	-	260,154	-	260,154	260,154
-	-	-	-	-	-	-	4,377,706
572,203	87,809	1,014,844	1,674,856	-	-	-	1,674,856
-	-	-	-	14,724	204,811	219,535	219,535
<u>572,203</u>	<u>87,809</u>	<u>1,014,844</u>	<u>1,674,856</u>	<u>274,878</u>	<u>204,811</u>	<u>479,689</u>	<u>6,532,251</u>
<u>\$ 572,203</u>	<u>\$ 87,809</u>	<u>\$ 1,169,863</u>	<u>\$ 1,829,875</u>	<u>\$ 275,578</u>	<u>\$ 205,111</u>	<u>\$ 480,689</u>	<u>\$ 7,215,621</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						
	School Lunch	Ambulance	Departmental Grants/ Other Revolving	Educational Grants/ Other Revolving	Pension Reserve	Expendable Governmental Trusts	Sub-total
REVENUES:							
Charges for services.....	\$ 670,993	\$ 311,192	\$ 338,317	\$ 1,331,448	\$ -	\$ -	\$ 2,651,950
Intergovernmental.....	62,142		690,871	1,180,171	-	-	1,933,184
Departmental and other.....	-		90,252	-	-	-	90,252
Contributions.....	-		260,271	21,280	-	-	281,551
Investment income.....	-		375	-	6,098	4,280	10,753
TOTAL REVENUES.....	733,135	311,192	1,380,086	2,532,899	6,098	4,280	4,967,690
EXPENDITURES:							
Current:							
General government.....	-	-	430,501	-	-	25,000	455,501
Public safety.....	-	-	197,020	-	-	-	197,020
Education.....	675,070	-	-	2,277,243	-	-	2,952,313
Public works.....	-	-	123,041	-	-	-	123,041
Human services.....	-	-	50,037	-	-	-	50,037
Culture and recreation.....	-	-	278,296	-	-	-	278,296
Employee benefits.....	-	-	-	-	-	-	-
TOTAL EXPENDITURES.....	675,070	-	1,078,895	2,277,243	-	25,000	4,056,208
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	58,065	311,192	301,191	255,656	6,098	(20,720)	911,482
OTHER FINANCING SOURCES (USES):							
Proceeds from bonds and notes.....	-	-	-	-	-	-	-
Proceeds from refunding bonds.....	-	-	-	-	-	-	-
Premium from issuance of bonds.....	-	-	511,354	-	-	-	511,354
Transfers out.....	-	(357,463)	(479,970)	-	(350,000)	-	(1,187,433)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(357,463)	31,384	-	(350,000)	-	(676,079)
NET CHANGE IN FUND BALANCES.....	58,065	(46,271)	332,575	255,656	(343,902)	(20,720)	235,403
FUND BALANCES AT BEGINNING OF YEAR.....	203,217	459,279	1,604,483	1,090,285	688,769	96,270	4,142,303
FUND BALANCES AT END OF YEAR.....	\$ 261,282	\$ 413,008	\$ 1,937,058	\$ 1,345,941	344,867	75,550	4,377,706

(Continued)

Capital Projects Funds				Permanent Funds			Total Nonmajor Governmental Funds
Roadway Improvements	School Building Renovations	Facilities Renovations	Sub-total	Cemetery	Other Nonexpendable Trust Funds	Sub-total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,651,950
-	-	-	-	-	-	-	1,933,184
-	-	-	-	-	-	-	90,252
-	-	-	-	11,200	-	11,200	292,751
-	-	-	-	3,524	8,902	12,426	23,179
-	-	-	-	14,724	8,902	23,626	4,991,316
-	-	-	-	-	-	-	455,501
-	-	-	-	-	-	-	197,020
-	2,224	-	2,224	-	-	-	2,954,537
87,422	-	1,485,953	1,573,375	-	-	-	1,696,416
-	-	-	-	-	-	-	50,037
-	-	4,124	4,124	-	575	575	282,995
-	-	-	-	-	4,800	4,800	4,800
87,422	2,224	1,490,077	1,579,723	-	5,375	5,375	5,641,306
(87,422)	(2,224)	(1,490,077)	(1,579,723)	14,724	3,527	18,251	(649,990)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	511,354
-	-	-	-	(10,000)	-	(10,000)	(1,197,433)
-	-	-	-	(10,000)	-	(10,000)	(686,079)
(87,422)	(2,224)	(1,490,077)	(1,579,723)	4,724	3,527	8,251	(1,336,069)
659,625	90,033	2,504,921	3,254,579	270,154	201,284	471,438	7,868,320
572,203	87,809	1,014,844	\$ 1,674,856	274,878	204,811	479,689	\$ 6,532,251

(Concluded)

Agency Funds

Fund Description

Agency Funds are used to account for the collection and payment of charges for extra duty details for police officers, fire fighters and custodians.

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Special Details <u>July 1, 2003</u>	Additions	Deletions	Special Details <u>June 20, 2004</u>
ASSETS				
CURRENT:				
Cash and short-term investments.....	\$ 106,061	\$ 857,487	\$ (830,745)	\$ 132,803
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	<u>46,201</u>	<u>281,161</u>	<u>(283,903)</u>	<u>43,459</u>
TOTAL ASSETS.....	<u>\$ 152,262</u>	<u>\$ 1,138,648</u>	<u>\$ (1,114,648)</u>	<u>\$ 176,262</u>
LIABILITIES				
Warrants payable.....	\$ -	\$ 3,483	\$ -	\$ 3,483
Liabilities due depositors.....	<u>152,262</u>	<u>1,135,723</u>	<u>(1,115,206)</u>	<u>172,779</u>
TOTAL LIABILITIES.....	<u>\$ 152,262</u>	<u>\$ 1,139,206</u>	<u>\$ (1,115,206)</u>	<u>\$ 176,262</u>

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Statistical Section

*Ten Year History of the Following
Major Categories:*

Expenditures

Revenues

Property Tax Collections

Debt

Town Demographics

General Information

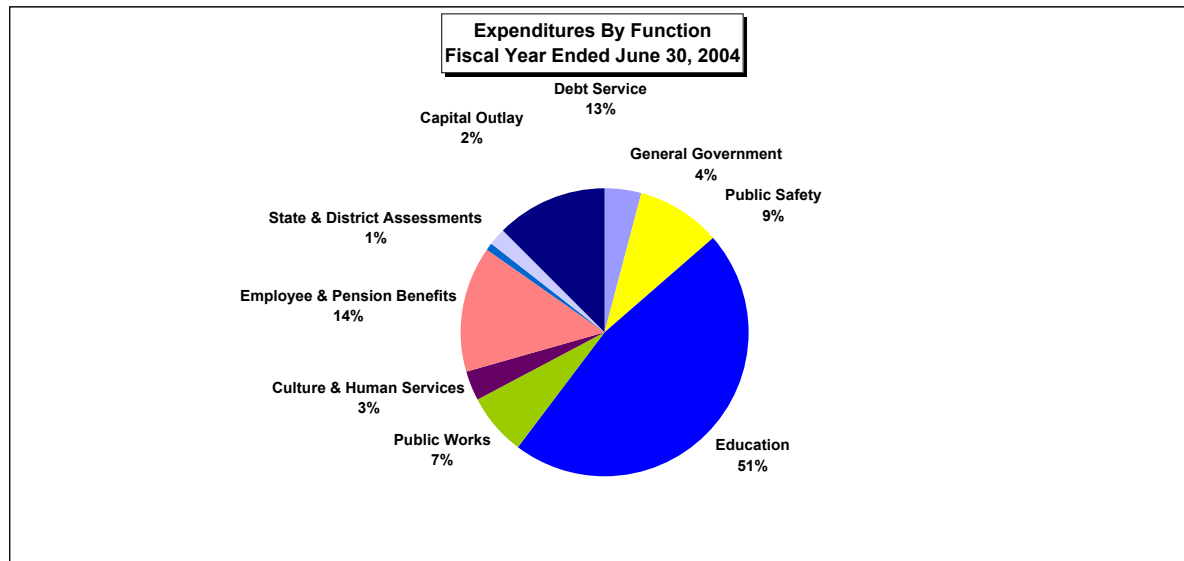


*Westwood's Senior Center
Constructed in 1999*

General Government Expenditures by Function (1) - Fund Based

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Education	Public Works	Human Services	Culture & Recreation	Employee and Pension Benefits	State & District Assessments	Capital Outlay	Debt Service	Total
1995	\$1,422,866	\$3,235,230	\$14,972,080	\$3,001,144	\$311,643	\$845,360	\$2,552,762	\$1,769,376	\$988,484	\$1,388,881	\$30,487,826
1996	\$1,386,688	\$3,542,953	\$16,516,675	\$3,432,673	\$345,277	\$972,372	\$2,631,220	\$1,674,484	\$789,710	\$2,029,417	\$33,321,469
1997	\$1,581,873	\$3,779,534	\$17,540,574	\$3,460,106	\$383,659	\$990,688	\$2,697,306	\$1,875,572	\$613,524	\$1,999,577	\$34,922,413
1998	\$1,764,063	\$4,019,515	\$18,642,936	\$3,344,459	\$400,514	\$1,152,375	\$2,659,014	\$2,065,711	\$863,915	\$1,519,076	\$36,431,578
1999	\$2,178,962	\$4,375,431	\$20,080,024	\$4,114,487	\$451,433	\$1,030,684	\$2,759,375	\$1,959,361	\$1,275,520	\$1,748,285	\$39,973,562
2000	\$1,945,303	\$4,611,266	\$21,646,822	\$3,617,940	\$470,190	\$1,064,374	\$3,008,991	\$2,276,877	\$1,089,708	\$2,808,273	\$42,539,744
2001	\$2,023,982	\$4,419,718	\$23,370,411	\$4,163,417	\$458,134	\$1,136,346	\$3,186,542	\$2,230,095	\$1,174,189	\$3,439,008	\$45,601,842
2002	\$2,714,855	\$5,156,328	\$26,054,543	\$4,673,091	\$494,694	\$1,352,756	\$7,186,831 (2)	\$2,154,608	\$0 (3)	\$3,192,418	\$52,980,122
2003	\$2,469,285	\$5,508,539	\$26,953,977	\$4,258,968 (5)	\$591,710	\$1,322,916	\$7,736,868	\$538,506 (4)	\$2,129,695	\$3,194,458	\$54,704,922
2004	\$2,440,882	\$5,423,024	\$27,161,358	\$4,061,910 (5)	\$553,891	\$1,348,319	\$8,257,281	\$513,867 (4)	\$1,148,062	\$7,286,430	\$58,195,024

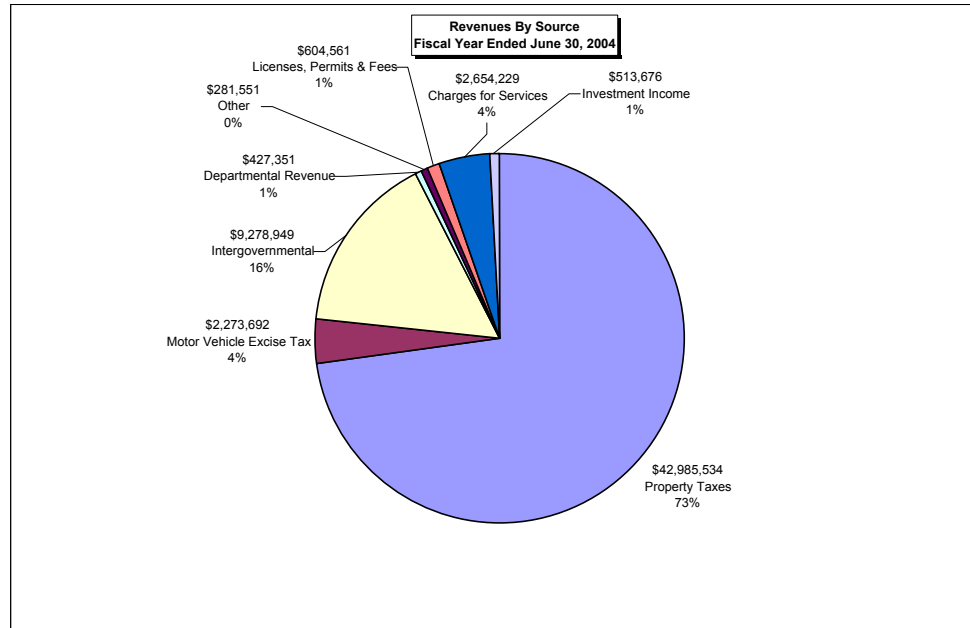


- (1) Includes General and Special Revenue Funds.
- (2) In Fiscal Year 2002 the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.
- (3) In Fiscal Year 2002 capital outlay was reported by function.
- (4) In Fiscal Year 2003, the MWRA assessment was reclassified to the Sewer Enterprise Fund which was established in accordance with GASB 34.

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	Property Taxes	Motor Vehicle Excise Tax	Intergovernmental	Departmental and Other Revenue	Payments in-lieu of Taxes	Licenses, Permits & Fees	Charges for Services	Investment Income	Contributions & Donations	Total
1995	\$21,812,835	\$1,494,431	\$2,294,298	\$1,337,219	\$110,893	\$316,400	\$2,695,466	\$276,896	\$77,533	\$30,415,971
1996	\$23,371,134	\$1,323,908	\$2,591,243	\$1,163,636	\$117,365	\$366,954	\$3,638,370	\$356,722	\$101,386	\$33,030,718
1997	\$24,772,492	\$1,496,775	\$3,041,296	\$775,993	\$122,283	\$463,268	\$3,994,807	\$394,963	\$546,517	\$35,608,394
1998	\$25,374,757	\$1,778,859	\$3,740,648	\$756,986	\$134,044	\$512,997	\$4,100,589	\$417,220	\$224,283	\$37,040,383
1999	\$27,138,931	\$1,684,385	\$4,537,876	\$886,551	\$195,832	\$588,663	\$4,049,877	\$500,551	\$331,355	\$39,914,021
2000	\$29,203,012	\$1,881,612	\$4,470,631	\$923,297	\$0	\$718,664	\$4,564,588	\$871,423	\$108,497	\$42,741,724
2001	\$30,989,110	\$2,034,010	\$5,813,531	\$789,819	\$0	\$625,665	\$5,059,274	\$1,136,865	\$189,225	\$46,637,499
2002	\$33,058,505	\$2,130,210	\$10,384,817 (2)	\$529,197	\$0	\$581,510	\$5,649,875	\$603,882	\$101,472	\$53,039,468
2003	\$37,231,915	\$2,268,563	\$9,538,368	\$922,007	\$0	\$605,510	\$2,139,127 (3)	\$754,234	\$243,579	\$53,703,303
2004	\$42,985,534	\$2,273,692	\$9,278,949	\$427,351	\$0	\$604,561	\$2,654,229 (3)	\$513,676	\$281,551	\$59,019,543



(1) Includes General and Special Revenue.

(2) In Fiscal Year 2002 the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

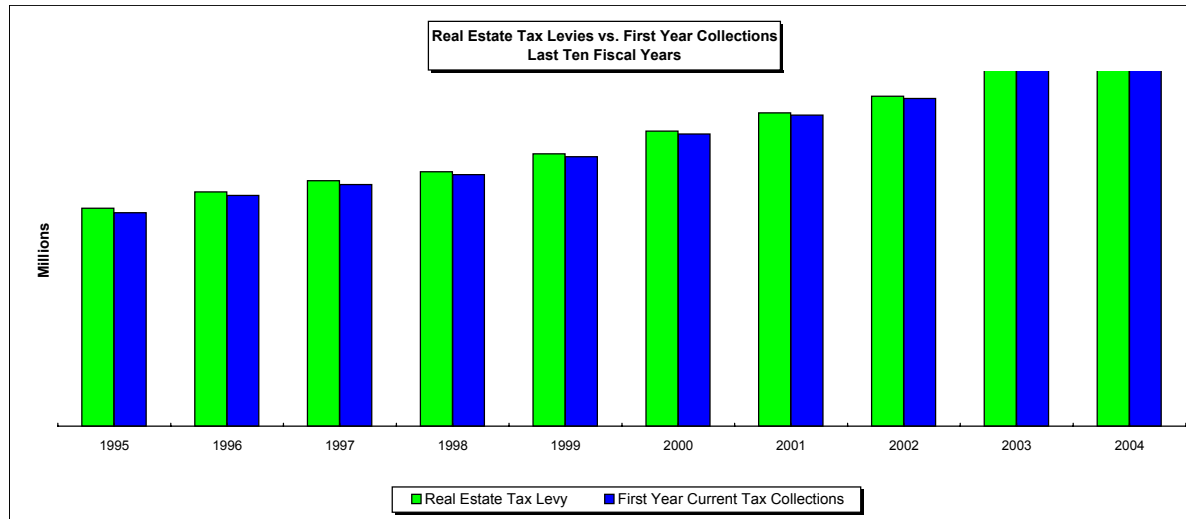
(3) In Fiscal Year 2003, sewer charges for services were reclassified to the Sewer Enterprise Fund which was established in accordance with GASB 34.

Note: Certain functions have been reclassified to conform with the more recent fiscal years' presentations.

Property Tax Levies and Collections

Last Ten Fiscal Years

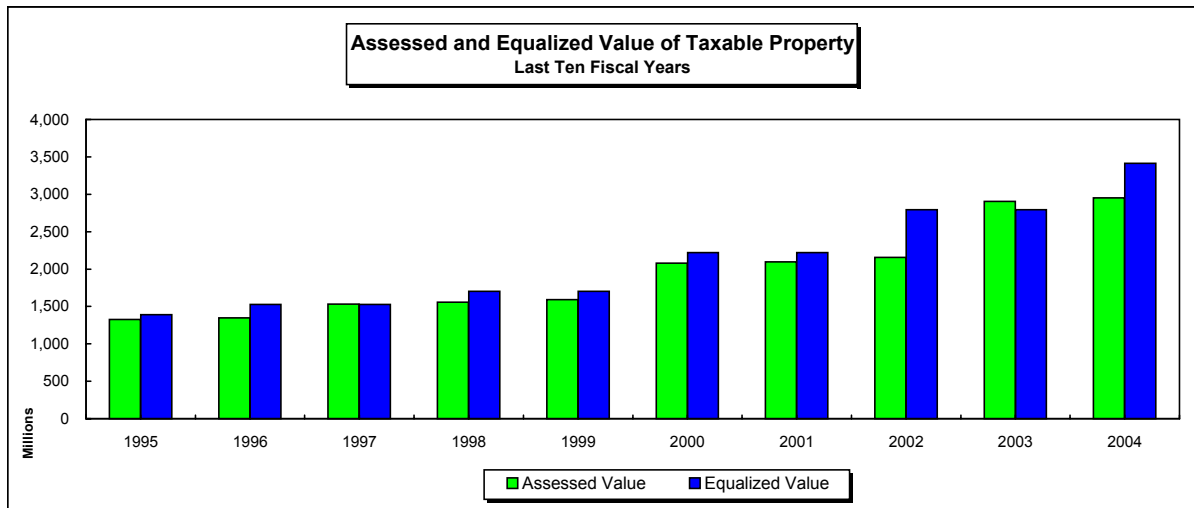
Fiscal Year	(2) Total Tax Levy	Less Actual Abatements & Exemptions	(3) Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Tax to Net Tax Levy
1995	\$21,903,026	\$245,016	\$21,658,010	98.88%	\$21,237,952	98.1%	\$417,939	\$21,655,891	99.99%	\$2,119	0.01%
1996	\$23,452,925	\$146,348	\$23,306,577	99.38%	\$22,950,757	98.5%	\$349,588	\$23,300,345	99.97%	\$6,232	0.03%
1997 (1)	\$24,547,793	\$147,817	\$24,399,976	99.40%	\$24,012,330	98.4%	\$379,318	\$24,391,648	99.97%	\$8,328	0.03%
1998	\$25,421,010	\$129,295	\$25,291,715	99.49%	\$25,015,911	98.9%	\$269,891	\$25,285,802	99.98%	\$5,913	0.02%
1999	\$27,199,262	\$125,686	\$27,073,576	99.54%	\$26,784,772	98.9%	\$287,300	\$27,072,072	99.99%	\$1,504	0.01%
2000 (1)	\$29,610,189	\$274,448	\$29,335,741	99.07%	\$29,058,196	99.1%	\$263,045	\$29,321,241	99.95%	\$14,500	0.05%
2001	\$31,336,191	\$198,411	\$31,137,780	99.37%	\$30,935,846	99.4%	\$182,650	\$31,118,496	99.94%	\$19,284	0.06%
2002	\$33,126,601	\$309,793	\$32,816,808	99.06%	\$32,592,848	99.3%	\$200,000	\$32,792,848	99.93%	\$23,960	0.07%
2003 (1)	\$37,288,629	\$128,647	\$37,159,982	99.65%	\$37,036,617	99.7%	\$96,832	\$37,133,449	99.93%	\$26,533	0.07%
2004	\$43,112,384	\$304,176	\$42,808,208	99.29%	\$42,644,456	99.6%	\$0	\$42,644,456	99.62%	\$163,752	0.38%



- (1) Revaluation year.
- (2) Includes omitted and revised assessments.
- (3) Includes tax liens.

Town of Westwood, Massachusetts
Assessed Value and Equalized Valuation of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value			U. S. Census Population	Total Assessed Value Per Capita	(2) Equalized Value	Ratio of Assessed to Equalized Value
	Real Property	Personal Property	Total				
1995	\$1,310,014,400	\$14,952,980	\$1,324,967,380	12,557	\$105,516	\$1,390,737,200	95.27%
1996	\$1,331,281,800	\$15,673,060	\$1,346,954,860	12,557	\$107,267	\$1,526,558,000	88.23%
1997	(1) \$1,516,294,150	\$17,021,650	\$1,533,315,800	12,557	\$122,108	\$1,526,558,000	100.44%
1998	\$1,540,564,050	\$18,123,340	\$1,558,687,390	12,557	\$124,129	\$1,701,499,600	91.61%
1999	\$1,570,917,200	\$21,639,140	\$1,592,556,340	12,557	\$126,826	\$1,701,499,600	93.60%
2000	(1) \$2,047,864,800	\$29,756,990	\$2,077,621,790	12,557	\$165,455	\$2,218,233,000	93.66%
2001	\$2,063,818,900	\$31,531,378	\$2,095,350,278	14,117	\$148,427	\$2,218,233,000	94.46%
2002	\$2,122,766,700	\$32,480,313	\$2,155,247,013	14,117	\$152,670	\$2,795,016,900	77.11%
2003	(1) \$2,875,571,950	\$28,226,499	\$2,903,798,449	14,117	\$205,695	\$2,795,016,900	103.89%
2004	\$2,896,353,000	\$55,705,658	\$2,952,058,658	14,117	\$209,114	\$3,415,448,600	86.43%



(1) Revaluation year.

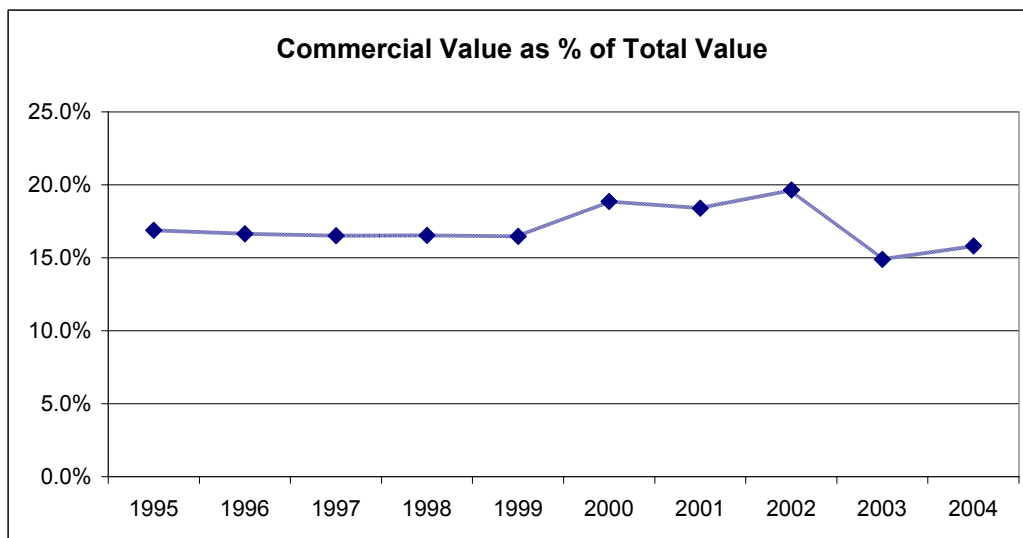
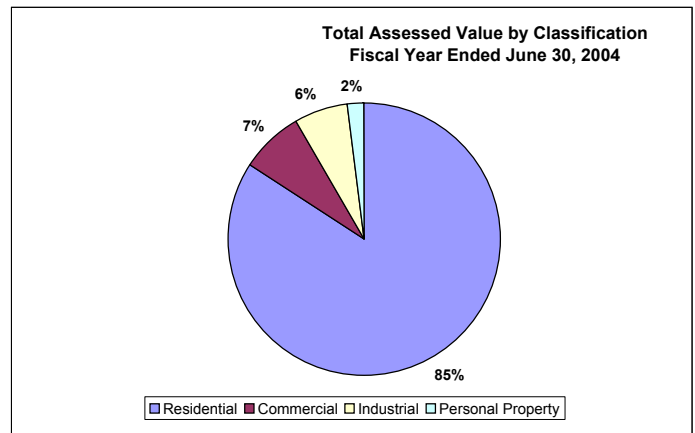
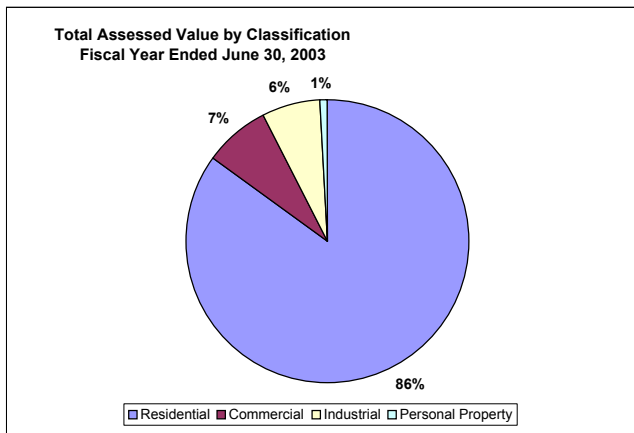
(2) Equalized valuations are determined biennially by the Commissioner of Revenue.

Sources: MA Department of Revenue
U. S. Census

Assessed Value of Taxable Property by Classification

Last Ten Fiscal Years

Fiscal Year	Assessed Value							Total Town Value
	Residential Value	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial % of Total Value	
1995	\$1,101,119,750	83.1%	\$101,545,350	\$107,349,300	\$14,952,980	\$223,847,630	16.9%	\$1,324,967,380
1996	\$1,122,897,150	83.4%	\$101,025,350	\$107,359,300	\$15,673,060	\$224,057,710	16.6%	\$1,346,954,860
1997 (1)	\$1,280,058,250	83.5%	\$112,180,800	\$124,055,100	\$17,021,650	\$253,257,550	16.5%	\$1,533,315,800
1998	\$1,301,083,000	83.5%	\$111,953,750	\$127,527,300	\$18,123,340	\$257,604,390	16.5%	\$1,558,687,390
1999	\$1,330,319,200	83.5%	\$112,066,200	\$128,531,800	\$21,639,140	\$262,237,140	16.5%	\$1,592,556,340
2000 (1)	\$1,685,949,500	81.1%	\$171,721,300	\$190,194,000	\$29,756,990	\$391,672,290	18.9%	\$2,077,621,790
2001	\$1,709,699,250	81.6%	\$162,673,650	\$191,446,000	\$31,531,378	\$385,651,028	18.4%	\$2,095,350,278
2002	\$1,731,760,550	80.4%	\$205,967,250	\$185,038,900	\$32,480,313	\$423,486,463	19.6%	\$2,155,247,013
2003 (1)	\$2,471,698,300	85.1%	\$217,111,450	\$186,762,200	\$28,226,499	\$432,100,149	14.9%	\$2,903,798,449
2004	\$2,485,356,400	84.2%	\$220,942,100	\$190,054,500	\$55,705,658	\$466,702,258	15.8%	\$2,952,058,658



(1) Revaluation year.

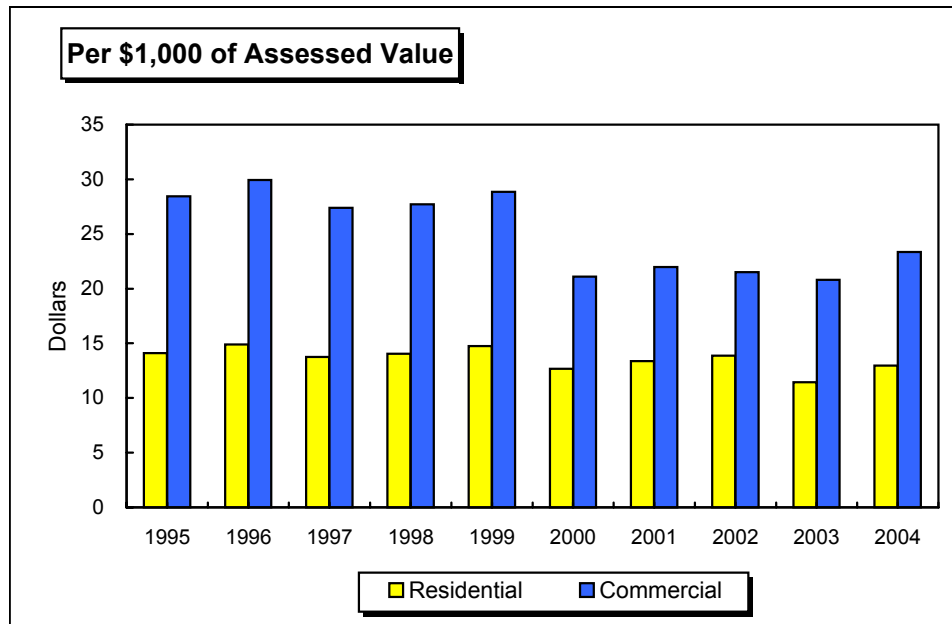
Town of Westwood, Massachusetts

Property Tax Rates Per \$1,000 of Assessed Valuation

Last Ten Fiscal Years

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property
-------------	---------------------------	---	-------------------

1995	\$14.11	\$28.44	\$28.44
1996	\$14.91	\$29.95	\$29.95
1997 (1)	\$13.76	\$27.38	\$27.38
1998	\$14.05	\$27.72	\$27.72
1999	\$14.75	\$28.85	\$28.85
2000 (1)	\$12.66	\$21.09	\$21.09
2001	\$13.37	\$21.99	\$21.99
2002	\$13.87	\$21.52	\$21.52
2003 (1)	\$11.45	\$20.80	\$20.80
2004	\$12.96	\$23.36	\$23.36



(1) Revaluation Year.

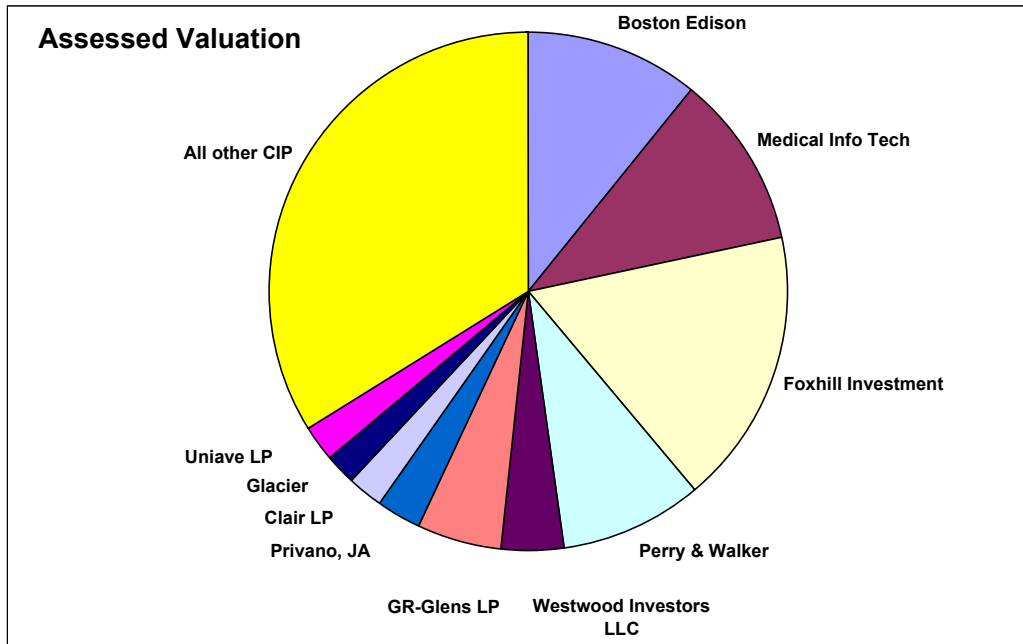
Source: Assessor's Department, Town of Westwood

Town of Westwood, Massachusetts

Principal Taxpayers

June 30, 2004

Name	Nature of Business	Assessed Valuation	Amount of Tax	% of Total Tax Levy
Boston Edison Company	Office Building	\$50,360,000	\$1,176,409	2.7%
Medical Information Tech Inc.	Office Building/Medical Information	\$50,161,000	\$1,171,760	2.7%
Foxhill Investment Corporation	Retirement Community	\$81,095,000	\$1,096,620	2.5%
Perry and Walker	Office Building/Financial Services	\$40,993,000	\$924,061	2.1%
Westwood Investors LLC	Office Building/Administration	\$18,500,000	\$432,160	1.0%
GR-Highland/Westwood Glen LP	Residential Community	\$25,250,000	\$327,239	0.8%
Piravano, John A. Trustee	Warehouse Storage	\$12,350,000	\$269,574	0.6%
Clair Limited Partnership	Car Dealership	\$10,166,000	\$237,477	0.6%
Uniave Limited Partnership	Office/Research & Development	\$10,142,000	\$236,916	0.5%
Glacier Limited Partnership	Office Building	\$9,737,000	\$227,456	0.5%
Totals		\$308,754,000	\$6,099,672	14.1%



- (1) Source: Assessor's Department, Town of Westwood
- (2) Total Commercial, Industrial & Personal Property (CIP) Valuation \$466,702,258
- (3) Total Valuation of All Property \$2,952,058,658

Town of Westwood, Massachusetts

Computation of Legal Debt Margin

June 30, 2004

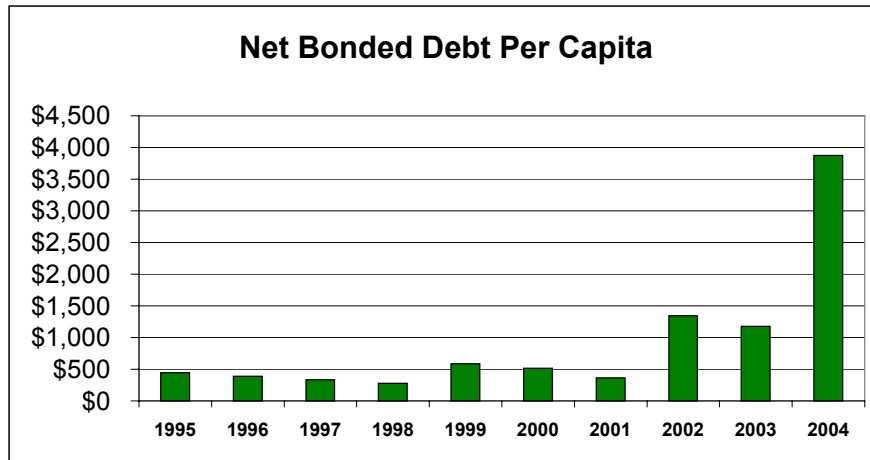
Fiscal Year 2004 equalized valuation	<u><u>\$3,415,448,600</u></u>
Debt Limit - 5% of equalized valuation	\$170,772,430
Less:	
Total debt applicable to limitation	\$59,493,582
Authorized and unissued debt	<u>\$5,933,340</u>
Legal debt margin	<u><u>\$105,345,508</u></u>

Town of Westwood, Massachusetts

Ratio of Net General Obligation Bonded Debt
to Equalized Value and Net Bonded Debt per Capita

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	State Equalized Value	Outstanding Gross Bonded Debt	Less: Self-Supporting Debt (1)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1995	12,557	\$1,390,737,200	\$11,420,337	\$5,855,337	\$5,565,000	0.40%	\$443
1996	12,557	\$1,526,558,000	\$9,833,986	\$4,958,986	\$4,875,000	0.32%	\$388
1997	12,557	\$1,526,558,000	\$8,395,137	\$4,210,137	\$4,185,000	0.27%	\$333
1998	12,557	\$1,701,499,600	\$7,212,284	\$3,717,284	\$3,495,000	0.21%	\$278
1999	12,557	\$1,701,499,600	\$13,283,340	\$5,947,640	\$7,335,700	0.43%	\$584
2000	12,557	\$2,218,233,000	\$13,475,548	\$7,030,548	\$6,445,000	0.29%	\$513
2001	14,117	\$2,218,233,000	\$11,259,568	\$6,114,568	\$5,145,000	0.23%	\$364
2002	14,117	\$2,795,016,900	\$25,741,885	\$6,786,885	\$18,955,000	0.68%	\$1,343
2003	14,117	\$2,795,016,900	\$22,400,810	\$5,805,810	\$16,595,000	0.59%	\$1,176
2004	14,117	\$3,415,448,600	\$59,493,582	\$4,823,582	\$54,670,000	1.60%	\$3,873



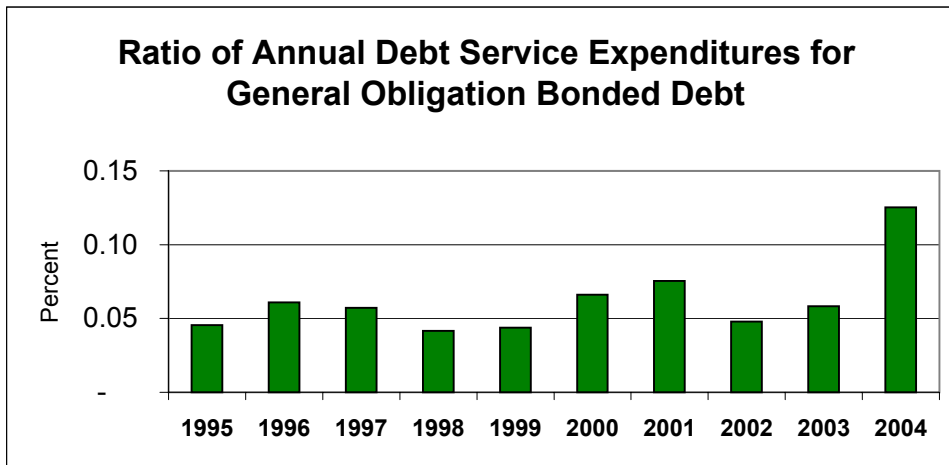
(1) Sewer Fund

Source: Audited Financial Statements, U. S. Census

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Government Expenditures (1)**

Last Ten Fiscal Years

Fiscal Year	Annual Debt Service	Total General Governmental Expenditures	Ratio of Bonded Debt Service to General Government Expenditures
1995	\$1,388,881	\$30,487,826	4.56%
1996	\$2,029,417	\$33,321,469	6.09%
1997	\$1,999,577	\$34,922,413	5.73%
1998	\$1,519,076	\$36,431,579	4.17%
1999	\$1,748,285	\$39,973,562	4.37%
2000	\$2,808,273	\$42,539,745	6.60%
2001	\$3,439,008	\$45,601,842	7.54%
2002	\$2,537,157	\$52,980,121 (2)	4.79%
2003	\$3,194,458	\$54,704,922	5.84%
2004	\$7,286,430	\$58,195,024	12.52%



(1) Includes general and special revenue funds.

(2) In Fiscal Year 2002 the on-behalf payments by the Commonwealth for teachers pension benefits are reported for the first time.

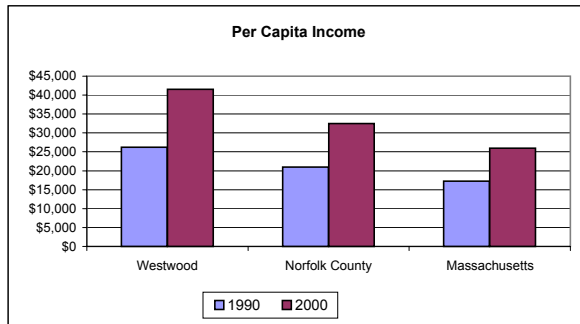
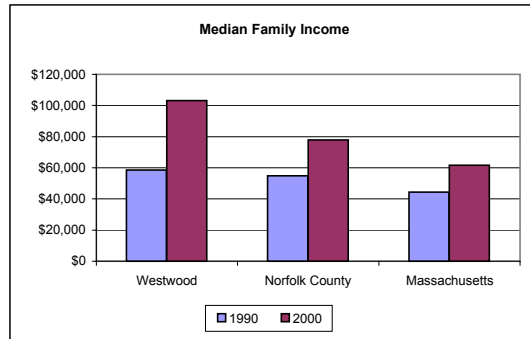
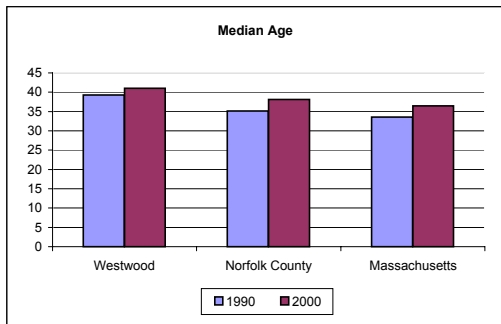
Source: Audited Financial Statements.

Town of Westwood, Massachusetts

Age, Income and Wealth Levels (1)

1990 - 2000

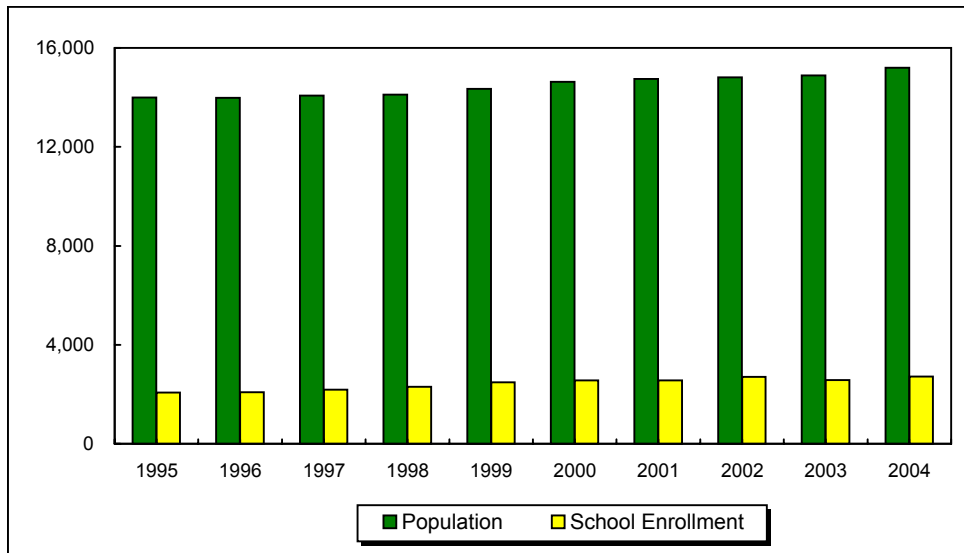
Category	Year	Westwood	Norfolk County	Massachusetts
Median Age	1990	39.3	35.1	33.6
	2000	41.0	39.1	36.5
Median Family Income	1990	\$58,559	\$54,915	\$44,367
	2000	\$103,242	\$77,847	\$61,664
Per Capita Income	1990	\$26,241	\$21,019	\$17,224
	2000	\$41,553	\$32,474	\$25,952



Source: MA Department of Revenue, Division of Local Services
U. S. Census

Town of Westwood, Massachusetts
Population and School Enrollment Changes
Last Ten Calendar Years

Year	Population	Increase/ -Decrease	School Enrollment	Increase/ -Decrease
1995	13,997	511	2,071	122
1996	13,987	-10	2,085	14
1997	14,077	90	2,191	106
1998	14,114	37	2,299	108
1999	14,347	233	2,488	189
2000	14,626	279	2,562	74
2001	14,745	119	2,556	-6
2002	14,807	62	2,698	142
2003	14,885	78	2,573	-125
2004	15,196	311	2,720	147



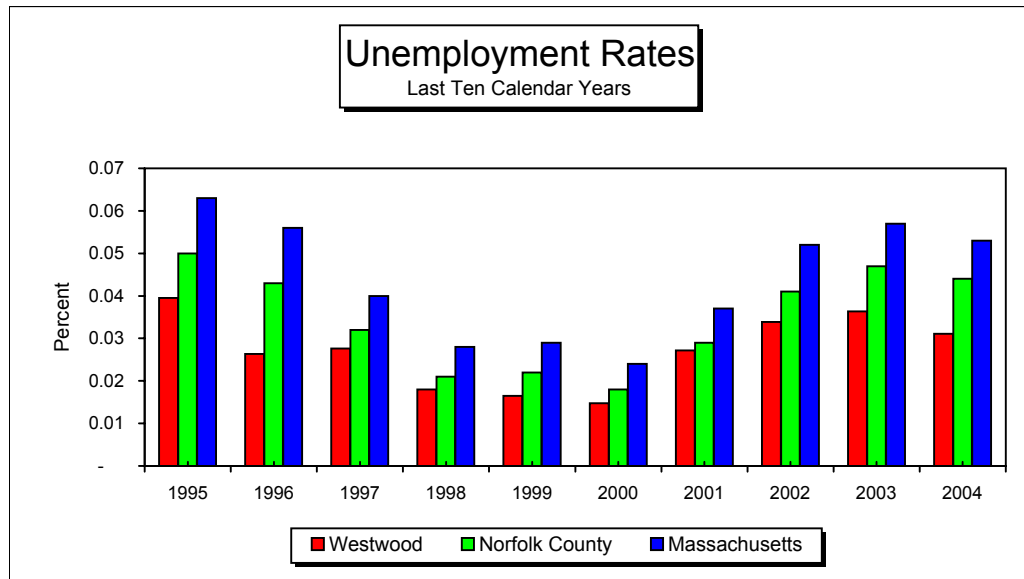
Sources: Town Clerk, Town of Westwood
School Department, Town of Westwood

Town of Westwood, Massachusetts

Annual Unemployment Rates (1)

Last Ten Calendar Years

Calendar Year	Labor Force	Employment	Westwood	Norfolk County	Massachusetts
1995	6,906	6,633	4.0%	5.0%	6.3%
1996	6,868	6,687	2.6%	4.3%	5.6%
1997	7,285	7,084	2.8%	3.2%	4.0%
1998	7,053	6,926	1.8%	2.1%	2.8%
1999	7,043	6,927	1.6%	2.2%	2.9%
2000	7,181	7,075	1.5%	1.8%	2.4%
2001	7,354	7,154	2.7%	2.9%	3.7%
2002	7,287	7,040	3.4%	4.1%	5.2%
2003	7,365	7,097	3.6%	4.7%	5.7%
2004	(2) 7,425	7,194	3.1%	4.4%	5.3%



(1) Source: MA Department of Employment and Training

(2) Data as of June, 2004

**Town of Westwood, Massachusetts
Employment by Industry (1)
Last Ten Calendar Years**

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	(2) 2004
Agriculture	26	34	Conf	36	35	37	49	*	*	*
Construction	235	312	361	342	247	252	227	345	322	590
Finance/Insurance/Real Estate	1065	932	748	732	714	728	543	722	732	732
Government	733	727	733	685	699	620	606	*	*	*
Trade, Transportation, Utilities	668	795	878	942	977	962	730	1860	1865	1936
Wholesale/Retail Trade	3033	2707	2576	2274	2374	2621	2045	*	*	*
Services	2681	2684	2823	2647	2988	3370	2958	*	*	*
Manufacturing	968	1087	1379	1485	1721	1951	2121	1607	822	778
Information Services	*	*	*	*	*	*	*	1017	1068	1025
Professional and Business Services	*	*	*	*	*	*	*	2224	2101	2063
Education and Health Services	*	*	*	*	*	*	*	1147	1407	1471
Leisure and Hospitality Services	*	*	*	*	*	*	*	249	271	248
Other Services	*	*	*	*	*	*	*	236	227	221

Total Employment	9,409	9,278	9,526	9,143	9,755	10,541	9,279	9,407	8,815	9,064
Average Annual Wage	\$36,754	\$39,455	\$42,380	\$45,722	\$52,022	\$55,619	\$57,411	\$61,273	\$63,117	(3)
Total Annual Payroll	\$345,818,386	\$366,066,274	\$403,712,718	\$418,036,246	\$507,477,285	\$586,284,422	\$532,716,669	\$576,392,659	\$556,372,456	(3)

* For years subsequent to 2001, the MA Department of Employment replaced its Standard Industrial Code (SIC) system with the new North American Industry Classification (NAICS). Consequently, information provided in this table from 1995 through 2001 is shown under the SIC classification system and 2002 through 2004 are shown under the NAICS classification system.

Conf: Confidential Data

- (1) Source: MA Department of Employment and Training.
- (2) Based on first quarter data.
- (3) Data not available.



Town of Westwood, Massachusetts

Property Value, Construction (1) and Bank Deposits

Last Ten Calendar Years

Calendar Year	Real Property Assessed Value	Building Permits Issued (3)	(2) Bank Deposits
1995	\$1,310,014,400	47	\$808,458,000
1996	\$1,331,281,800	56	\$851,886,000
1997	\$1,516,294,150	58	\$887,125,000
1998	\$1,540,564,050	50	\$956,347,000
1999	\$1,570,917,200	45	\$1,021,759,000
2000	\$2,047,864,800	17	\$1,034,459,000
2001	\$2,063,818,900	22	\$1,154,147,000
2002	\$2,122,766,700	12	\$1,249,278,000
2003	\$2,875,571,950	9	\$1,338,727,000
2004	\$2,896,353,000	26	\$1,375,205,000

(1) Not Available.

(2) Source: Federal Deposit Insurance Corporation. These figures represent deposits in Westwood area banks; they do not include deposits in credit unions and savings and loan institutions.

(3) New Dwelling Permits.

Source: Building Inspection Department, Town of Westwood.

How Does Westwood Compare with Other Communities?

In determining the list of communities with which to compare Westwood, three factors were considered: location, population, and per capita equalized valuation (EQV).

Location - Communities within a 30 mile radius of Westwood were considered.

Population - Towns with a population significantly smaller than Westwood probably do not have similar service demands; one larger in population will have increased service delivery demands.

Per Capita Equalized Valuation (EQV) - This factor measures the relative "wealth" of a community by dividing property valuations by population. Per capita valuation is directly related to the amount of revenue that a community can raise via the property tax. It offers some comparison of a community's "ability to pay."

Municipality	Miles from Westwood	2002 Estimated U.S. Census	2002 EQV Per Capita	2000 Income Per Capita
Canton	8	21,341	132,786	33,510
Concord	24	17,028	248,135	51,477
Holliston	14	13,989	105,121	32,116
Medfield	6	12,447	136,766	42,891
Sharon	9	17,536	117,987	41,323
Sudbury	21	17,259	177,778	53,285
Wayland	17	13,239	183,469	52,717
Weston	15	11,652	327,722	79,640
Westwood		14,181	197,096	41,553

Fiscal Year 2004				
Municipality	Residential Tax Rate	Commercial Tax Rate	Tax Levy	Taxes As % of Total Revenue
Canton	9.16	18.81	38,952,281	62.5
Concord	10.59	10.59	46,721,518	83.9
Holliston	14.83	14.83	25,697,194	58.7
Medfield	12.69	12.69	25,551,584	66.1
Sharon	16.38	16.38	39,234,705	70.5
Sudbury	13.46	20.81	49,200,857	74.8
Wayland	13.13	13.13	37,055,351	70.2
Weston	9.67	9.67	41,261,336	73.6
Westwood	12.96	23.36	43,112,383	77.0

Municipality	Fiscal Year 2004			Fiscal Year 2003	12-03
	Average Single Family Tax Bill	State Hi-Lo Rank	Free Cash	Stabilization Fund	Moody's Bond Rating*
Canton	3,776	90	\$4,666,596	\$917,569	Aa2
Concord	7,987	7	\$3,638,239	\$2,136	Aaa
Holliston	5,112	40	\$631,408	\$1,409,498	A1
Medfield	6,578	15	\$1,409,805	\$1,073,178	Aa2
Sharon	6,491	18	\$1,051,399	\$6,274	Aa3
Sudbury	8,025	6	\$1,146,292	\$1,502,418	Aa1
Wayland	7,595	8	\$2,809,907	\$151,836	Aaa
Weston	11,238	1	\$2,067,415	\$12,038	Aaa
Westwood	6,673	14	\$1,498,110	\$917,569	Aa1

Source: MA Department of Revenue Division of Local Services
(Continued)

Other Financial Comparisons*

Fiscal Year 2003									
	Canton	Concord	Holliston	Medfield	Sharon	Sudbury	Wayland	Weston	Westwood
Total General Fund Expenditures	\$48,523,393	\$51,391,812	\$39,518,355	\$34,101,022	\$48,832,917	\$60,578,603	\$44,022,205	\$48,735,384	\$44,765,756
Police	\$3,008,038	\$2,625,038	\$1,750,834	\$1,720,110	\$2,242,013	\$2,000,077	\$1,936,342	\$2,348,678	\$2,379,482
% of Total	6%	5%	4%	5%	5%	3%	4%	5%	5%
Fire	\$3,356,915	\$2,436,731	\$499,880	\$462,780	\$1,262,279	\$2,268,042	\$1,743,968	\$2,052,507	\$2,096,187
% of Total	7%	5%	1%	1%	3%	4%	4%	4%	5%
Education	\$22,535,069	\$30,145,968	\$25,660,935	\$18,690,512	\$26,674,786	\$34,238,921	\$23,985,791	\$23,144,557	\$24,705,349
% of Total	46%	59%	65%	55%	55%	57%	54%	47%	55%
Public Works	\$3,471,565	\$2,760,040	\$2,829,619	\$2,119,084	\$2,375,868	\$2,270,996	\$1,916,896	\$2,883,948	\$3,553,405
% of Total	7%	5%	7%	6%	5%	4%	4%	6%	8%
All Other	\$16,151,806	\$13,424,035	\$8,777,087	\$11,108,536	\$16,277,971	\$19,800,567	\$14,439,208	\$18,305,694	\$12,031,333
% of Total	33%	26%	22%	33%	33%	33%	33%	38%	27%
Stabilization Fund (FY03)	\$917,569	\$2,136	\$1,409,498	\$1,073,178	\$6,274	\$1,502,418	\$151,836	\$12,038	\$773,284
Free Cash (7/01/03)	\$4,666,596	\$3,638,239	\$631,408	\$1,409,805	\$1,051,399	\$1,146,292	\$2,809,907	\$2,067,415	\$1,498,110
Bond Rating (12/03)	Aa2	Aaa	A1	Aa2	Aa3	Aa1	Aaa	Aaa	Aa1

Source: MA Department of Revenue, Division of Local Services.

* Information as provided in State of MA end of year report.

Some Facts About Westwood

Form of Government	Board of Selectmen, Executive Secretary, Open Town Meeting			
Population Trends	1990		2000	
	12,557		14,117	
Registered Voters (2002)	Total	Democrats	Republicans	Unenrolled/Other
	9,325	2,570	1,953	4,802

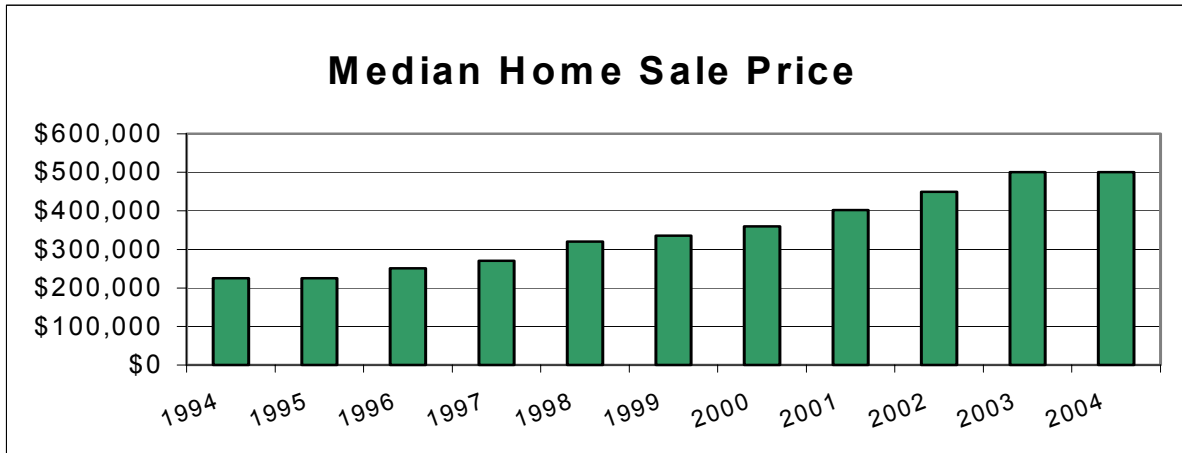
Westwood Schools

In April, 2002 Westwood began construction of a new, 1000 student High School; renovation of existing gymnasium and swimming pool; and construction of an artificial surface multipurpose field. Residents approved funding for this project totaling approximately \$44 million dollars. Occupancy is expected sometime in 2004. The new school will feature beautiful classroom facilities, a state of the art media center, and a new performing arts facility.



Westwood's New High School

Student Population 2003	2,761	
Per Pupil Expenditure Total Day – 2003	Westwood \$9,921	State Average \$8,264
Dropout Rate (%) – 2003	Westwood 0%	State Average 3.3%
Plans of High School Graduates - 2003	Westwood	State Average
4-Year College	87%	56%
2-Year College	6%	19%
Other Post-Secondary	4%	2%
Work	1%	12%
Military/Other	2%	11%



Find out the latest information around Town instantaneously!

- * Meetings posted weekly with agendas.
- * Get the Recreation bulletin on-line before it comes in the mail.
- * What's for lunch at the Council on Aging?
- * What programs are available for my pre-schooler?
- * Link to the Westwood Public Schools.
- * Sign up for CPR classes on-line.
- * Find out about the preservation of Westwood's open space.
- * Search Westwood's library collection on-line.
- * Read minutes from past meetings around Town.
- * How is the Town spending your money? - Budget documents available.

To get on-line point your browser to **www.townhall.westwood.ma.us** and explore, be informed and stay current.

Sources: MA Department of Revenue
MA Department of Education
U. S. Census
Board of Assessors – Town of Westwood