

APPENDIX A



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Westwood, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westwood, Massachusetts, as of June 30, 2008, 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 October 21, 2008, 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 grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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, retirement system schedule of funding progress, and retirement system schedule of employer contributions, 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 sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Power & Sullivan

October 21, 2008

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, 2008. 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 principles (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 \$108.9 million (net assets).
- Of this amount, 7% or \$8 million (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 \$4.2 million, an increase of \$1 million in comparison with the prior year. Total fund balance represents 6.5% of total general fund expenditures. Approximately \$1.9 million of this total amount is available for appropriation at the government's discretion and \$1.2 million was appropriated to balance the subsequent year's budget.
- The Town of Westwood's total governmental debt decreased by \$3.7 million during the current fiscal year. This was the net effect of principal payments on long and short-term debt of \$11.6 million and new BAN issues of \$7.9 million, of which \$3.9 million are reported as long term debt in the Town's financial statements.

Overview of the Financial Statements

This discussion and analysis is 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. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. 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 and interest. The business-type activities include the activities of the sewer enterprise fund.

Fund financial statements. A fund is a grouping of related accounts that are 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, uses 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 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, government-wide assets exceeded liabilities by \$126.2 million at the close of the fiscal year 2008.

Net assets of \$111.7 million (88.5%) 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 \$2.4 million (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$12 million (9.6%) 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.

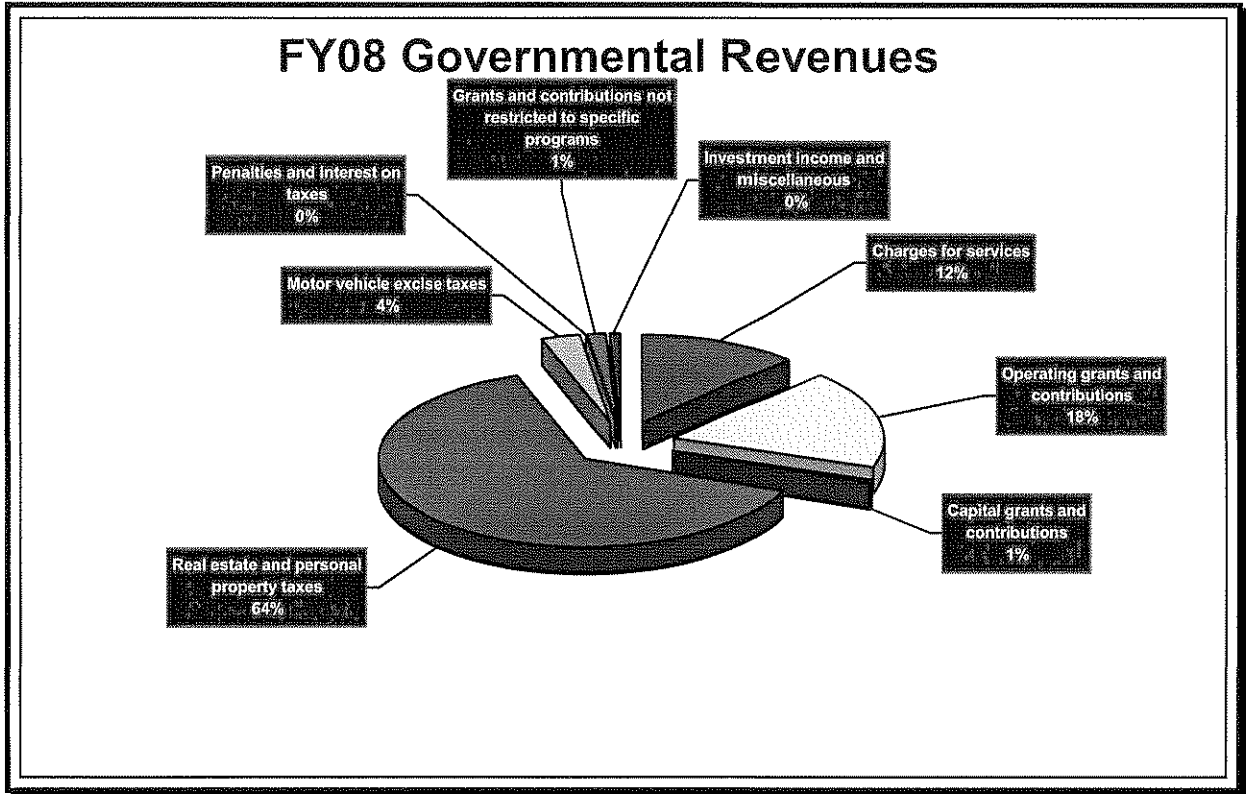
Comparative Financial Data – Governmental Activities

Governmental Activities:	Balance at June 30, 2008	Balance at June 30, 2007
Assets:		
Current assets.....	\$ 20,257,297	\$ 18,552,059
Noncurrent assets (excluding capital).....	19,757,000	21,917,000
Capital assets, not being depreciated.....	5,858,382	50,862,255
Capital assets, net of accumulated depreciation.....	110,518,627	66,217,523
Total assets.....	156,391,306	157,548,837
Liabilities:		
Current liabilities (excluding debt).....	5,232,389	4,175,707
Noncurrent liabilities (excluding debt).....	636,737	630,252
Current debt.....	4,550,000	7,555,000
Noncurrent debt.....	37,075,000	37,760,000
Total liabilities.....	47,494,126	50,120,959
Net Assets:		
Capital assets net of related debt.....	98,219,632	98,291,275
Restricted.....	2,422,271	2,460,440
Unrestricted.....	8,255,277	6,676,163
Total net assets.....	\$ 108,897,180	\$ 107,427,878

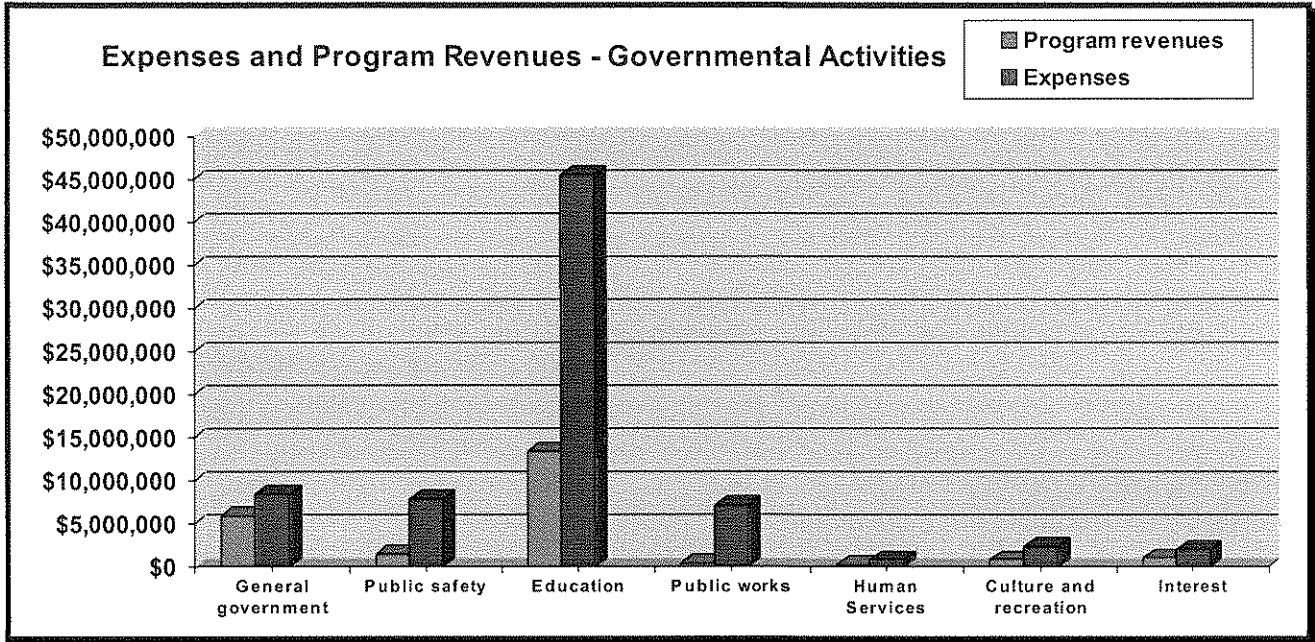
Governmental activities. The governmental activities net assets increased by approximately \$1.5 million during the current fiscal year. This indicates a slight improvement in the financial condition of the Town.

Governmental Activities:	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
	_____	_____
Program revenues:		
Charges for services.....	\$ 9,258,254	\$ 7,412,474
Operating grants and contributions.....	13,597,090	11,341,858
Capital grants and contributions.....	405,154	255,834
General revenues:		
Real estate and personal property taxes.....	48,295,949	43,748,150
Motor vehicle excise taxes.....	2,245,316	2,138,434
Nonrestricted grants and contributions.....	962,617	945,762
Unrestricted investment income.....	615,900	707,268
Miscellaneous revenues.....	194,770	136,770
Total revenues.....	75,575,050	66,686,550
Expenses:		
General government.....	8,392,072	6,876,348
Public safety.....	7,851,039	7,571,002
Education.....	45,462,795	41,522,952
Public works.....	7,193,036	6,025,150
Human services.....	833,985	844,529
Culture and recreation.....	2,376,794	1,880,631
Interest.....	1,996,027	1,966,558
Total expenses.....	74,105,748	66,687,170
Change in net assets.....	\$ 1,469,302	\$ (620)

- Charges for services represent about 12% 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. General Government Charges for Services for fiscal year 2008 includes approximately \$3.7 million in non-recurring fees collected for the Westwood Station Project compared to \$2.2 million collected in fiscal year 2007.
- Operating and capital grants and contributions account for 18% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to the General Fund operating budget. Also during the fiscal year, the Town received a Westwood Station gift in the amount of \$1 million as well as \$115 thousand for an eminent domain taking relating to the Westwood Station project.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprise 64% of all resources.
- Motor vehicle excise taxes comprise 4% of the governmental activities resources.



- Education is by far the largest governmental activity of the Town at 61%. Program revenues of \$13.4 million provided direct support to education and \$32 million in taxes and other general revenue were needed to cover the remaining fiscal year 2008 operating expenses.
- Public safety and public works are significant activities of the Town. Program revenues for public safety of \$1.5 million and \$436 thousand in public works directly supported \$7.9 million and \$7.2 million of operating expenses respectively. Taxes and other general revenue of \$13.1 million were needed to cover the remaining fiscal year 2008 operating expenses. Combined, they represent 20% of governmental activity expenses.



Business-type activities. For sewer business-type activities, assets exceeded liabilities by \$17.3 million at the close of fiscal year 2008. Capital assets net of related debt totaled \$13.5 million (78%) while unrestricted net assets totaled \$3.8 million (22%). There was an increase of \$795 thousand in net assets reported in connection with the sewer enterprise. Charges for services increased due to rate increases in fiscal year 2008. Operating grants and contributions increased due to a one-time MWRA grant of \$137 thousand in fiscal year 2008, and capital grants decreased due to one-time betterments received in fiscal year 2007. Expenses were down in fiscal year 2008 due to higher maintenance costs in fiscal year 2007.

Comparative Revenues & Expenses – Business-type

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Program revenues:		
Charges for services.....	\$ 4,276,856	\$ 3,788,725
Operating grants and contributions.....	200,163	72,022
Capital grants and contributions.....	52,688	180,440
Total revenues.....	4,529,707	4,041,187
Expenses:		
Sewer.....	3,734,283	3,944,791
Change in net assets.....	\$ 795,424	\$ 96,396

Comparative Assets, Liabilities and Net Assets – Business-type

	Balance at June 30, 2008	Balance at June 30, 2007
	<u>2008</u>	<u>2007</u>
Assets:		
Current assets.....	\$ 3,543,914	\$ 2,657,737
Noncurrent assets (excluding capital).....	442,016	486,151
Capital assets, not being depreciated.....	350,850	350,850
Capital assets, net of accumulated depreciation.....	<u>15,771,307</u>	<u>16,143,804</u>
Total assets.....	<u>20,108,087</u>	<u>19,638,542</u>
Liabilities:		
Current liabilities (excluding debt).....	172,034	75,960
Current debt.....	425,750	421,953
Noncurrent debt.....	<u>2,175,125</u>	<u>2,600,875</u>
Total liabilities.....	<u>2,772,909</u>	<u>3,098,788</u>
Net Assets:		
Capital assets net of related debt.....	13,521,282	13,471,826
Unrestricted.....	<u>3,813,896</u>	<u>3,067,928</u>
Total net assets.....	<u>\$ 17,335,178</u>	<u>\$ 16,539,754</u>

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 \$12.8 million, an increase of \$4.4 million from the prior year. The increase is primarily due to a proposition 2 ½ override for \$2.8 million. This override increased real estate and personal property tax collections significantly in fiscal 2008. The increase can also be attributable to a \$1 million gift received in relation to the Westwood Station Project, as well as the issuance of \$3.8 million in general obligation bonds. Of the remaining increase, approximately \$508 thousand is attributable to Chapter 70 intergovernmental aid and a \$100 thousand was received due to the issuance of licenses and permits for Westwood Station Project.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund totaled \$3.2 million, while total fund balance totaled \$4.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.9% of total general fund expenditures, while total fund balance represents 6.5% of that same amount.

The fund balance of the general fund increased by \$1 million. The increase was the result of the \$2.8 million override approved for the school department budget. The override increased real estate and personal property tax collections by approximately \$4 million while increasing the school department expenditures by approximately \$3.3 million.

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 \$1 million which represents 1.6% 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. At June 30, 2008, the new High School fund had a year end balance of \$302 thousand. The new High Schools fund balance increased \$1.8 million from prior year. This increase was due to additional borrowing of \$1.9 million to complete the remaining site work during the final stages of the project.

General Fund Budgetary Highlights

Actual general fund revenues exceeded the final budget amount by 2%, primarily occurring in real estate and personal property taxes. Building permitting receipts continued to be strong, reflecting a strong residential housing market and commitment of residents to remain in Town.

Investment income exceeded budget by 22% due to conservative budgeting.

Actual general fund expenditures and encumbrances are lower than final budget by .8%, with the majority of the variance occurring in the reserve fund, which turned back \$295,000, as reserve funds were not fully required to fund unanticipated events.

The general fund employee benefits expenditures were lower than the final budget by approximately \$62,000.

The \$1.4 million decrease between the original budget and the final amended budget was primarily due to an appropriation for \$1,650,000 for the Westwood Station Project which was rescinded during the year. Additionally, the budget was increased by supplementary appropriations to fund the stabilization fund (\$25,000), the department of public works snow and ice budget (\$128,000), and the capital outlay budget (\$142,000.)

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 and short-term debt and capital grants. The effect on net assets during the construction phase of the project is neutral for assets acquired with debt 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. Net assets are increased for assets acquired with grant funds since there is no corresponding liability incurred.

Outstanding long-term debt of the general government, as of June 30, 2008, totaled \$41,590,000 of which, \$37,781,000 is related to school projects, leaving a balance of only \$3,809,000 for other non-school related projects.

Outstanding short-term debt of the governmental activities, as of June 30, 2008, totaled \$3,865,000. Subsequent to year end, the Town issued general obligation bonds to retire \$3,830,000 of the BANs outstanding. Accordingly, the \$3,830,000 has been record as long-term debt in the Town's financial statements. The remaining \$35,000 BAN outstanding is for the acquisition of East Street Land.

The enterprise fund has \$2,600,875 in sewer enterprise debt outstanding that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital project fund is used to account for the Town's new High School construction project which is anticipated to cost approximately \$46 million, and is substantially complete. To fund the project, the Town has issued long term debt, used capital grant funds from the Massachusetts Building Authority and has additional authorization to borrow for the remainder of the project. The Massachusetts School Building Authority is committed to provide assistance in the form of a capital grant of 59% of up to \$40 million of the cost of the project through the State's school building assistance program. The Town has recorded approximately \$23 million of capital grants, equal to 59% the allowable capital expenses incurred each year.

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

CAPITAL ASSETS

	Cost of Capital Assets	Accumulated Depreciation at end of year	Capital Assets, net
Governmental activities:			
Land.....	\$ 5,858,382	\$ -	\$ 5,858,382
Buildings and improvements.....	85,637,698	(19,342,428)	66,295,270
Vehicles.....	5,547,788	(3,845,028)	1,702,760
Machinery and equipment.....	6,642,051	(4,946,439)	1,695,612
Furniture and fixtures.....	261,123	(191,583)	69,540
Infrastructure.....	82,538,921	(41,783,476)	40,755,445
Total governmental activities.....	186,485,963	(70,108,954)	116,377,009
Business-type activities:			
Land.....	350,850	-	350,850
Plant and infrastructure.....	25,653,132	(13,812,214)	11,840,918
Other buildings and improvements...	6,191,367	(2,525,782)	3,665,585
Vehicles.....	301,669	(196,228)	105,441
Machinery and equipment.....	308,469	(149,106)	159,363
Furniture and fixtures.....	35,323	(35,323)	-
Total business-type activities.....	32,840,810	(16,718,653)	16,122,157
Total capital assets.....	\$ 219,326,773	\$ (86,827,607)	\$ 132,499,166

GOVERNMENTAL BONDS PAYABLE

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Middle School/Gym.....	3.50-4.00	\$ 470,000	\$ -	\$ 235,000	\$ 235,000
Middle School/Gym.....	3.50-4.00	110,000	-	55,000	55,000
Land Acquisition.....	3.50-4.00	80,000	-	40,000	40,000
Senior Center.....	3.50-4.00	48,000	-	24,000	24,000
School Fields.....	3.50-4.00	38,000	-	19,000	19,000
Middle School/Gym Completion.....	3.50-4.00	30,000	-	15,000	15,000
Middle School/Gym Completion.....	3.50-4.00	14,000	-	7,000	7,000
Martha Jones School Construction.....	3.90-5.00	3,600,000	-	720,000	2,880,000
Downey School Construction.....	3.90-5.00	3,150,000	-	630,000	2,520,000
Striar Land Purchase.....	3.90-5.00	650,000	-	130,000	520,000
Cemetery Land Purchase.....	3.90-5.00	150,000	-	30,000	120,000
School Planning.....	2.50-5.38	31,600,000	-	1,975,000	29,625,000
Public Building.....	3.00-5.00	1,820,000	-	260,000	1,560,000
Public Building.....	3.00-5.00	165,000	-	25,000	140,000
Land Acquisition.....	3.50-4.00	-	210,000	-	210,000
High Street Reconstruction.....	3.50-4.00	-	1,000,000	-	1,000,000
High Street Lights.....	3.50-4.00	-	195,000	-	195,000
High School Supplement.....	3.50-4.00	-	1,950,000	-	1,950,000
High School Fields.....	3.50-4.00	-	475,000	-	475,000
Total Governmental Bonds Payable.....		\$ <u>41,925,000</u>	\$ <u>3,830,000</u>	\$ <u>4,165,000</u>	\$ <u>41,590,000</u>

ENTERPRISE BONDS PAYABLE

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Sewer.....	3.50-4.00	\$ 160,000	\$ -	\$ 80,000	\$ 80,000
Sewer.....	3.50-4.00	80,000	-	40,000	40,000
Sewer (MWPAT).....	3.88	2,032,828	-	151,953	1,880,875
Sewer.....	3.90-5.00	750,000	-	150,000	600,000
MWRA Sewer Loan.....	0.00	-	168,300	168,300	-
Total Enterprise Bonds Payable.....		\$ <u>3,022,828</u>	\$ <u>168,300</u>	\$ <u>590,253</u>	\$ <u>2,600,875</u>

The Town of Westwood improved to an "AAA" rating from Standard & Poor's and an "Aa1" from Moody's for general obligation debt.

Economic Factors and Next Year's Budget and Rates

- The Commonwealth of Massachusetts has stabilized its financial condition. The increases will come primarily in the categories of education. The Town has benefited from a change in the educational distribution formula. The Town has budgeted an increase of \$472,000, or 11%, for local aid for fiscal year 2009, based on the final state budget.
- The operating budget increased by \$3.9 million (6.2%) over the fiscal year 2008 budget. This increase is attributable to Town appropriations increasing by \$743 thousand (5.4%), school increases of \$1.8 million (5.8%), a (4.1%) increase of \$249 thousand in debt service, and a \$967 thousand (12.3%) increase in employee health insurance and other benefit costs.
- The fiscal year 2009 budget also includes a \$225,000 energy reserve account to provide for potential significant increases in energy and utility costs in fiscal year 2009.

All these factors were considered in preparing the Town of Westwood's budget for fiscal year 2009.

The official tax rates for FY09 are currently being set. The Town's residential tax rate is scheduled to be \$12.03, which increased 2.5% from fiscal year 2008.

Sewer rates will decrease by 5% for fiscal year 2009, primarily due to the decrease in the assessment charged by 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, 2008

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 16,345,777	\$ 1,339,334	\$ 17,685,111
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	371,917	-	371,917
Tax liens.....	211,231	-	211,231
Motor vehicle excise taxes.....	165,277	-	165,277
User charges.....	-	2,160,445	2,160,445
Departmental and other.....	148,459	-	148,459
Special assessments.....	243	-	243
Intergovernmental.....	3,014,393	44,135	3,058,528
Total Current Assets.....	<u>20,257,297</u>	<u>3,543,914</u>	<u>23,801,211</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	19,757,000	442,016	20,199,016
Capital assets, not being depreciated.....	5,858,382	350,850	6,209,232
Capital assets, net of accumulated depreciation.....	<u>110,518,627</u>	<u>15,771,307</u>	<u>126,289,934</u>
Total Noncurrent Assets.....	<u>136,134,009</u>	<u>16,564,173</u>	<u>152,698,182</u>
TOTAL ASSETS.....	<u>156,391,306</u>	<u>20,108,087</u>	<u>176,499,393</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,261,315	134,398	2,395,713
Accrued payroll.....	1,010,762	5,897	1,016,659
Accrued interest.....	238,627	17,739	256,366
Other liabilities.....	406,418	-	406,418
Capital lease obligations.....	71,267	-	71,267
Compensated absences.....	1,244,000	14,000	1,258,000
Bonds and notes payable.....	<u>4,550,000</u>	<u>425,750</u>	<u>4,975,750</u>
Total Current Liabilities.....	<u>9,782,389</u>	<u>597,784</u>	<u>10,380,173</u>
NONCURRENT:			
Capital lease obligations.....	74,737	-	74,737
Compensated absences.....	562,000	-	562,000
Bonds and notes payable.....	<u>37,075,000</u>	<u>2,175,125</u>	<u>39,250,125</u>
Total Noncurrent Liabilities.....	<u>37,711,737</u>	<u>2,175,125</u>	<u>39,886,862</u>
TOTAL LIABILITIES.....	<u>47,494,126</u>	<u>2,772,909</u>	<u>50,267,035</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	98,219,632	13,521,282	111,740,914
Restricted for:			
Permanent funds:			
Expendable.....	214,874	-	214,874
Nonexpendable.....	300,298	-	300,298
Gifts.....	467,883	-	467,883
Grants.....	1,439,216	-	1,439,216
Unrestricted.....	<u>8,255,277</u>	<u>3,813,896</u>	<u>12,069,173</u>
TOTAL NET ASSETS.....	<u>\$ 108,897,180</u>	<u>\$ 17,335,178</u>	<u>\$ 126,232,358</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

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.....	\$ 8,392,072	\$ 4,734,838	\$ 1,230,959	\$ -	\$ (2,426,275)
Public safety.....	7,851,039	1,208,295	267,313	-	(6,375,431)
Education.....	45,462,795	2,448,952	10,976,989	-	(32,036,854)
Public works.....	7,193,036	30,177	594	405,154	(6,757,111)
Human services.....	833,985	73,779	79,265	-	(680,941)
Culture and recreation.....	2,376,794	762,213	44,380	-	(1,570,201)
Interest.....	1,996,027	-	997,590	-	(998,437)
Total Governmental Activities.....	74,105,748	9,258,254	13,597,090	405,154	(50,845,250)
<i>Business-Type Activities:</i>					
Sewer.....	3,734,283	4,276,856	200,163	52,688	795,424
Total Primary Government.....	\$ 77,840,031	\$ 13,535,110	\$ 13,797,253	\$ 457,842	\$ (50,049,826)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (50,845,250)	\$ 795,424	\$ (50,049,826)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	48,295,949	-	48,295,949
Motor vehicle excise taxes.....	2,245,316	-	2,245,316
Penalties and interest on taxes.....	96,970	-	96,970
Grants and contributions not restricted to specific programs.....	962,617	-	962,617
Unrestricted investment income.....	615,900	-	615,900
Miscellaneous.....	97,800	-	97,800
Total general revenues and transfers.....	52,314,552	-	52,314,552
Change in net assets.....	1,469,302	795,424	2,264,726
<i>Net Assets:</i>			
Beginning of year.....	107,427,878	16,539,754	123,967,632
End of year.....	\$ 108,897,180	\$ 17,335,178	\$ 126,232,358

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	<u>General</u>	<u>Stabilization</u>	<u>New High School</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 6,587,426	\$ 1,037,354	\$ 301,667	\$ 8,419,330	\$ 16,345,777
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	371,917	-	-	-	371,917
Tax liens.....	211,231	-	-	-	211,231
Motor vehicle excise taxes.....	165,277	-	-	-	165,277
Departmental and other.....	14,081	-	-	134,378	148,459
Special assessments.....	243	-	-	-	243
Intergovernmental.....	21,917,000	-	-	854,393	22,771,393
TOTAL ASSETS.....	\$ 29,267,175	\$ 1,037,354	\$ 301,667	\$ 9,408,101	\$ 40,014,297
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,123,872	\$ -	\$ -	\$ 1,137,443	\$ 2,261,315
Accrued payroll.....	1,010,322	-	-	440	1,010,762
Other liabilities.....	406,418	-	-	-	406,418
Deferred revenues.....	22,536,760	-	-	988,771	23,525,531
Notes payable.....	-	-	-	35,000	35,000
TOTAL LIABILITIES.....	25,077,372	-	-	2,161,654	27,239,026
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	1,041,648	-	-	-	1,041,648
Perpetual permanent funds.....	-	-	-	300,298	300,298
Unreserved:					
Designated for subsequent year's expenditures.....	1,166,720	-	-	-	1,166,720
Undesignated, reported in:					
General fund.....	1,981,435	-	-	-	1,981,435
Special revenue funds.....	-	1,037,354	-	5,371,315	6,408,669
Capital projects funds.....	-	-	301,667	1,359,960	1,661,627
Permanent funds.....	-	-	-	214,874	214,874
TOTAL FUND BALANCES.....	4,189,803	1,037,354	301,667	7,246,447	12,775,271
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 29,267,175	\$ 1,037,354	\$ 301,667	\$ 9,408,101	\$ 40,014,297

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....		\$ 12,775,271
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		116,377,009
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		23,525,531
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(238,627)
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.....	(41,590,000)	
Capital lease obligations.....	(146,004)	
Compensated absences.....	<u>(1,806,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(43,542,004)</u>
Net assets of governmental activities.....		<u>\$ 108,897,180</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Stabilization	New High School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 48,329,364	\$ -	\$ -	\$ -	\$ 48,329,364
Motor vehicle excise taxes.....	2,213,371	-	-	-	2,213,371
Charges for services.....	-	-	-	4,391,067	4,391,067
Penalties and interest on taxes.....	96,970	-	-	-	96,970
Fees and rentals.....	279,096	-	-	-	279,096
Licenses and permits.....	479,822	-	-	-	479,822
Fines and forfeitures.....	16,825	-	-	-	16,825
Intergovernmental.....	12,129,464	-	-	2,896,829	15,026,293
Departmental and other.....	637,043	-	-	4,346,700	4,983,743
Special assessments.....	94	-	-	-	94
Contributions.....	-	-	-	1,232,407	1,232,407
Investment income.....	615,900	43,527	-	129,091	788,518
TOTAL REVENUES.....	64,797,949	43,527	-	12,996,094	77,837,570
EXPENDITURES:					
Current:					
General government.....	2,217,133	-	-	4,935,993	7,153,126
Public safety.....	5,712,133	-	-	148,449	5,860,582
Education.....	30,591,159	-	164,358	5,352,458	36,107,975
Public works.....	4,463,733	-	-	1,456,084	5,919,817
Human services.....	623,576	-	-	45,135	668,711
Culture and recreation.....	1,180,194	-	-	909,349	2,089,543
Pension benefits.....	6,705,488	-	-	-	6,705,488
Property and liability insurance.....	371,053	-	-	-	371,053
Employee benefits.....	4,788,339	-	-	-	4,788,339
State and county charges.....	514,316	-	-	-	514,316
Capital outlay.....	1,005,620	-	-	-	1,005,620
Debt service:					
Principal.....	4,165,000	-	-	-	4,165,000
Interest.....	1,959,070	-	-	-	1,959,070
TOTAL EXPENDITURES.....	64,296,814	-	164,358	12,847,468	77,308,640
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	501,135	43,527	(164,358)	148,626	528,930
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	-	-	1,950,000	1,880,000	3,830,000
Capital lease financing.....	24,000	-	-	-	24,000
Transfers in.....	510,221	25,000	-	-	535,221
Transfers out.....	(25,000)	-	-	(510,221)	(535,221)
TOTAL OTHER FINANCING SOURCES (USES).....	509,221	25,000	1,950,000	1,369,779	3,854,000
NET CHANGE IN FUND BALANCES.....	1,010,356	68,527	1,785,642	1,518,405	4,382,930
FUND BALANCES AT BEGINNING OF YEAR.....	3,179,447	968,827	(1,483,975)	5,728,042	8,392,341
FUND BALANCES AT END OF YEAR.....	\$ 4,189,803	\$ 1,037,354	\$ 301,667	\$ 7,246,447	\$ 12,775,271

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, 2008

Net change in fund balances - total governmental funds.....	\$	4,382,930
<p>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.</p>		
Capital outlay.....		3,920,736
Depreciation expense.....		<u>(4,623,505)</u>
Net effect of reporting capital assets.....		(702,769)
<p>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.....</p>		
		(2,262,520)
<p>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.</p>		
Capital lease payments.....		63,618
Proceeds from bonds and notes.....		(3,830,000)
Capital lease financing.....		(24,000)
Debt service principal payments.....		<u>4,165,000</u>
Net effect of reporting long-term debt.....		374,618
<p>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.</p>		
Net change in compensated absences accrual.....		(286,000)
Net change in accrued interest on long-term debt.....		<u>(36,957)</u>
Net effect of recording long-term liabilities.....		<u>(322,957)</u>
Change in net assets of governmental activities.....	\$	<u><u>1,469,302</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2008

		Business-type Sewer Enterprise
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	1,339,334
Receivables, net of allowance for uncollectibles:		
User fees.....		2,160,445
Intergovernmental.....		44,135
Total current assets.....		3,543,914
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		442,016
Capital assets, not being depreciated.....		350,850
Capital assets, net of accumulated depreciation.....		15,771,307
Total noncurrent assets.....		16,564,173
TOTAL ASSETS.....		20,108,087
LIABILITIES		
CURRENT:		
Warrants payable.....		134,398
Accrued payroll.....		5,897
Accrued interest.....		17,739
Compensated absences.....		14,000
Bonds and notes payable.....		425,750
Total current liabilities.....		597,784
NONCURRENT:		
Bonds and notes payable.....		2,175,125
TOTAL LIABILITIES.....		2,772,909
NET ASSETS		
Invested in capital assets, net of related debt.....		13,521,282
Unrestricted.....		3,813,896
TOTAL NET ASSETS.....	\$	17,335,178

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Sewer Enterprise</u>
<u>OPERATING REVENUES:</u>	
Charges for services	\$ <u>4,276,856</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration	915,140
MWRA Assessment.....	1,996,235
Depreciation.....	<u>696,593</u>
TOTAL OPERATING EXPENSES	<u>3,607,968</u>
OPERATING INCOME (LOSS).....	<u>668,888</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	(126,315)
Intergovernmental.....	200,163
Sewer betterments.....	<u>52,688</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>126,536</u>
CHANGE IN NET ASSETS.....	795,424
NET ASSETS AT BEGINNING OF YEAR.....	<u>16,539,754</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 17,335,178</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2008

		Business-type Sewer Enterprise
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$	4,041,736
Payments to vendors.....		(2,500,144)
Payments to employees.....		(311,429)
NET CASH FROM OPERATING ACTIVITIES.....		1,230,163
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....		168,300
Acquisition and construction of capital assets.....		(324,096)
Sewer betterments.....		52,688
Principal payments on bonds and notes.....		(550,211)
Interest expense.....		70,120
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....		(583,199)
NET CHANGE IN CASH EQUIVALENTS.....		646,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		692,370
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$	1,339,334
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$	668,888
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....		696,593
Changes in assets and liabilities:		
User fees.....		(235,120)
Warrants payable.....		96,287
Accrued payroll.....		1,515
Accrued compensated absences.....		2,000
Total adjustments.....		561,275
NET CASH FROM OPERATING ACTIVITIES.....	\$	1,230,163
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Intergovernmental debt service subsidy.....	\$	102,505

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents.....	\$ 391,726	\$ 335,231
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	75,160
TOTAL ASSETS.....	391,726	410,391
LIABILITIES		
Warrants payable.....	-	541
Liabilities due depositors.....	-	409,850
TOTAL LIABILITIES.....	-	410,391
NET ASSETS	\$ 391,726	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 85,235
Net investment income:	
Interest.....	<u>13,425</u>
TOTAL ADDITIONS.....	<u>98,660</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>45,950</u>
CHANGE IN NET ASSETS.....	52,710
NET ASSETS AT BEGINNING OF YEAR.....	<u>339,016</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 391,726</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, 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, 2008, the District has no significant unreserved fund balance and has approximately \$680 thousand 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 2008.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>2008 Assessment</u>
Blue Hills Regional Technical School District 800 Randolph Street, Canton, MA 02021	To provide vocational education	<u>\$ 134,725</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.

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. However, the effect of interfund services provided and used between functions is not eliminated as the 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, and 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 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 Town's sewer activities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting except for the agency fund, which has no measurement focus. 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 that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts 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 fund consists primarily of student activities and planning deposits.

Government-Wide and Fund Financial Statements

For the enterprise funds, 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 Taxes

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, buildings and improvements, vehicles, machinery and equipment, furniture and fixtures, 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.

The Town has included all general infrastructure assets regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through backtracking.

Capital assets (excluding land and construction in progress) 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 reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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 amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Gifts and Grants" – 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 2009 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.

Compensated absences are reported in the governmental funds only if they have matured.

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, 2008, this expenditure totaled \$1,162,502. There were 295 participants eligible to receive benefits at June 30, 2008.

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

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other Town funds.

The Town follows internal investment policies as well as investment policies established under Massachusetts General Laws. The Commonwealth's statutes authorize the investment 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). Additionally, they allow the Town to invest trust funds in trust companies incorporated under the laws of the Commonwealth, banking companies incorporated under the laws of the Commonwealth which are members of the Federal Deposit Insurance Corporation (FDIC), national banks, in participation units in combined investment funds, in paid-up shares and accounts of and in cooperative banks, in shares of savings and loan associations, in shares or savings deposits of federal savings and loan associations doing business in the Commonwealth to an amount not exceeding one hundred thousand dollars, and in bonds or notes which are legal investments for savings banks. Municipalities having trust funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest trust funds in securities, other than mortgages and collateral loans, which are legal for the investment of

funds of savings banks under the laws of the Commonwealth provided that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

The Pool 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.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's deposit and investment policy allows for unlimited investments in MMDT, U.S. Treasuries and Agencies that will be held to maturity with maturities up to one year from the date of purchase, and bank accounts and Certificates of Deposit with maturities up to one year which are fully collateralized or fully insured. Additionally, the Town's policy allows for investments in unsecured bank deposits such as checking, savings, money market or Certificates of Deposit with maturities up to three months. Unsecured deposits are limited to no more than 5% of an institution's assets and no more than 20% of the Town's total cash. At fiscal year-end, the carrying amount of deposits totaled \$12,615,141 and the bank balance totaled \$13,336,184. Of the bank balance, \$753,280 was covered by Federal Depository Insurance, \$196,569 was covered by the Depositors Insurance Fund, \$291,727 was covered by the Share Insurance Fund, \$9,030,497 was collateralized and \$3,064,111 was subject to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2008, the Town had the following investments:

Equity Mutual Funds.....	\$	10,997
Money Market Mutual Funds.....		112,980
MMDT.....		<u>5,672,950</u>
Total Investments.....	\$	<u><u>5,796,927</u></u>

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. At June 30, 2008, the Town does not have any custodial credit risk exposure for its investments since open-end mutual funds and MMDT deposits are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. In addition to the deposit and investment restrictions listed above, the Town's investment policies allow for trust funds to be invested in any instruments allowed by the Legal List issued by the Banking Commissioner each July. Stabilization funds may be invested in National Banks, Savings Banks, Cooperative banks or trust companies organized under Massachusetts laws, Securities legal for savings banks (i.e. those included in the Legal List issued annually by the Banking Commissioner), Federal Savings and Loan Associations situated in the Commonwealth and the MMDT.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect the fair value of the Town's investments. The Town manages its exposure to fair value losses arising from increasing interest rates by limiting the allowable maturities of investments. The Town's investment policy limits the maturities of investments in U.S. Treasuries, U.S. Agencies and secured Certificates of Deposit to a maximum of one year from the date of purchase. Negotiable Certificates of Deposit are limited to a maximum of three months. The Town had no debt securities as of June 30, 2008.

Credit Risk

The Town's policy for Credit Risk requires all brokerage houses and broker/dealers wishing to do business with the Town to supply the Treasurer with audited financial statements, proof of National Association of Security Dealers certification, a statement that the dealer has read the Town's investment policy and will comply with it and proof of credit worthiness with minimum standards of at least five years in operation and a minimum capital of \$10 million. All of the Town's investments are unrated.

Concentration of Credit Risk

The Town limits the amount that may be invested in any one issuer, except for MMDT as mentioned earlier, to no more than 5% of an institution's assets and no more than 30% of the Town's total investments. At June 30, 2008, the Town did not have more than 5% of the Town's investments in with any one issuer.

NOTE 3 – RECEIVABLES

At June 30, 2008, 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.....	\$ 371,917	\$ -	\$ 371,917
Tax liens.....	211,231	-	211,231
Motor vehicle excise taxes.....	211,177	(45,900)	165,277
Departmental and other.....	199,059	(50,600)	148,459
Special assessments.....	243	-	243
Intergovernmental.....	<u>22,771,393</u>	<u>-</u>	<u>22,771,393</u>
Total.....	<u>\$ 23,765,020</u>	<u>\$ (96,500)</u>	<u>\$ 23,668,520</u>

At June 30, 2008, receivables for the fiduciary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Details.....	\$ 75,160	\$ -	\$ 75,160

At June 30, 2008, receivables for the enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer fees.....	\$ 2,160,445	\$ -	\$ 2,160,445
Intergovernmental.....	486,151	-	486,151
Total.....	\$ 2,646,596	\$ -	\$ 2,646,596

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.....	\$ 228,928	\$ -	\$ 228,928
Tax liens.....	211,231	-	211,231
Motor vehicle excise taxes.....	165,277	-	165,277
Departmental and other.....	14,081	134,378	148,459
Special assessments.....	243	-	243
Intergovernmental.....	21,917,000	854,393	22,771,393
Total.....	\$ 22,536,760	\$ 988,771	\$ 23,525,531

NOTE 4 – INTERFUND TRANSFERS

At June 30, 2008, there were no interfund receivables or payables.

Interfund transfers in for the fiscal year ended June 30, 2008, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Stabilization	Total	
General Fund.....	\$ -	\$ 25,000	\$ 25,000	(A)
Nonmajor Governmental Fund.....	10,000	-	10,000	(B)
Nonmajor Governmental Fund.....	447,881	-	447,881	(C)
Nonmajor Governmental Fund.....	17,000	-	17,000	(D)
Nonmajor Governmental Fund.....	35,340	-	35,340	(E)
Total.....	\$ 510,221	\$ 25,000	\$ 535,221	

(A) - General Fund funding of the Stabilization Fund

(B) - Transfer of Cemetery Permanent Fund to support cemetery expenditures

(C) - Transfer of Special Revenue Ambulance Receipts to fund ambulance expenditures

(D) - Transfer from Special Revenue Conservation Fund to fund conservation expenditures

(E) - Transfer from Special Revenue Bond Premiums for debt service expenditures

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 \$4,800,000 for the fiscal year ended June 30, 2008, 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, 2008, 2007, and 2006 were \$1,852,100, \$1,810,830, and \$1,590,774 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 2008 totaled approximately \$53,150.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,858,382	\$ -	\$ -	\$ 5,858,382
Construction in progress.....	45,003,873	-	(45,003,873)	-
Total capital assets not being depreciated.....	50,862,255	-	(45,003,873)	5,858,382
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	39,331,926	46,305,772	-	85,637,698
Vehicles.....	5,520,819	180,174	(153,205)	5,547,788
Machinery and equipment.....	5,745,501	896,550	-	6,642,051
Furniture and fixtures.....	261,123	-	-	261,123
Infrastructure.....	80,996,808	1,542,113	-	82,538,921
Total capital assets being depreciated.....	131,856,177	48,924,609	(153,205)	180,627,581
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(17,793,129)	(1,549,299)	-	(19,342,428)
Vehicles.....	(3,644,383)	(353,850)	153,205	(3,845,028)
Machinery and equipment.....	(4,408,557)	(537,882)	-	(4,946,439)
Furniture and fixtures.....	(166,756)	(24,827)	-	(191,583)
Infrastructure.....	(39,625,829)	(2,157,647)	-	(41,783,476)
Total accumulated depreciation.....	(65,638,654)	(4,623,505)	153,205	(70,108,954)
Total capital assets being depreciated, net.....	66,217,523	44,301,104	-	110,518,627
Total governmental activities capital assets, net.....	\$ 117,079,778	\$ 44,301,104	\$ (45,003,873)	\$ 116,377,009

	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.....	25,653,132	-	-	25,653,132
Other buildings and improvements.....	5,955,061	236,306	-	6,191,367
Vehicles.....	248,354	76,997	(23,682)	301,669
Machinery and equipment.....	297,676	10,793	-	308,469
Furniture and fixtures.....	35,323	-	-	35,323
Total capital assets being depreciated.....	<u>32,189,546</u>	<u>324,096</u>	<u>(23,682)</u>	<u>32,489,960</u>
<u>Less accumulated depreciation for:</u>				
Plant and infrastructure.....	(13,299,151)	(513,063)	-	(13,812,214)
Other buildings and improvements.....	(2,378,846)	(146,936)	-	(2,525,782)
Vehicles.....	(190,591)	(29,319)	23,682	(196,228)
Machinery and equipment.....	(141,831)	(7,275)	-	(149,106)
Furniture and fixtures.....	(35,323)	-	-	(35,323)
Total accumulated depreciation.....	<u>(16,045,742)</u>	<u>(696,593)</u>	<u>23,682</u>	<u>(16,718,653)</u>
Total capital assets being depreciated, net.....	<u>16,143,804</u>	<u>(372,497)</u>	<u>-</u>	<u>15,771,307</u>
Total business-type activities capital assets, net.....	<u>\$ 16,494,654</u>	<u>\$ (372,497)</u>	<u>\$ -</u>	<u>\$ 16,122,157</u>

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

Governmental Activities:

General government.....	\$ 168,243
Public safety.....	312,547
Education.....	1,708,574
Public works.....	2,397,790
Human services.....	21,381
Culture and recreation.....	14,970

Total depreciation expense - governmental activities..... \$ 4,623,505

Business-Type Activities:

Sewer.....	<u>\$ 696,593</u>
------------	-------------------

NOTE 7 – CAPITAL LEASES

The Town has entered into a lease agreement for financing the acquisition of four relocatable classroom buildings. 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>
Buildings and improvements.....	\$ 559,622
Accumulated depreciation.....	<u>(40,772)</u>
Total.....	<u>\$ 518,850</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2009.....	\$ 78,377
2010.....	<u>78,377</u>
Total minimum lease payments.....	156,754
Less: amounts representing interest.....	<u>(10,750)</u>
Present value of minimum lease payments.....	<u>\$ 146,004</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.

Details related to the Town's outstanding short-term indebtedness at June 30, 2008, and the debt service requirements follow.

Type	Purpose	Issue Date	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Retired	Outstanding at June 30, 2008
BAN	East Street Land Acquisition..	9/14/06	09/13/07	4.00	\$ 245,000	\$ -	\$ 245,000	\$ -
BAN	East Street Land Acquisition..	9/7/07	02/14/08	3.90	-	245,000	245,000	-
BAN	High Street Construction.....	2/14/07	02/14/08	3.62	1,000,000	-	1,000,000	-
BAN	Street Lights.....	2/14/07	02/14/08	3.62	195,000	-	195,000	-
BAN	High School Construction.....	2/14/07	02/14/08	3.62	1,950,000	-	1,950,000	-
BAN	East Street Land Acquisition..	2/14/08	08/14/08	2.50	-	245,000	210,000	35,000
BAN	High Street Construction.....	2/14/08	08/14/08	2.50	-	1,000,000	1,000,000	-
BAN	Street Lights.....	2/14/08	08/14/08	2.50	-	195,000	195,000	-
BAN	High School Construction.....	2/14/08	08/14/08	2.50	-	1,950,000	1,950,000	-
BAN	High School Fields.....	2/14/08	08/14/08	2.50	-	475,000	475,000	-
Total Governmental.....					\$ 3,390,000	\$ 4,110,000	\$ 7,465,000	\$ 35,000

Subsequent to year end, the Town issued \$3,830,000 in general obligation bonds which were used to retire the same value of Bond Anticipation Notes (BANs) outstanding as of June 30, 2008. Accordingly, the BANs have been recorded as long-term, general obligation bonds payable in the basic financial statements. The remaining \$35,000 was retired, when it became due, with available funds.

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 5% 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 general obligation indebtedness at June 30, 2008, and the debt service requirements follow.

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Middle School/Gym.....	3.50-4.00	\$ 470,000	\$ -	\$ 235,000	\$ 235,000
Middle School/Gym.....	3.50-4.00	110,000	-	55,000	55,000
Land Acquisition.....	3.50-4.00	80,000	-	40,000	40,000
Senior Center.....	3.50-4.00	48,000	-	24,000	24,000
School Fields.....	3.50-4.00	38,000	-	19,000	19,000
Middle School/Gym Completion.....	3.50-4.00	30,000	-	15,000	15,000
Middle School/Gym Completion.....	3.50-4.00	14,000	-	7,000	7,000
Martha Jones School Construction.....	3.90-5.00	3,600,000	-	720,000	2,880,000
Downey School Construction.....	3.90-5.00	3,150,000	-	630,000	2,520,000
Striar Land Purchase.....	3.90-5.00	650,000	-	130,000	520,000
Cemetery Land Purchase.....	3.90-5.00	150,000	-	30,000	120,000
School Planning.....	2.50-5.38	31,600,000	-	1,975,000	29,625,000
Public Building.....	3.00-5.00	1,820,000	-	260,000	1,560,000
Public Building.....	3.00-5.00	165,000	-	25,000	140,000
Land Acquisition.....	3.50-4.00	-	210,000	-	210,000
High Street Reconstruction.....	3.50-4.00	-	1,000,000	-	1,000,000
High Street Lights.....	3.50-4.00	-	195,000	-	195,000
High School Supplement.....	3.50-4.00	-	1,950,000	-	1,950,000
High School Fields.....	3.50-4.00	-	475,000	-	475,000
Total Governmental Bonds Payable.....		41,925,000	3,830,000	4,165,000	41,590,000
Sewer.....	3.50-4.00	160,000	-	80,000	80,000
Sewer.....	3.50-4.00	80,000	-	40,000	40,000
Sewer (MWPAT).....	3.88	2,032,828	-	151,953	1,880,875
Sewer.....	3.90-5.00	750,000	-	150,000	600,000
MWRA Sewer Loan.....	0.00	-	168,300	168,300	-
Total Enterprise Bonds Payable.....		3,022,828	168,300	590,253	2,600,875
Total General Obligation Bonds and Notes Payable.....		\$ 44,947,828	\$ 3,998,300	\$ 4,755,253	\$ 44,190,875

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>
2009.....	\$ 4,515,000	\$ 1,762,533	\$ 6,277,533
2010.....	4,120,000	1,651,508	5,771,508
2011.....	4,115,000	1,488,320	5,603,320
2012.....	4,110,000	1,321,671	5,431,671
2013.....	2,595,000	1,130,709	3,725,709
2014.....	2,590,000	1,006,059	3,596,059
2015.....	2,310,000	881,584	3,191,584
2016.....	2,280,000	770,271	3,050,271
2017.....	2,280,000	676,849	2,956,849
2018.....	2,150,000	558,565	2,708,565
2019.....	2,105,000	464,665	2,569,665
2020.....	2,105,000	368,790	2,473,790
2021.....	2,105,000	274,715	2,379,715
2022.....	2,105,000	178,535	2,283,535
2023.....	<u>2,105,000</u>	<u>89,268</u>	<u>2,194,268</u>
Total.....	\$ <u>41,590,000</u>	\$ <u>12,624,039</u>	\$ <u>54,214,039</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>
2009.....	\$ 425,750	\$ 111,708	\$ 537,458
2010.....	309,838	91,336	401,174
2011.....	314,687	82,051	396,738
2012.....	319,700	58,112	377,812
2013.....	90,300	136,660	226,960
2014.....	176,300	48,124	224,424
2015.....	181,600	42,279	223,879
2016.....	187,100	32,554	219,654
2017.....	192,800	23,516	216,316
2018.....	198,500	10,451	208,951
2019.....	<u>204,300</u>	<u>5,108</u>	<u>209,408</u>
Total.....	\$ <u>2,600,875</u>	\$ <u>641,899</u>	\$ <u>3,242,774</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$486,151 and interest costs for \$387,179. Thus, net MWPAT loan repayments including interest are scheduled to be \$1,583,296. 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 2008 principal and interest subsidy totaled approximately \$40,042 and \$62,463, respectively.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collections systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loan portion is payable in five equal annual installments. During fiscal year 2008, the Town received a grant of \$137,700, and a loan of \$168,300 through this program. The Town elected to pay the entire loan balance within one month of issuance, leaving no outstanding balance as of June 30, 2008.

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and debt interest and borrowing costs. During fiscal year 2008, approximately \$3,089,590 of such assistance was received. Approximately \$28,586,000 will be received in future fiscal years. Of this amount, approximately \$6,669,000 represents reimbursement of long-term interest costs, and approximately \$21,917,000 represents reimbursement of approved construction costs. Accordingly, \$21,917,000 intergovernmental receivable and corresponding deferred revenue has been recorded in the fund based 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, 2008, the Town had the following authorized and unissued debt:

Purpose	Date Voted	Article	Amount Authorized	Amount Unissued
Land Acquisition.....	ATM 5/2001	15	\$ 300,000	\$ 35,000 (a)
High Street Construction.....	ATM 5/2005	17	1,000,000	- (a)
High Street Street Lights.....	ATM 5/2006	10	195,000	- (a)
High School Supplement.....	ATM 5/2006	11	1,950,000	- (a)
High School Fields.....	ATM 6/2007	9	475,000	- (a)
Middle School Classrooms.....	ATM 5/2008	20	<u>4,500,000</u>	<u>4,500,000</u>
Total.....			<u>\$ 8,420,000</u>	<u>\$ 4,535,000</u>

(a) Amounts have been reduced by debt issued subsequent to year end to retire BANs outstanding as of June 30, 2008, which have been reported as long-term debt outstanding in the financial statements.

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance at June 30, 2007	Additions	Retirements and Other	Balance at June 30, 2008	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 41,925,000	\$ 3,830,000	\$ (4,165,000)	\$ 41,590,000	\$ 4,515,000
Capital Lease Obligations.....	185,622	80,370	(119,988)	146,004	71,267
Compensated Absences.....	1,520,000	1,305,000	(1,019,000)	1,806,000	1,244,000
Total Governmental Activities.....	<u>43,630,622</u>	<u>5,215,370</u>	<u>(5,303,988)</u>	<u>43,542,004</u>	<u>5,830,267</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	3,022,828	168,300	(590,253)	2,600,875	425,750
Compensated Absences.....	12,000	14,000	(12,000)	14,000	14,000
Total Business-Type Activities.....	<u>3,034,828</u>	<u>182,300</u>	<u>(602,253)</u>	<u>2,614,875</u>	<u>439,750</u>
Total.....	<u>\$ 46,665,450</u>	<u>\$ 5,397,670</u>	<u>\$ (5,906,241)</u>	<u>\$ 46,156,879</u>	<u>\$ 6,270,017</u>

Compensated absence liabilities related to both governmental and business-type activities are normally paid from the general fund and sewer enterprise funds, respectively.

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 2008 totaled \$155,800 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, 2008, and therefore is not reported.

The Town is self-insured for unemployment compensation. During fiscal year 2008, the Town appropriated \$87,000 to provide for anticipated costs of unemployment benefits. During fiscal year 2008, claims related to unemployment compensation totaled \$47,000. The liability for unemployment compensation was not material at June 30, 2008, and therefore is not reported.

NOTE 11 – STABILIZATION FUND

The Town has \$1,037,354 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 2008, the stabilization fund earned investment income of approximately \$44,000.

NOTE 12 – COMMITMENTS

The Town is currently permitting a major new commercial development, known as Westwood Station. This project is a 4.5 million square foot mixed use development including residential, commercial, and retail components. The development will be sited on the Town's former industrial park known as University Ave Park. This new development, which has received state and local approval, has the potential to significantly enhance the Town's tax base.

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, 2008, 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2008.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2008, the following GASB pronouncements were implemented:

- The GASB issued Statement #43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2009. The standards in this statement did not impact the basic financial statements.
- The GASB issued Statement #50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, which is required to be implemented in fiscal year 2008. This GASB changed the disclosures related to pensions.

- The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards in this statement require governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early. This standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements

- 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 2009. Management anticipates that this statement will materially impact the Town's financial statements.