

TOWN OF BELMONT, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FISCAL YEAR ENDED JUNE 30, 2007

TOWN OF BELMONT, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Belmont, 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 Belmont, Massachusetts, as of and for the fiscal year ended June 30, 2007 (except for the Belmont Contributory Retirement System and Municipal Light Enterprise which are as of December 31, 2006), 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 Belmont, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Belmont Municipal Light Department, a major enterprise fund, which represents 38% and 67%, respectively, of the assets and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Belmont Municipal Light Department, is based solely on the report of the other auditors.

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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, 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 Belmont, Massachusetts, as of June 30, 2007 (except for the Belmont Contributory Retirement System and Municipal Light Enterprise which are as of December 31, 2006) 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 November 5, 2007, on our consideration of the Town of Belmont, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read "Powers & Sullivan". The signature is fluid and cursive, with a period at the end.

November 5, 2007

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Belmont, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007.

The Town provides general government services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal, electricity transmission and parks and recreational facilities.

Financial Highlights

- The Town's assets exceeded its liabilities at the close of fiscal 2007 by \$124.5 million.
- The Town's total net assets increased by \$7.1 million.
- At the end of fiscal 2007, undesignated fund balance for the general fund was \$7.5 million or 10% of total general fund expenditures.
- The Town realized a \$1.5 million gain on the sale of the Leonard Street fire station during fiscal 2007.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Belmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required 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's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the Town include water and sewer systems and electricity transmission activities.

The government-wide financial statements include not only the Town of Belmont itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Belmont is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental 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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Fire Station Construction Fund, and the Reserve for Appropriation Fund, which are the Town's major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The Town of Belmont adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems and electricity transmission activities, all of which are considered to be major funds of the Town.

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

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: a pension trust fund and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police and off-duty fire details.

The Town is the trustee, or fiduciary, for its employees' pension plan. The Town's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by approximately \$95.9 million at the close of the most recent fiscal year.

	FY2007		FY2006
	Governmental		Governmental
	Activities		Activities
Assets:			
Current assets.....	\$ 37,531,926	\$	36,320,866
Noncurrent assets (excluding capital).....	3,292,954		5,112,211
Capital assets.....	100,490,310		95,268,149
Total assets.....	141,315,190		136,701,226
Liabilities:			
Current liabilities (excluding debt).....	7,115,809		5,810,326
Noncurrent liabilities (excluding debt).....	5,600,645		5,103,005
Current debt.....	3,044,140		5,318,170
Noncurrent debt.....	29,652,996		31,833,136
Total liabilities.....	45,413,590		48,064,637
Net Assets:			
Capital assets net of related debt.....	75,052,663		66,491,898
Restricted.....	2,442,989		2,163,242
Unrestricted.....	18,405,948		20,003,449
Total net assets.....	\$ 95,901,600	\$	88,658,589

A significant portion of the Town's net assets, \$75 million (78%), 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 Town's 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's net assets, \$2.4 million (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$18.3 million (19%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances of net assets for its governmental type activities.

The governmental activities net assets increased by \$7.2 million during the current fiscal year. This is due primarily to increased state aid reimbursement for roadway repair and upgrades of \$1.1 million, and a gain on the sale of the Leonard Street fire station of \$1.5 million. Also contributing was the timing of expenditures for educational grant revenues of \$1.5 million, better than anticipated revenue collections of \$1.6 million, and capital additions funded by current revenues of approximately \$2.0 million.

Key elements of change in net assets are as follows:

	FY2007 Governmental Activities	FY2006 Governmental Activities
Program revenues:		
Charges for services.....	\$ 4,309,146	\$ 6,109,576
Operating grants and contributions.....	15,156,564	13,661,690
Capital grants and contributions.....	1,232,437	130,095
General Revenues:		
Real estate and personal property taxes.....	58,404,182	55,069,004
Motor vehicle and other excise taxes.....	2,621,556	2,916,700
Nonrestricted grants.....	2,961,022	6,643,029
Penalties and interest on taxes.....	190,029	420,602
Unrestricted investment income.....	1,923,798	1,197,023
Gain/(loss) on sale of capital assets.....	1,680,447	603,508
Total revenues.....	88,479,181	86,751,227
Expenses:		
General government.....	4,974,519	4,870,788
Public safety.....	13,332,310	13,543,576
Education.....	50,177,345	45,368,412
Public works.....	8,389,905	7,316,421
Human services.....	1,147,835	1,003,050
Culture and recreation.....	2,637,456	2,650,357
Interest.....	1,556,800	1,486,300
Total expenses.....	82,216,170	76,238,904
Transfers.....	980,000	664,825
Change in net assets.....	\$ 7,243,011	\$ 11,177,148

The Town budgets according to state regulations all capital projects in total from current-year appropriations or bond authorizations. The Town of Belmont funds over \$2 million a year from current-year appropriations for capital projects.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2 % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2% taxing limitations can be overridden by Town-wide referendum vote. The Town has taken advantage of this override capability to increase operating budgets and so-called "debt exclusions" that are not subject to the Proposition 2-1/2% limitations.

The Town collects 99.2% of its property tax billings in the year billed. Property taxes increased \$3.3 million in fiscal 2007. \$2.3M of this increase was the allowable increase under Proposition 2 ½. \$680 thousand of this increase is the product of the certified new growth of the Town. There was a decrease in the debt exclusion in fiscal 2007 of \$300 thousand and \$48 thousand of unused tax capacity from 2006.

Business-type activities

Combined business-type activities essentially broke-even in fiscal 2007 as the Town's net assets decreased by \$14 thousand. However, the sewer fund reported a \$367,000 loss for the year.

The following table identifies key elements of the enterprise operations:

	FY2007 Business-type Activities	FY2006 Business-type Activities
Assets:		
Current assets.....	\$ 15,640,203	\$ 14,288,323
Capital assets.....	19,313,264	17,298,056
Total assets.....	34,953,467	31,586,379
Liabilities:		
Current liabilities (excluding debt).....	1,480,651	1,015,623
Noncurrent liabilities (excluding debt).....	1,242,602	526,766
Current debt.....	402,750	278,750
Noncurrent debt.....	3,186,250	1,110,000
Total liabilities.....	6,312,253	2,931,139
Net Assets:		
Capital assets net of related debt.....	15,724,264	15,909,306
Restricted.....	1,616,000	1,416,000
Unrestricted.....	11,300,950	11,329,934
Total net assets.....	28,641,214	28,655,240
Program revenues:		
Charges for services.....	23,339,776	24,106,816
Operating grants and contributions.....	-	56,250
General Revenues:		
Unrestricted investment income.....	193,865	166,133
Total revenues.....	23,533,641	24,329,199
Expenses:		
Water.....	3,402,053	3,210,027
Sewer.....	4,889,433	4,497,580
Light.....	14,276,181	11,680,146
Total expenses.....	22,567,667	19,387,753
Transfers.....	(980,000)	(664,825)
Change in net assets.....	\$ (14,026)	\$ 4,276,621

Financial Analysis of the Town's Governmental Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27.2 million. Of this amount \$13.2 million relates to the general fund, \$7.5 million relates to receipts reserved for appropriation, and \$6.6 million for nonmajor governmental funds. Overall fund balance increased by \$1.7 million in fiscal 2007. This was primarily due to bonding of \$886 thousand of capital projects and \$1.7 million realized from the sale of capital assets.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7.9 million, while total fund balance was \$13.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10% of total general fund expenditures, while total fund balance represents 17.5% of that same amount. During fiscal year 2007, the fund balance of the general fund increased by approximately \$1.2 million as compared to an increase of \$3.5 million in fiscal year 2006. This result is the product of strong collections and continued strong controls over departmental budget increases.

The Fire Station Construction Fund is the capital fund established for the building of two new fire stations to replace or consolidate the existing three stations originally constructed in 1873, 1899 and 1928. These stations were designed when the fire protection was different than it is today. They were constructed during the times of horse drawn equipment and the infancy of motorized vehicles. It was recognized for a long time that the current stations had surpassed their usefulness and lacked the modern facilities required for 21st century fire department operations. The Town is consolidating from three stations to two. The new stations have approximately 40,000 square feet of space with eight apparatus bays. The new stations are constructed for modern fire apparatus, all of the required building code upgrades and disability accessibility requirements. During fiscal year 2007 the project went through the final completion work and both stations are considered 100% complete.

Financial Analysis of Proprietary Funds

The Water, Sewer and Light activities funds maintained positive results of operations and demonstrated the ability to recover all costs from rates.

The net assets of the water, sewer and electric light fund decreased \$16 thousand in fiscal 2007. The decrease is primarily the result of sewer fund operations exceeding available revenues. This decrease was primarily offset by revenues exceeding ongoing expenses in the light fund.

General Fund Budgetary Highlights

The \$135,000 increase between the original budget and the final amended budget was mainly due to increased local aid contributions from the State being used to fund voted appropriation increases. Of the \$1.9 million in under budget expenditures \$398,000 has been carried over to FY08.

Capital Asset and Debt Administration

Capital Asset Administration

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

Debt Administration

Outstanding governmental long-term debt, as of June 30, 2007, totaled \$32.7 million of which \$8.7 million relates to various School construction projects, \$10.3 million relates to the Town Hall renovation project and \$10.4 million relates to the Fire Station construction, leaving a balance of \$3.3 million for other CIP projects.

The enterprise funds have \$455 thousand in water debt, \$2.5 million in sewer debt and \$600 thousand in light debt that is fully supported by the rates.

The Town has a “AAA” rating from Moody’s for general obligation debt.

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

Economic Factors and Next Year’s Budget

The Town continues to experience growth in residential renovation and development. In fiscal year 2007, 790 building permits were issued, resulting in \$34 million in value. This is a decrease in the value of 2006 levels, which generated 776 permits resulting in \$43 million in value. This activity has produced new growth tax revenue, which is exempt from the limitation imposed by Proposition 2 1/2. For fiscal year 2007, the Town realized \$680 thousand in new taxes from this source.

The unemployment rate for Belmont for calendar 2006 was 3.3% compared to the state figure of 4.9% and the nationwide figure of 4.6%. Despite these economic conditions, Belmont’s residents voted another debt exclusion over Proposition 2 ½ tax levy limitation for a major capital project of \$6.3 million for a new senior center. The Town collected 99.2% of all tax billings by year end.

Requests for Information

This financial report is designed to provide a general overview of the Town of Belmont’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 Finance Department, Town Hall, 19 Moore Street, Belmont, MA 02478.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 28,364,067	\$ 8,912,405	\$ 37,276,472
Investments.....	4,513,021	-	4,513,021
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	334,203	-	334,203
Real estate tax deferrals.....	770,703	-	770,703
Tax liens.....	-	561,038	561,038
Motor vehicle excise taxes.....	234,837	-	234,837
User fees.....	-	3,249,157	3,249,157
Departmental and other.....	425,652	-	425,652
Intergovernmental.....	2,310,973	-	2,310,973
Tax foreclosures.....	444,997	-	444,997
Inventory.....	54,121	499,062	553,183
Prepaid expenses.....	-	65,218	65,218
Purchased power advanced deposits.....	-	479,406	479,406
Unamortized bond issue costs.....	19,352	-	19,352
NONCURRENT:			
Restricted cash and cash equivalents.....	-	1,873,917	1,873,917
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	3,086,000	-	3,086,000
Due from other funds.....	60,000	-	60,000
Unamortized bond issue costs.....	206,954	-	206,954
Capital assets, net of accumulated depreciation.....	100,490,310	19,313,264	119,803,574
TOTAL ASSETS.....	141,315,190	34,953,467	176,268,657
LIABILITIES			
CURRENT:			
Warrants payable.....	4,016,614	1,428,830	5,445,444
Accrued liabilities.....	-	37,697	37,697
Tax refunds payable.....	391,000	-	391,000
Accrued interest.....	427,952	4,579	432,531
Other liabilities.....	597,367	1,061,282	1,658,649
Capital lease obligations.....	144,057	-	144,057
Compensated absences.....	65,942	9,545	75,487
Unamortized premium on bonds payable.....	22,339	-	22,339
Bonds and notes payable.....	3,044,140	402,750	3,446,890
NONCURRENT:			
Capital lease obligations.....	1,450,538	-	1,450,538
Landfill closure.....	4,060,000	-	4,060,000
Compensated absences.....	1,252,906	181,320	1,434,226
Unamortized premium on bonds payable.....	287,739	-	287,739
Bonds and notes payable.....	29,652,996	3,186,250	32,839,246
TOTAL LIABILITIES.....	45,413,590	6,312,253	51,725,843
NET ASSETS			
Invested in capital assets, net of related debt.....	75,052,663	15,724,264	90,776,927
Restricted for:			
Debt service.....	-	1,616,000	1,616,000
Permanent funds:			
Expendable.....	403,870	-	403,870
Nonexpendable.....	1,116,009	-	1,116,009
Other purposes.....	923,110	-	923,110
Unrestricted.....	18,405,948	11,300,950	29,706,898
TOTAL NET ASSETS.....	\$ 95,901,600	\$ 28,641,214	\$ 124,542,814

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government.....	\$ 4,974,519	\$ 865,190	\$ 189,167	\$ 113,028	\$ (3,807,134)
Public safety.....	13,332,310	488,683	356,857	-	(12,486,770)
Education.....	50,177,345	1,438,655	13,933,032	-	(34,805,658)
Public works.....	8,389,905	774,992	23,437	1,119,409	(6,472,067)
Human services.....	1,147,835	39,265	301,217	-	(807,353)
Culture and recreation.....	2,637,456	702,361	55,852	-	(1,879,243)
Interest.....	1,556,800	-	297,002	-	(1,259,798)
Total Governmental Activities.....	82,216,170	4,309,146	15,156,564	1,232,437	(61,518,023)
Business-Type Activities:					
Water.....	3,402,053	3,451,941	-	-	49,888
Sewer.....	4,889,433	4,640,874	-	-	(248,559)
Light.....	14,276,181	15,246,961	-	-	970,780
Total Business-Type Activities.....	22,567,667	23,339,776	-	-	772,109
Total Primary Government.....	\$ 104,783,837	\$ 27,648,922	\$ 15,156,564	\$ 1,232,437	\$ (60,745,914)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(61,518,023)</u>	\$ <u>772,109</u>	\$ <u>(60,745,914)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	58,404,182	-	58,404,182
Motor vehicle and other excise taxes.....	2,621,556	-	2,621,556
Penalties and interest on taxes.....	190,029	-	190,029
Grants and contributions not restricted to specific programs.....	2,961,022	-	2,961,022
Unrestricted investment income.....	1,923,798	193,865	2,117,663
Gain on sale of capital assets.....	1,680,447	-	1,680,447
<i>Transfers, net</i>	<u>980,000</u>	<u>(980,000)</u>	<u>-</u>
Total general revenues and transfers.....	<u>68,761,034</u>	<u>(786,135)</u>	<u>67,974,899</u>
Change in net assets.....	7,243,011	(14,026)	7,228,985
<i>Net Assets:</i>			
Beginning of year.....	<u>88,658,589</u>	<u>28,655,240</u>	<u>117,313,829</u>
End of year.....	\$ <u>95,901,600</u>	\$ <u>28,641,214</u>	\$ <u>124,542,814</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2007

	General	Fire Station Construction	Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 16,391,012	\$ 1,417,550	\$ 4,484,465	\$ 6,071,040	\$ 28,364,067
Investments.....	-	-	2,991,847	1,521,174	4,513,021
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	334,203	-	-	-	334,203
Real estate tax deferrals.....	770,703	-	-	-	770,703
Motor vehicle excise taxes.....	234,837	-	-	-	234,837
Departmental and other.....	415,702	-	-	9,950	425,652
Intergovernmental.....	3,889,000	-	-	1,507,973	5,396,973
Tax foreclosures.....	444,997	-	-	-	444,997
Due from other funds.....	60,000	-	-	-	60,000
TOTAL ASSETS.....	\$ 22,540,454	\$ 1,417,550	\$ 7,476,312	\$ 9,110,137	\$ 40,544,453
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,206,600	\$ 1,500,000	\$ 22,600	\$ 1,287,414	\$ 4,016,614
Tax refunds payable.....	391,000	-	-	-	391,000
Other liabilities.....	597,367	-	-	-	597,367
Deferred revenues.....	7,045,199	-	-	1,209,014	8,254,213
TOTAL LIABILITIES.....	9,240,166	1,500,000	22,600	2,496,428	13,259,194
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	398,056	-	-	-	398,056
Employee benefits.....	58,258	-	-	-	58,258
Perpetual permanent funds.....	-	-	-	1,116,009	1,116,009
Unreserved:					
Designated for subsequent year's expenditures...	5,251,584	-	-	-	5,251,584
Designated for capital endowment.....	-	-	3,089,115	-	3,089,115
Undesignated, reported in:					
General fund.....	7,592,390	-	-	-	7,592,390
Special revenue funds.....	-	-	4,364,597	1,640,891	6,005,488
Capital projects funds.....	-	(82,450)	-	3,452,939	3,370,489
Permanent funds.....	-	-	-	403,870	403,870
TOTAL FUND BALANCES.....	13,300,288	(82,450)	7,453,712	6,613,709	27,285,259
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 22,540,454	\$ 1,417,550	\$ 7,476,312	\$ 9,110,137	\$ 40,544,453

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

Total governmental fund balances.....		\$ 27,285,259
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		100,490,310
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,254,213
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(427,952)
Inventory is capitalized in the Statement of Activities.....		54,121
Bond issue costs are capitalized in the Statement of Activities.....		226,306
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.....	(32,697,136)	
Capital lease obligations.....	(1,594,595)	
Landfill closure.....	(4,060,000)	
Unamortized premium on bonds payable.....	(310,078)	
Compensated absences.....	(1,318,848)	
Net effect of reporting long-term liabilities.....		<u>(39,980,657)</u>
Net assets of governmental activities.....		<u>\$ 95,901,600</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	General	Fire Station Construction	Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 57,221,568	\$ -	\$ -	\$ -	\$ 57,221,568
Motor vehicle and other excise taxes.....	2,573,891	-	-	-	2,573,891
Charges for services.....	1,568,418	-	-	-	1,568,418
Penalties and interest on taxes.....	190,029	-	-	-	190,029
Licenses and permits.....	673,208	-	-	-	673,208
Fines and forfeitures.....	421,924	-	-	-	421,924
Intergovernmental.....	14,324,565	-	-	3,417,754	17,742,319
Departmental and other.....	-	-	48,377	1,703,100	1,751,477
Contributions.....	-	-	-	213,072	213,072
Investment income.....	1,364,507	-	486,725	90,552	1,941,784
TOTAL REVENUES.....	78,338,110	-	535,102	5,424,478	84,297,690
EXPENDITURES:					
Current:					
General government.....	2,915,257	-	-	1,231,906	4,147,163
Public safety.....	9,583,911	1,581,890	-	449,336	11,615,137
Education.....	42,052,948	-	-	4,804,349	46,857,297
Public works.....	7,174,528	-	-	1,978,565	9,153,093
Human services.....	867,090	-	-	141,689	1,008,779
Culture and recreation.....	2,154,012	-	-	197,447	2,351,459
Pension benefits.....	3,493,362	-	-	-	3,493,362
Employee benefits.....	1,598,094	-	-	-	1,598,094
State and county charges.....	1,479,012	-	-	-	1,479,012
Debt service:					
Principal.....	2,818,170	-	-	-	2,818,170
Interest.....	1,600,686	-	-	-	1,600,686
TOTAL EXPENDITURES.....	75,737,070	1,581,890	-	8,803,292	86,122,252
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,601,040	(1,581,890)	535,102	(3,378,814)	(1,824,562)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	-	886,000	886,000
Premium from issuance of bonds.....	40,000	-	-	-	40,000
Sale of capital assets.....	-	-	1,681,050	-	1,681,050
Transfers in.....	1,410,544	1,499,969	23,069	3,492,250	6,425,832
Transfers out.....	(2,811,250)	-	(2,334,969)	(299,613)	(5,445,832)
TOTAL OTHER FINANCING SOURCES (USES).....	(1,360,706)	1,499,969	(630,850)	4,078,637	3,587,050
NET CHANGE IN FUND BALANCES.....	1,240,334	(81,921)	(95,748)	699,823	1,762,488
FUND BALANCES AT BEGINNING OF YEAR.....	12,059,954	(529)	7,549,460	5,913,886	25,522,771
FUND BALANCES AT END OF YEAR.....	\$ 13,300,288	\$ (82,450)	\$ 7,453,712	\$ 6,613,709	\$ 27,285,259

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, 2007

Net change in fund balances - total governmental funds.....		\$ 1,762,488
<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.....	8,276,530	
Depreciation expense.....	<u>(3,053,766)</u>	
Net effect of reporting capital assets.....		5,222,764
<p>In the Statement of Activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....</p>		
		(603)
<p>Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....</p>		
		4,303
<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>		
		373,611
<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>		
Amortization of issuance costs.....	(19,352)	
Amortization of bond premiums.....	22,339	
Capital lease financing.....	(1,594,595)	
Proceeds from bonds and notes.....	(886,000)	
Premium from issuance of bonds.....	(40,000)	
Bond issue costs.....	32,649	
Debt service principal payments.....	<u>2,818,170</u>	
Net effect of reporting long-term debt.....		333,211
<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.....	(233,662)	
Net change in accrued interest on long-term debt.....	40,899	
Net change in landfill closure accrual.....	<u>(260,000)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(452,763)</u>
Change in net assets of governmental activities.....		<u>\$ 7,243,011</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Light (as of December 31, 2006)	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 3,124,503	\$ 3,508,766	\$ 2,279,136	\$ 8,912,405
Receivables, net of allowance for uncollectibles:				
Tax liens.....	31,396	529,642	-	561,038
User fees.....	1,050,993	1,144,512	1,053,652	3,249,157
Inventory.....	147,495	8,614	342,953	499,062
Prepaid expenses.....	-	-	65,218	65,218
Purchased power advanced deposits.....	-	-	479,406	479,406
Total current assets.....	4,354,387	5,191,534	4,220,365	13,766,286
NONCURRENT:				
Restricted cash and cash equivalents.....	-	-	1,873,917	1,873,917
Capital assets, net of accumulated depreciation.....	4,608,077	7,546,907	7,158,280	19,313,264
TOTAL ASSETS.....	8,962,464	12,738,441	13,252,562	34,953,467
LIABILITIES				
CURRENT:				
Warrants payable.....	26,985	517,218	884,627	1,428,830
Accrued liabilities.....	-	-	37,697	37,697
Accrued interest.....	-	4,579	-	4,579
Compensated absences.....	2,349	2,118	5,078	9,545
Bonds and notes payable.....	65,000	137,750	200,000	402,750
Total current liabilities.....	94,334	661,665	1,127,402	1,883,401
NONCURRENT:				
Compensated absences.....	44,622	40,245	96,453	181,320
Other liabilities.....	-	-	1,061,282	1,061,282
Bonds and notes payable.....	390,000	2,396,250	400,000	3,186,250
Total noncurrent liabilities.....	434,622	2,436,495	1,557,735	4,428,852
TOTAL LIABILITIES.....	528,956	3,098,160	2,685,137	6,312,253
NET ASSETS				
Invested in capital assets, net of related debt.....	4,153,077	5,012,907	6,558,280	15,724,264
Restricted for:				
Debt service.....	-	-	1,616,000	1,616,000
Unrestricted.....	4,280,431	4,627,374	2,393,145	11,300,950
TOTAL NET ASSETS.....	\$ 8,433,508	\$ 9,640,281	\$ 10,567,425	\$ 28,641,214

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Light (as of December 31, 2006)	Total
OPERATING REVENUES:				
Charges for services	\$ 3,451,616	\$ 4,640,874	\$ 15,169,418	\$ 23,261,908
Other.....	325	-	58,019	58,344
TOTAL OPERATING REVENUES	3,451,941	4,640,874	15,227,437	23,320,252
OPERATING EXPENSES:				
Cost of services and administration	3,201,843	4,688,963	13,113,884	21,004,690
Depreciation.....	200,210	195,891	1,124,206	1,520,307
TOTAL OPERATING EXPENSES	3,402,053	4,884,854	14,238,090	22,524,997
OPERATING INCOME (LOSS).....	49,888	(243,980)	989,347	795,255
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	131,730	946	61,189	193,865
Interest expense.....	-	(4,579)	(38,091)	(42,670)
Other revenues.....	-	-	19,524	19,524
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	131,730	(3,633)	42,622	170,719
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	181,618	(247,613)	1,031,969	965,974
TRANSFERS:				
Transfers out.....	(150,000)	(120,000)	(710,000)	(980,000)
CHANGE IN NET ASSETS.....	31,618	(367,613)	321,969	(14,026)
NET ASSETS AT BEGINNING OF YEAR.....	8,401,890	10,007,894	10,245,456	28,655,240
NET ASSETS AT END OF YEAR.....	\$ 8,433,508	\$ 9,640,281	\$ 10,567,425	\$ 28,641,214

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Light (as of December 31, 2006)	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 4,128,515	\$ 6,121,844	\$ 14,920,388	\$ 25,170,747
Claims and judgments.....	-	-	19,524	19,524
Payments to vendors.....	(2,809,260)	(3,710,260)	(11,373,200)	(17,893,184)
Payments to employees.....	(595,307)	(507,436)	(1,976,260)	(3,079,003)
NET CASH FROM OPERATING ACTIVITIES.....	723,484	1,904,148	1,590,452	4,218,084
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	-	-	-
Transfers out.....	(150,000)	(120,000)	(710,000)	(980,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(150,000)	(120,000)	(710,000)	(980,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	-	2,479,000	-	2,479,000
Acquisition and construction of capital assets.....	(741,728)	(1,880,573)	(913,214)	(3,535,515)
Principal payments on bonds and notes.....	(65,000)	(13,750)	(200,000)	(278,750)
Interest expense.....	-	-	(31,266)	(31,266)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(806,728)	584,677	(1,144,480)	(1,366,531)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Rate stabilization reserve.....	-	-	768,465	768,465
Investment income.....	131,730	946	61,189	193,865
NET CASH FROM INVESTING ACTIVITIES.....	131,730	946	829,654	962,330
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(101,514)	2,369,771	565,626	2,833,883
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,226,017	1,138,995	3,587,427	7,952,439
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,124,503	\$ 3,508,766	\$ 4,153,053	\$ 10,786,322
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 49,888	\$ (243,980)	\$ 989,347	\$ 795,255
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	200,210	195,891	1,124,206	1,520,307
Claims and judgments.....	-	-	19,524	19,524
Changes in assets and liabilities:				
Tax liens.....	(21,531)	(510,218)	(273,095)	(804,844)
User fees.....	698,105	1,991,188	-	2,689,293
Inventory.....	35,148	6,898	(78,708)	(36,662)
Prepaid expenses.....	-	-	1,956	1,956
Purchased power advance deposits.....	-	-	(324,280)	(324,280)
Warrants payable.....	(228,280)	463,125	210,069	444,914
Accrued liabilities.....	-	-	(33,954)	(33,954)
Customer deposits.....	-	-	(44,613)	(44,613)
Accrued compensated absences.....	(10,056)	1,244	-	(8,812)
Total adjustments.....	673,596	2,148,128	601,105	3,422,829
NET CASH FROM OPERATING ACTIVITIES.....	\$ 723,484	\$ 1,904,148	\$ 1,590,452	\$ 4,218,084

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 711,412	\$ 362,173	\$ 238,512
Investments.....	58,113,026	727,806	-
Interest and dividends.....	1,430	-	-
Due from general fund.....	2,121,425	-	102,031
TOTAL ASSETS.....	60,947,293	1,089,979	340,543
LIABILITIES			
Warrants payable.....	70,070	-	4,586
Liabilities due depositors.....	-	-	233,926
Deferred revenue.....	-	-	102,031
TOTAL LIABILITIES.....	70,070	-	340,543
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 60,877,223	\$ 1,089,979	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 4,238,053	\$ -
Employee.....	1,703,559	-
Miscellaneous.....	-	31,130
Total contributions.....	5,941,612	31,130
Net investment income (loss):		
Net change in fair value of investments.....	6,233,472	-
Interest.....	1,624,021	35,379
Total investment income (loss).....	7,857,493	35,379
Less: investment expense.....	(430,284)	-
Net investment income (loss).....	7,427,209	35,379
Intergovernmental.....	222,960	-
Transfers from other systems.....	372,879	-
TOTAL ADDITIONS.....	13,964,660	66,509
DEDUCTIONS:		
Administration.....	141,806	-
Transfers to other systems.....	266,493	-
Retirement benefits and refunds.....	7,818,876	-
Educational scholarships.....	-	23,180
TOTAL DEDUCTIONS.....	8,227,175	23,180
CHANGE IN NET ASSETS.....	5,737,485	43,329
NET ASSETS AT BEGINNING OF YEAR.....	55,139,738	1,046,650
NET ASSETS AT END OF YEAR.....	\$ 60,877,223	\$ 1,089,979

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Belmont, Massachusetts have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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

The Town of Belmont, Massachusetts (Town) is a municipal corporation that is governed by an elected three member Board of Selectmen. They in turn appoint a Town Administrator who has general supervision of and control over the Town's boards, commissions, officers and departments. The legislative body of the Town is the elected Town Meeting members which consist of 288 members elected for a three-year term in addition to some ex-officio members.

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 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. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Belmont Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one members appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at Town Hall, 455 Concord Ave, Belmont, MA 02478.

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement 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 *Fire Station Construction Fund* accounts for construction of a Town fire station.

The *Reserved for Appropriation Fund* accounts for specific revenue sources that by law must be accounted for separately and spent by appropriation.

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 and trust funds or reported as a major fund).

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 non-operating revenues and expenses.

The following major proprietary funds are reported:

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

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

The *light enterprise fund* is used to account for the Town's electric light department activities.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

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 by the Town.

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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.

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 and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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.

Water and Sewer

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

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

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

Inventories are recorded as expenditures at the time of purchase in the fund financial statements. Such inventories are capitalized in the government-wide financial statements. Inventories of the Light Fund are carried at average cost.

G. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund 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.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings.....	40-50
Machinery and equipment.....	5-20
Infrastructure.....	15-100

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The fixed assets of the municipal light enterprise fund are capitalized upon purchase and depreciated at a rate of 3% of the cost of plant in service at the beginning of the calendar year, exclusive of land and land rights. The municipal light enterprise fund charges maintenance to expense when incurred. Replacements and betterments are charged to fixed assets.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

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

Transactions of a buyer/seller nature between and within governmental funds and internal service funds 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 net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds 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.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been “restricted for” the following:

“Debt service” – represents amounts held for the payment of debt service principal and interest.

“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.

“Other purposes” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

“Employee benefits” represents amounts held for the purpose of paying health claims.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2008 operating budget.

“Capital Endowment” represents amounts of funds designated for long range capital planning. The Capital Endowment Fund was capitalized with funds from the sale of the Town’s interest in the local cable television system. The net income generated from this fund may be appropriated annually at Town Meeting upon recommendation of the Board of Selectmen for various purposes for which the Town is authorized to borrow, except routine maintenance or repairs to any capital assets. Principal of the fund may be appropriated by the Board of Selectmen and two-thirds vote of the Town Meeting. Any excess earnings not appropriated will be reinvested and become part of the Fund.

L. 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.

M. 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 retained within the respective fund.

N. 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.

O. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health and life 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 50-90% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2007, this expense/expenditure totaled approximately \$2,936,000. There were 525 participants eligible to receive benefits at June 30, 2007.

P. 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.

Q. Individual Fund Deficits

Several individual fund deficits exist within the Special Revenue Fund. These deficits are expected to be funded through federal and state grants.

R. 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 combined balance sheet as "Cash and Short-term investments". The deposits and investments of the trust funds are held separately from those of other funds.

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). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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 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 does not have a formal policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$29,514,100 and the bank balance totaled \$31,416,270. Of the bank balance, \$897,483 was covered by Federal Depository Insurance, \$10,668,156 was covered by the Depositors Insurance Fund, and \$19,850,631 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2006, the carrying amount of the System's deposits totaled \$405,011 and the bank balance totaled \$405,011. All of the bank balance was covered by Federal Depository Insurance.

Investments

Listed below are the investments of the Town and System as of June 30, 2007 and December 31, 2006, respectively.

Town's investment balances at June 30, 2007:

			Maturity			
	Fair Value	Under 1 Year	1-5 Years	6-10 Years	Quality Rating	
<u>Debt Securities</u>						
U.S. Government Securities.....	\$ 2,337,955	\$ 755,526	\$ 1,436,036	\$ 146,393	AAA	
U.S. Treasury Note.....	97,578	97,578	-	-	AAA	
Corporate Bond.....	85,571	-	85,571	-	NR	
Corporate Bond.....	121,629	-	121,629	-	A	
Corporate Bond.....	122,965	122,965	-	-	AA	
Total Debt Securities.....	2,765,698	\$ 976,069	\$ 1,643,236	\$ 146,393		

Other Investments

Equity Securities.....	1,468,651
Negotiable Certificates of Deposit.....	752,512
Asset Backed Securities.....	10,441
Certificates of Participation.....	243,525
Money Market Mutual Funds.....	1,273,385
MMDT.....	8,963,589
Total Investments.....	\$ 15,477,801

System's investment balances at December 31, 2006:

			Maturity			
	Fair Value	Under 1 Year	1-5 Years	6-10 Years	Quality Rating	
<u>Debt Securities</u>						
Bond Mutual Fund #1.....	\$ 11,849,566	\$ -	\$ 11,849,566	\$ -	AAA	
Bond Mutual Fund #2.....	4,130,029	-	4,130,029	-	AAA	
Total Debt Securities.....	15,979,595	\$ -	\$ 15,979,595	\$ -		

Other Investments

Equity Mutual Funds.....	11,204,973
Equity Securities.....	14,075,405
International Equity Mutual Funds.....	8,559,692
PRIT Real Estate Fund.....	3,104,910
PRIT Alternative Fund.....	926,315
PRIT Absolute Return Fund.....	2,908,160
Short Term Investment Fund.....	306,401
PRIT Fund.....	1,353,976
Total Investments.....	\$ 58,419,427

* Average life of underlying holdings in bond mutual funds is 4.7 years.

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 possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Of the Town's investments in U.S. Treasury Notes, U.S. Government Securities, corporate bonds, certificates of participation, asset backed securities, and equity securities, as detailed above, the Town has a custodial credit risk exposure of \$4,488,315 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk.

The System has custodial credit risk exposure of \$14,075,405 because the related equity securities are uninsured, unregistered and held by the counterparty.

The System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund's name at their custodian bank. A small percentage of the System's assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System's fixed income assets are held in professionally managed, institutional commingled funds. The System limits its effective exposure to interest rate risk by benchmarking its commingled fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with a duration of 4-5 years. Further, the System's current fixed income investments are diversified by sector (corporate, government, asset-backed, mortgage, non-US dollar) to provide additional protection in various interest rate environments.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

The System has a policy that states no more than 20% of the fixed income assets may be invested in below investment grade securities (rated BBB by Standard & Poor's) and the average duration of the fixed income portfolio cannot be more than 20% higher than the market as measured by Lehman Aggregate Index.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have more than 5% of its investments with any one issuer that is not explicitly backed by the U.S. Government as of June 30, 2007.

For the System, no fixed income security, except issues of the U. S. Government, can comprise more than 5% of the Systems assets, measured at market; and no individual portfolio can hold more than 5% of its assets in securities of any single entity, except issues of the U. S. Government. Further, no equity security can comprise more than 5% of the equity portfolio measured at book value. The System does have investments in individual commingled mutual funds and trusts that represent more than 5% of the System's assets, but in each case these investments are in institutional commingled funds that are invested in diversified portfolios of between 50 and 200 individual securities.

Foreign Currency Risk

The System's exposure to foreign currency risk is attributable to its investments in individual commingled mutual funds and trusts that are invested in diversified (by country and security) portfolios on international stocks and bonds that are denominated in foreign currencies. The System's combined policy target allocation to all non-US securities is currently 20% of the System's total assets (12% international equities and 8% international bonds).

NOTE 3 – RECEIVABLES

At June 30, 2007, receivables for the individual major and nonmajor governmental funds, 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.....	\$ 336,165	\$	(1,962)	\$	334,203
Real estate tax deferrals.....	770,703		-		770,703
Motor vehicle and other excise taxes.....	422,623		(187,786)		234,837
Departmental and other.....	560,652		(135,000)		425,652
Intergovernmental.....	5,396,973		-		5,396,973
	<u>\$ 7,487,116</u>	\$	<u>(324,748)</u>	\$	<u>7,162,368</u>

At June 30, 2007, receivables for the enterprise funds consist of the following:

	Gross Amount		Allowance for Uncollectibles		Net Amount
<u>Receivables:</u>					
Water user fees.....	\$ 1,050,993	\$	-	\$	1,050,993
Water Enterprise Tax Liens.....	31,396		-		31,396
Sewer user fees.....	1,144,512		-		1,144,512
Sewer Enterprise Tax Liens.....	529,642		-		529,642
Light user fees.....	1,053,652		-		1,053,652
	<u>\$ 3,810,195</u>	\$	<u>-</u>	\$	<u>3,810,195</u>

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 and other asset type:</u>			
Real estate, personal property and tax deferrals.....	\$ 2,060,864	\$ -	\$ 2,060,864
Tax liens and foreclosures.....	444,997	-	444,997
Motor vehicle and other excise.....	234,838	-	234,838
Intergovernmental.....	3,889,000	955,491	4,844,491
Departmental.....	415,500	253,523	669,023
	<u>\$ 7,045,199</u>	<u>\$ 1,209,014</u>	<u>\$ 8,254,213</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,196,009	\$ -	\$ (603)	\$ 16,195,406
Construction in progress.....	12,293,643	929,266	(12,239,039)	983,870
Total capital assets not being depreciated.....	28,489,652	929,266	(12,239,642)	17,179,276
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,392,413	696,797	-	3,089,210
Buildings.....	77,430,817	14,307,181	(552,573)	91,185,425
Machinery and equipment.....	8,357,217	2,959,426	-	11,316,643
Infrastructure.....	21,986,819	1,622,899	-	23,609,718
Total capital assets being depreciated.....	110,167,266	19,586,303	(552,573)	129,200,996
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,934,898)	(56,227)	-	(1,991,125)
Buildings.....	(30,980,356)	(1,602,392)	552,573	(32,030,175)
Machinery and equipment.....	(4,461,830)	(1,084,882)	-	(5,546,712)
Infrastructure.....	(6,011,685)	(310,265)	-	(6,321,950)
Total accumulated depreciation.....	(43,388,769)	(3,053,766)	552,573	(45,889,962)
Total capital assets being depreciated, net.....	66,778,497	16,532,537	-	83,311,034
Total governmental activities capital assets, net.....	<u>\$ 95,268,149</u>	<u>\$ 17,461,803</u>	<u>\$ (12,239,642)</u>	<u>\$ 100,490,310</u>

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,822	-	-	7,822
Buildings.....	146,491	-	-	146,491
Machinery and equipment.....	861,050	171,635	(88,702)	943,983
Infrastructure.....	21,309,368	570,093	-	21,879,461
Total capital assets being depreciated.....	22,324,731	741,728	(88,702)	22,977,757
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(123,473)	(3,080)	-	(126,553)
Machinery and equipment.....	(407,670)	(105,820)	88,702	(424,788)
Infrastructure.....	(17,722,345)	(91,310)	-	(17,813,655)
Total accumulated depreciation.....	(18,261,310)	(200,210)	88,702	(18,372,818)
Total capital assets being depreciated, net.....	4,063,421	541,518	-	4,604,939
Total business-type activities capital assets, net.....	\$ 4,066,559	\$ 541,518	\$ -	\$ 4,608,077
Sewer:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	504,829	183,644	-	688,473
Infrastructure.....	7,214,520	1,696,929	-	8,911,449
Total capital assets being depreciated.....	7,719,349	1,880,573	-	9,599,922
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(145,496)	(83,935)	-	(229,431)
Infrastructure.....	(1,711,628)	(111,956)	-	(1,823,584)
Total accumulated depreciation.....	(1,857,124)	(195,891)	-	(2,053,015)
Total capital assets being depreciated, net.....	5,862,225	1,684,682	-	7,546,907
Total business-type activities capital assets, net.....	\$ 5,862,225	\$ 1,684,682	\$ -	\$ 7,546,907

	Beginning Balance	Increases	Decreases	Ending Balance
Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,348	\$ -	\$ -	\$ 9,348
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	16,385,491	768,485	(288,328)	16,865,648
General Plant.....	6,098,644	144,729	(9,909)	6,233,464
Total capital assets being depreciated.....	22,484,135	913,214	(298,237)	23,099,112
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(12,398,663)	(819,274)	288,328	(12,929,609)
General Plant.....	(2,725,548)	(304,932)	9,909	(3,020,571)
Total accumulated depreciation.....	(15,124,211)	(1,124,206)	298,237	(15,950,180)
Total capital assets being depreciated, net.....	7,359,924	(210,992)	-	7,148,932
Total business-type activities capital assets, net.....	\$ 7,369,272	\$ (210,992)	\$ -	\$ 7,158,280

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

Governmental Activities:

General government.....	\$ 98,158
Public safety.....	505,465
Education.....	1,427,710
Public works.....	802,045
Human services.....	33,143
Culture and recreation.....	187,245

Total depreciation expense - governmental activities..... \$ 3,053,766

Business-Type Activities:

Water.....	\$ 200,210
Sewer.....	195,891
Light.....	1,124,206

Total depreciation expense - business-type activities..... \$ 1,520,307

NOTE 5 – CAPITAL LEASES

During fiscal year 2007 the Town entered into a lease agreement to finance the acquisition of energy conservation equipment. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The following identifies the asset value acquired through the capital lease agreement:

		<u>Governmental Activities</u>
<u>Asset:</u>		
Machinery and equipment.....	\$	1,693,000
Less: accumulated depreciation.....		<u>(84,650)</u>
Total.....	\$	<u><u>1,608,350</u></u>

The future minimum lease obligation and the net present value of the minimum lease payment at June 30, 2007, follows:

<u>Fiscal Years Ending June 30</u>		<u>Governmental Activities</u>
2008.....	\$	197,446
2009.....		198,138
2010.....		198,138
2011.....		198,138
2012.....		198,138
2013 - 2017		<u>891,621</u>
Total minimum lease payments.....		1,881,619
Less: amounts representing interest.....		<u>(287,024)</u>
Present value of minimum lease payments.....	\$	<u><u>1,594,595</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Fire Station Construction	Non-Major Governmental Funds	Reserved for Appropriation	
General Fund.....	\$ -	\$ -	\$ 2,811,250	\$ -	\$ 2,811,250
Nonmajor Governmental Funds..	125,544	-	151,000	23,069	299,613
Reserved for Appropriation	305,000	1,499,969	530,000	-	2,334,969
Water Enterprise Fund.....	150,000	-	-	-	150,000
Sewer Enterprise Fund.....	120,000	-	-	-	120,000
Light Enterprise Fund.....	710,000	-	-	-	710,000
	<u>\$ 1,410,544</u>	<u>\$ 1,499,969</u>	<u>\$ 3,492,250</u>	<u>\$ 23,069</u>	<u>\$ 6,425,832</u>

Transfers represent amounts voted to fund the fiscal year 2007 operating budget, amounts transferred to fund various capital projects, and also the transfer of expenditures to fund for various enterprise fund related capital outlay.

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued 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).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

Details related to the short-term debt activity for the fiscal year ended June 30, 2007 are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2007
BAN	Cemetery.....	4.25	06/28/07	\$ 500,000	-	\$ 500,000	-
BAN	Fire Station.....	4.25	06/28/07	1,500,000	-	1,500,000	-
BAN	Financial Software.....	4.25	06/28/07	500,000	-	500,000	-
				<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2007, and the debt service requirements follow.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
FY96-00.....	3.40-5.50	\$ 9,805,000	\$ -	\$ 1,090,000	\$ 8,715,000
Septic Loan 97-2002.....	0.00	44,306	-	3,170	41,136
Town Hall Renovations.....	4.20-4.65	1,000,000	-	200,000	800,000
Town Hall Renovation.....	3.00-4.75	10,150,000	-	600,000	9,550,000
Outdoor Athletic Facility.....	3.00-3.75	1,540,000	-	220,000	1,320,000
Fire Station Construction.....	3.00-5.00	7,650,000	-	425,000	7,225,000
Fire Land Acquisition.....	3.00-5.00	1,350,000	-	75,000	1,275,000
Communications Tower.....	3.00-5.00	95,000	-	15,000	80,000
Fire Station Construction.....	4.00-6.00	2,030,000	-	105,000	1,925,000
Land Acquisition.....	4.00-6.00	780,000	-	45,000	735,000
Skating Rink.....	4.00-6.00	185,000	-	40,000	145,000
Computer Software.....	5.00	-	886,000	-	886,000
Total.....		<u>\$ 34,629,306</u>	<u>\$ 886,000</u>	<u>\$ 2,818,170</u>	<u>\$ 32,697,136</u>

The \$886,000 issued for computer software acquisition purposes is an obligation of the Town's governmental funds. However, a total of \$240,000 plus interest will be reimbursed over a five year period from receipts of the Belmont Municipal Light Plant.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 3,044,170	\$ 1,420,475	\$ 4,464,645
2009.....	3,033,170	1,294,017	4,327,187
2010.....	3,028,170	1,165,642	4,193,812
2011.....	3,023,191	1,035,295	4,058,486
2012.....	2,568,191	906,811	3,475,002
2013.....	2,563,191	793,552	3,356,743
2014.....	2,338,191	683,223	3,021,414
2015.....	2,323,191	571,503	2,894,694
2016.....	1,238,134	466,886	1,705,020
2017.....	1,238,134	415,282	1,653,416
2018.....	1,238,134	362,964	1,601,098
2019.....	1,238,134	309,801	1,547,935
2020.....	1,238,135	255,547	1,493,682
2021.....	1,235,000	200,289	1,435,289
2022.....	1,235,000	144,019	1,379,019
2023.....	1,235,000	85,307	1,320,307
2024.....	640,000	40,576	680,576
2025.....	140,000	9,976	149,976
2026.....	100,000	4,200	104,200
Total.....	\$ <u>32,697,136</u>	\$ <u>10,169,615</u>	\$ <u>42,866,751</u>

Bonds and Notes Payable Schedule – Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2007</u>
MWRA Water Main.....	0.00	\$ 520,000	\$ -	\$ 65,000	\$ 455,000
Sewer.....	0.00	68,750	2,479,000	13,750	2,534,000
Light Bond.....	4.20-4.60	800,000	-	200,000	600,000
Total.....		\$ <u>1,388,750</u>	\$ <u>2,479,000</u>	\$ <u>278,750</u>	\$ <u>3,589,000</u>

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

Water Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 65,000	\$ -	\$ 65,000
2009.....	65,000	-	65,000
2010.....	65,000	-	65,000
2011.....	65,000	-	65,000
2012.....	65,000	-	65,000
2013.....	65,000	-	65,000
2014.....	65,000	-	65,000
Total.....	<u>\$ 455,000</u>	<u>\$ -</u>	<u>\$ 455,000</u>

Sewer Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 137,750	\$ 109,900	\$ 247,650
2009.....	143,750	103,700	247,450
2010.....	143,750	97,200	240,950
2011.....	143,750	90,700	234,450
2012.....	125,000	84,200	209,200
2013.....	125,000	79,044	204,044
2014.....	125,000	73,888	198,888
2015.....	125,000	68,732	193,732
2016.....	125,000	63,576	188,576
2017.....	125,000	57,326	182,326
2018.....	125,000	51,076	176,076
2019.....	125,000	45,918	170,918
2020.....	125,000	40,794	165,794
2021.....	125,000	35,638	160,638
2022.....	125,000	30,388	155,388
2023.....	125,000	25,076	150,076
2024.....	125,000	19,762	144,762
2025.....	120,000	14,450	134,450
2026.....	120,000	9,350	129,350
2027.....	100,000	4,250	104,250
Totals.....	<u>\$ 2,534,000</u>	<u>\$ 1,104,968</u>	<u>\$ 3,638,968</u>

Light Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 200,000	\$ 22,800	\$ 222,800
2009.....	200,000	13,750	213,750
2010.....	200,000	4,600	204,600
Total.....	<u>\$ 600,000</u>	<u>\$ 41,150</u>	<u>\$ 641,150</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2007, approximately \$1 million of such assistance was received. Approximately \$4,324,000 will be received in future fiscal years. Of this amount, approximately \$435,000 represents reimbursement of long-term interest costs, and approximately \$3,889,000 represents reimbursement of approved construction costs. Accordingly, a \$3,889,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In previous years the Town recorded an estimated receivable from the Massachusetts School Building Authority (MSBA) based on the original construction and borrowing costs. During fiscal year 2007 the Town was notified by the MSBA that original estimated construction and borrowing costs were being reduced to an amount representative of actual eligible costs under the MSBA's reimbursement program. Accordingly, the Town has recognized a \$2,127,000 charge against education expense on the entity-wide basis.

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, 2007, the Town had the following authorized and unissued debt:

Purpose	Amount
Communications Tower.....	\$ 247,200
Fire Station.....	296,523
Departmental Equipment.....	1,000,000
Senior Center.....	<u>6,003,256</u>
Total.....	<u>\$ 7,546,979</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 34,629,306	\$ 886,000	\$ (2,818,170)	\$ 32,697,136	\$ 3,044,140
Landfill Closure.....	3,800,000	260,000	-	4,060,000	-
Compensated Absences.....	1,085,186	287,921	(54,259)	1,318,848	65,942
Capital Leases.....	-	1,693,000	(98,405)	1,594,595	144,057
Total governmental activity long-term liabilities.....	<u>\$ 39,514,492</u>	<u>\$ 3,126,921</u>	<u>\$ (2,970,834)</u>	<u>\$ 39,670,579</u>	<u>\$ 3,254,139</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 1,388,750	\$ 2,479,000	\$ (278,750)	\$ 3,589,000	\$ 402,750
Compensated Absences.....	216,874	-	(26,009)	190,865	9,545
Total business type activity long-term liabilities.....	<u>\$ 1,605,624</u>	<u>\$ 2,479,000</u>	<u>\$ (304,759)</u>	<u>\$ 3,779,865</u>	<u>\$ 412,295</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

NOTE 9 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$4,060,000 as the estimate of the landfill closure liability at June 30, 2007. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 10 – RISK FINANCING*Insurance*

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 Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous two fiscal years.

Workers' Compensation

The Town participates in a premium based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighters workers compensation is not material at June 30, 2007, and is therefore not reported.

General Liability

The Town is self insured for its general liability insurance. MGL Chapter 258 limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the Belmont Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Belmont Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the 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 \$6,799,335 for the fiscal year ended June 30, 2007, 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 Belmont Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at Town Hall, 455 Concord Ave., Belmont, Massachusetts 02478.

At December 31, 2006, the System's membership consists of the following:

	<u>2006</u>
Active members.....	446
Inactive members.....	73
Disabled members.....	43
Retirees and beneficiaries currently receiving benefits.....	<u>342</u>
Total.....	<u><u>904</u></u>

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. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute

approximately 98%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2007, 2006, and 2005 were approximately \$4,100,000, \$3,900,000, and \$3,600,000, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 3% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2006, was 19 years.

**Schedule of Funding Progress
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2006	\$ 53,736,253	\$ 101,659,952	\$ 47,923,699	52.9%	\$ 164,549,300	29.1%
1/1/2004	53,364,538	94,947,822	41,583,284	56.2%	146,655,300	28.4%
1/1/2002	52,838,407	87,176,074	34,337,667	60.6%	131,319,000	26.1%
1/1/2000	49,941,824	70,890,071	20,948,247	70.4%	121,019,400	17.3%
1/1/1998	40,838,623	64,600,786	23,762,163	63.2%	114,071,500	20.8%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 98.65% of the unfunded liability.

NOTE 12 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts, for post-closure care costs associated with the Town's landfill, for various sewer and surface drain projects, for a new senior center, and for HVAC equipment at the High School.

NOTE 13 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2007, 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 it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

NOTE 14 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

GASB Statement # 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented in fiscal year 2008. Management has elected to implement the GASB early. The basic financial statements were not impacted by this GASB.

GASB Statement # 51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Future GASB Pronouncements:

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in Fiscal 2008. Management has yet to determine if this pronouncement will significantly impact the basic financial statements.

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 2009. Management has yet to determine if this pronouncement will significantly 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 2008. This GASB statement will change the disclosures related to pensions.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 56,741,775	\$ 56,741,775	\$ 56,876,365
Motor vehicle and other excise taxes.....	-	2,600,000	2,600,000	2,600,000
Charges for services.....	-	1,507,611	1,507,611	1,507,611
Penalties and interest on taxes.....	-	100,000	100,000	100,000
Licenses and permits.....	-	650,000	650,000	650,000
Fines and forfeitures.....	-	263,700	263,700	263,700
Intergovernmental.....	-	7,515,817	7,515,817	7,515,817
Investment income.....	-	650,000	650,000	650,000
TOTAL REVENUES.....	-	\$ 70,028,903	70,028,903	70,163,493
EXPENDITURES:				
Current:				
General government.....	88,500.00	3,463,298	3,551,798	3,221,502
Public safety.....	-	9,899,717	9,899,717	9,954,400
Education.....	257,507.00	35,184,612	35,442,119	35,509,414
Public works.....	51,297.00	7,136,981	7,188,278	7,291,541
Human services.....	925.00	861,353	862,278	903,171
Culture and recreation.....	4,022.00	2,187,518	2,191,540	2,191,540
Pension benefits.....	-	3,517,316	3,517,316	3,496,168
Employee benefits.....	-	1,878,300	1,878,300	1,878,300
State and county charges.....	-	1,476,121	1,476,121	1,476,121
Debt service:				
Principal.....	-	3,043,170	3,043,170	2,818,170
Interest.....	-	1,848,211	1,848,211	1,667,461
TOTAL EXPENDITURES.....	402,251	70,496,597	70,898,848	70,407,788
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(402,251)	(467,694)	(869,945)	(244,295)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	1,474,214	1,474,214	1,474,164
Transfers out.....	-	(2,185,600)	(2,185,600)	(2,811,250)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(711,386)	(711,386)	(1,337,086)
NET CHANGE IN FUND BALANCE.....	(402,251)	(1,179,080)	(1,581,331)	(1,581,381)
BUDGETARY FUND BALANCE, Beginning of year.....	-	8,855,982	8,855,982	8,855,982
BUDGETARY FUND BALANCE, End of year..... \$	(402,251) \$	7,676,902 \$	7,274,651 \$	7,274,601

See notes to basic financial statements.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 57,400,842	\$ -	\$ 524,477
2,573,891	-	(26,109)
1,567,903	-	60,292
190,029	-	90,029
673,208	-	23,208
421,924	-	158,224
7,525,230	-	9,413
1,364,507	-	714,507
<u>71,717,534</u>	<u>-</u>	<u>1,554,041</u>
2,915,257	103,955	202,290
9,583,911	1,940	368,549
35,253,613	248,402	7,399
7,174,528	34,560	82,453
867,090	1,099	34,982
2,154,012	8,100	29,428
3,493,362	-	2,806
1,598,094	-	280,206
1,479,012	-	(2,891)
2,818,170	-	-
1,600,686	-	66,775
<u>68,937,735</u>	<u>398,056</u>	<u>1,071,997</u>
<u>2,779,799</u>	<u>(398,056)</u>	<u>2,626,038</u>
40,000	-	40,000
1,410,544	-	(63,620)
(2,811,250)	-	-
<u>(1,360,706)</u>	<u>-</u>	<u>(23,620)</u>
1,419,093	(398,056)	2,602,418
8,855,982	-	-
<u>\$ 10,275,075</u>	<u>\$ (398,056)</u>	<u>\$ 2,602,418</u>

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2007 approved budget authorized approximately \$73,090,000 in appropriations and other amounts to be raised. During fiscal year 2007, the Town meeting also approved supplemental appropriations totaling approximately \$273,000.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2007, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$	1,419,093
<u>Perspective difference:</u>		
Health Claims Fund recorded in the General Fund for GAAP.....		515
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(269,000)
Net change in recording 60-day receipts accrual.....		89,726
Recognition of revenue for on-behalf payments.....		6,799,335
Recognition of expenditures for on-behalf payemnts.....		<u>(6,799,335)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$	<u>1,240,334</u>