

**TOWN OF WESTON, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2012**

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MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Town Manager and Board of Selectmen  
Town of Weston, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Weston, Massachusetts, as of and for the year ended June 30, 2012, 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 Weston's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Weston, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2013 on our consideration of the Town's internal control over financial reporting and on 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 report-

ing and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues and Other Sources and Expenditures, and Other Uses, Notes to the Required Supplementary Information, and Schedule of Funding Progress information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Melanson, Heath + Company P.C.*

March 4, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Weston, we offer readers this narrative overview and analysis of the financial activities of the Town of Weston for the fiscal year ended June 30, 2012. Unless otherwise noted, all amounts are expressed in thousands.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The Town converted from a self-insurance program to a premium-based program through GIC insurance in fiscal year 2010.

**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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 127,445 (i.e., net assets), an increase of \$ 4,237 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 50,159, a decrease of \$ (7,282) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 4,901, an increase of \$ 570 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 62,474, a decrease of \$ (5,216) in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 81,340	\$ 75,989
Capital assets	144,050	134,276
Total assets	<u>225,390</u>	<u>210,265</u>
Long-term liabilities outstanding	75,362	79,735
Notes payable	16,000	1,700
Other liabilities	6,583	5,622
Total liabilities	<u>97,945</u>	<u>87,057</u>
Net assets:		
Invested in capital assets, net	79,045	75,485
Restricted	34,857	33,489
Unrestricted	13,543	14,234
Total net assets	<u>\$ 127,445</u>	<u>\$ 123,208</u>

## CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,224	\$ 8,850
Operating grants and contributions	10,732	10,792
Capital grants and contributions	499	344
General revenues:		
Property taxes	64,907	61,582
Excises	2,413	2,609
Penalties, interest, and other taxes	211	237
Grants and contributions not restricted to specific programs	3,498	2,306
Investment income	222	1,725
Other	<u>689</u>	<u>462</u>
Total revenues	92,395	88,907
Expenses:		
General government	4,928	4,989
Public safety	6,799	6,213
Education	45,268	46,231
Public works	6,571	5,775
Health and human services	941	835
Culture and recreation	3,900	3,968
Employee benefits	16,841	16,478
Interest on long-term debt	2,617	2,664
Intergovernmental	<u>293</u>	<u>302</u>
Total expenses	<u>88,158</u>	<u>87,455</u>
Change in net assets before transfers	4,237	1,452
Transfers in (out)	<u>-</u>	<u>(60)</u>
Increase in net assets	4,237	1,392
Net assets - beginning of year	<u>123,208</u>	<u>121,816</u>
Net assets - end of year	<u>\$ 127,445</u>	<u>\$ 123,208</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 127,445, an increase of \$ 4,237 from the prior year.

The largest portion of net assets \$ 79,045 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital

assets is reported net of 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 net assets \$ 34,857 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 13,543 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in an increase in net assets of \$ 4,237. Key elements of this change are as follows:

General fund excess of revenues over expenditures <sup>(1)</sup>	\$ 757
Community preservation fund excess of revenues over expenditures	1,222
Debt service principal in excess of depreciation	5,094
Increase in net OPEB obligation	(715)
OPEB Trust funding from Internal Service fund	(2,072)
Other	<u>(49)</u>
Total	<u>\$ 4,237</u>

<sup>(1)</sup> Includes a contribution to OPEB Trust Fund of \$ 1,219

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned 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 \$ 50,159, a decrease of \$ (7,282) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures <sup>(1)</sup>	\$ 757
Community preservation fund revenues over expenditures	1,222
Major capital project fund expenditures over revenues	(9,835)
Other	<u>574</u>
Total	<u>\$ (7,282)</u>

<sup>(1)</sup> Includes a contribution to OPEB Trust Fund of \$ 1,219

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 4,901, while total fund balance was \$ 14,190. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,901	\$ 4,331	\$ 570	6.3%
Total fund balance <sup>(1)</sup>	14,190	12,834	1,356	18.3%

<sup>(1)</sup> Includes stabilization fund.

The total fund balance of the general fund changed by \$ 1,356 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (3,713)
Revenues in excess of budget	1,379
Expenditures less than budget	3,928
Other	<u>(238)</u>
Total	\$ <u>1,356</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ 1,976	\$ 1,698	\$ 278
Pension liability stabilization	<u>405</u>	<u>403</u>	<u>2</u>
Total	\$ <u>2,381</u>	\$ <u>2,101</u>	\$ <u>280</u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriation of \$ 225:

- \$ 25 appropriated for various other departmental items funded by taxes.
- \$ 200 appropriated for removal of contaminated Town owned land, funded by free cash.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$ 144,050 (net of accumulated depreciation), an increase of \$ 9,774 from the prior year. This investment in capital assets includes art, land, construction in progress, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- High School Science Lab construction in progress
- Field School construction in progress
- Road Repairs
- Vehicles and equipment
- Various Town projects construction in progress

**Change in credit rating.** During the fiscal year, the Moody's credit rating was not changed and is Aaa.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 62,474, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Weston'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:

Office of Finance Director  
Town of Weston, Massachusetts  
11 Town House Road - Post Office Box 378  
Weston, Massachusetts 02493

TOWN OF WESTON, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 56,721,703
Investments	14,877,131
Receivables, net of allowance for uncollectibles:	
Property taxes	1,807,747
Excises	84,621
User fees	241,463
Departmental and other	1,036,645
Intergovernmental	1,074,503
Deferred asset	<u>61,000</u>
Total current assets	75,904,813
Noncurrent:	
Receivables, net of current portion:	
Intergovernmental	5,069,580
Deferred asset	366,000
Capital assets not being depreciated	46,752,433
Capital assets being depreciated, net of accumulated depreciation	<u>97,297,157</u>
Total noncurrent assets	<u>149,485,170</u>
<b>TOTAL ASSETS</b>	<b>225,389,983</b>
<b>LIABILITIES</b>	
Current:	
Warrants and accounts payable	1,948,488
Accrued liabilities	4,152,424
Retainage payable	431,131
Other liabilities	50,755
Notes payable	16,000,334
Current portion of long-term liabilities:	
Bonds payable	6,844,332
Accrued employee benefits	107,630
Other liabilities	<u>25,000</u>
Total current liabilities	29,560,094
Noncurrent:	
Bonds payable, net of current portion	55,630,000
Accrued employee benefits, net of current portion	2,044,967
Net OPEB obligation	10,534,675
Other liabilities, net of current portion	<u>175,000</u>
Total noncurrent liabilities	<u>68,384,642</u>
<b>TOTAL LIABILITIES</b>	<b>97,944,736</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	79,044,733
Restricted for:	
Grants and other statutory restrictions	22,481,160
Permanent funds:	
Nonexpendable	4,972,242
Expendable	7,403,316
Unrestricted	<u>13,543,796</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>127,445,247</u></b>

See notes to financial statements.



TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Case Estates Fund</u>	<u>HS Science Lab Fund</u>	<u>Field School Fund</u>	<u>Brook School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Cash and short-term investments	\$ 17,746,572	\$ 15,262,109	\$ 6,725,758	\$ 3,759,859	\$ 1,746,465	\$ 848,018	\$ 10,597,672	\$ 56,686,453
Investments	422,569	3,495,144	910,000	-	-	-	10,049,418	14,877,131
Receivables:								
Property taxes	1,852,115	33,635	-	-	-	-	-	1,885,750
Excises	120,612	-	-	-	-	-	-	120,612
User fees	-	-	-	-	-	220	241,243	241,463
Departmental and other	1,036,645	-	-	-	-	-	-	1,036,645
Intergovernmental	-	-	-	-	-	-	275,896	275,896
<b>TOTAL ASSETS</b>	<b>\$ 21,178,513</b>	<b>\$ 18,790,888</b>	<b>\$ 7,635,758</b>	<b>\$ 3,759,859</b>	<b>\$ 1,746,465</b>	<b>\$ 848,238</b>	<b>\$ 21,164,229</b>	<b>\$ 75,123,950</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Warrants payable	\$ 769,249	\$ -	\$ -	\$ 507,473	\$ 157,227	\$ 5,282	\$ 186,885	\$ 1,626,116
Accrued liabilities	1,591,688	89	-	-	-	-	322,372	1,914,149
Accrued payroll	1,617,931	-	-	-	-	3,118	37,201	1,658,250
Retainage payable	-	-	-	418,128	-	-	13,003	431,131
Other liabilities	-	-	-	-	-	50,755	-	50,755
Deferred revenues	3,009,372	33,635	-	-	-	220	241,243	3,284,470
Notes payable	-	-	-	12,100,000	2,500,000	-	1,400,334	16,000,334
<b>TOTAL LIABILITIES</b>	<b>6,988,240</b>	<b>33,724</b>	<b>-</b>	<b>13,025,601</b>	<b>2,657,227</b>	<b>59,375</b>	<b>2,201,038</b>	<b>24,965,205</b>
Fund Balances:								
Nonspendable	-	-	-	-	-	-	4,972,242	4,972,242
Restricted	786,093	18,757,164	7,635,758	-	-	788,863	14,946,758	42,914,636
Committed	4,412,902	-	-	-	-	-	-	4,412,902
Assigned	4,090,027	-	-	-	-	-	-	4,090,027
Unassigned	4,901,251	-	-	(9,265,742)	(910,762)	-	(955,809)	(6,231,062)
<b>TOTAL FUND BALANCES</b>	<b>14,190,273</b>	<b>18,757,164</b>	<b>7,635,758</b>	<b>(9,265,742)</b>	<b>(910,762)</b>	<b>788,863</b>	<b>18,963,191</b>	<b>50,158,745</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 21,178,513</b>	<b>\$ 18,790,888</b>	<b>\$ 7,635,758</b>	<b>\$ 3,759,859</b>	<b>\$ 1,746,465</b>	<b>\$ 848,238</b>	<b>\$ 21,164,229</b>	<b>\$ 75,123,950</b>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

<b>Total governmental fund balances</b>	\$ 50,158,745
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	144,049,590
<ul style="list-style-type: none"><li>• In the statement of net assets, deferred assets are reported to amortize the loss on bond refunding, whereas in the governmental funds the loss is not amortized.</li></ul>	427,000
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	3,170,473
<ul style="list-style-type: none"><li>• Noncurrent assets, including MSBA reimbursements for contracted assistance projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	5,868,187
<ul style="list-style-type: none"><li>• Internal Service Funds are used by management to account for health insurance. The assets and liabilities of the Internal Service Fund are included in the governmental activities.</li></ul>	35,252
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(902,396)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, accrued employee benefits, other post employment benefits and landfill closure liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(75,361,604)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 127,445,247</u></u></b>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General	Community Preservation Fund	Case Estates Fund	HS Science Lab Fund	Field School Fund	Brook School Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Property taxes	\$ 62,930,841	\$ 1,728,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,659,174
Excise taxes	2,418,788	-	-	-	-	-	-	2,418,788
Penalties, interest and other taxes	207,903	3,398	-	-	-	-	-	211,301
Charges for services	1,053,961	-	-	-	-	592,782	6,284,468	7,931,211
Intergovernmental	9,758,323	468,394	-	-	368,043	551,934	3,759,619	14,906,313
Licenses and permits	1,174,382	-	-	-	-	-	400	1,174,782
Contributions	-	-	-	-	-	-	620,765	620,765
Fines and forfeitures	117,675	-	-	-	-	-	-	117,675
Investment income	110,655	68,843	-	-	-	6,830	35,226	221,554
Miscellaneous	610,692	-	-	-	-	-	166,919	777,611
Total Revenues	<u>78,383,220</u>	<u>2,268,968</u>	<u>-</u>	<u>-</u>	<u>368,043</u>	<u>1,151,546</u>	<u>10,867,397</u>	<u>93,039,174</u>
<b>Expenditures:</b>								
Current:								
General government	3,915,206	569,563	-	-	-	-	100,087	4,584,856
Public safety	6,422,699	-	-	-	-	-	61,076	6,483,775
Education	39,115,100	-	-	8,923,921	1,278,805	-	6,003,419	55,321,245
Public works	3,542,598	-	-	-	-	-	3,649,215	7,191,813
Health and human services	761,972	-	-	-	-	-	172,088	934,060
Culture and recreation	1,189,132	-	3,374	-	-	712,733	1,630,760	3,535,999
Employee benefits	14,053,738	-	-	-	-	-	-	14,053,738
Debt service	8,332,293	477,675	-	-	-	538,254	478,248	9,826,470
Intergovernmental	293,388	-	-	-	-	-	-	293,388
Total Expenditures	<u>77,626,126</u>	<u>1,047,238</u>	<u>3,374</u>	<u>8,923,921</u>	<u>1,278,805</u>	<u>1,250,987</u>	<u>12,094,893</u>	<u>102,225,344</u>
Excess (deficiency) of revenues over expenditures	757,094	1,221,730	(3,374)	(8,923,921)	(910,762)	(99,441)	(1,227,496)	(9,186,170)
<b>Other Financing Sources (Uses):</b>								
Proceeds from refunding	3,350,000	-	-	-	-	-	-	3,350,000
Payment to escrow agent	(3,350,000)	-	-	-	-	-	-	(3,350,000)
Bond issuance	-	-	-	730,000	-	-	1,174,332	1,904,332
Transfers in	1,070,818	100,000	-	-	-	280,183	471,825	1,922,826
Transfers out	(471,825)	(380,183)	-	-	-	(136,133)	(934,685)	(1,922,826)
Total Other Financing Sources (Uses)	<u>598,993</u>	<u>(280,183)</u>	<u>-</u>	<u>730,000</u>	<u>-</u>	<u>144,050</u>	<u>711,472</u>	<u>1,904,332</u>
Changes in fund balances	1,356,087	941,547	(3,374)	(8,193,921)	(910,762)	44,609	(516,024)	(7,281,838)
Fund Balance, at Beginning of Year	<u>12,834,186</u>	<u>17,815,617</u>	<u>7,639,132</u>	<u>(1,071,821)</u>	<u>-</u>	<u>744,254</u>	<u>19,479,215</u>	<u>57,440,583</u>
Fund Balance, at End of Year	<u>\$ 14,190,273</u>	<u>\$ 18,757,164</u>	<u>\$ 7,635,758</u>	<u>\$ (9,265,742)</u>	<u>\$ (910,762)</u>	<u>\$ 788,863</u>	<u>\$ 18,963,191</u>	<u>\$ 50,158,745</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (7,281,838)</b>																								
<ul style="list-style-type: none"> <li>• 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">15,193,258</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,375,691)</td> </tr> <tr> <td>Loss on disposal of capital assets</td> <td style="text-align: right;">(43,767)</td> </tr> </table> </li>   <li>• 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">153,589</td> </tr> </table> </li>   <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance projects, do not provide current financial resources, and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(798,603)</td> </tr> </table> </li>   <li>• 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(5,254,332)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">10,470,004</td> </tr> </table> </li>   <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">89,060</td> </tr> </table> </li>   <li>• Some expenses, like compensated absences and loss on refunding, 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. <table border="0" style="margin-left: 40px;"> <tr> <td>Other post-employment benefits liability</td> <td style="text-align: right;">(714,840)</td> </tr> <tr> <td>Increase in compensated absence liability</td> <td style="text-align: right;">(152,407)</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;">25,000</td> </tr> </table> </li>   <li>• Internal Service Funds are used by management to account for health insurance. The net activity of the Internal Service Fund is included in the governmental activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(2,072,062)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases	15,193,258	Depreciation	(5,375,691)	Loss on disposal of capital assets	(43,767)		153,589		(798,603)	Issuance of debt	(5,254,332)	Repayments of debt	10,470,004		89,060	Other post-employment benefits liability	(714,840)	Increase in compensated absence liability	(152,407)	Decrease in landfill liability	25,000		<u>(2,072,062)</u>
Capital outlay purchases	15,193,258																								
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	<u>(2,072,062)</u>																								
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>4,237,371</u></b>																								

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Internal Service Fund
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>35,252</u>
<b>TOTAL ASSETS</b>	35,252
<b><u>NET ASSETS</u></b>	
Unrestricted	<u>35,252</u>
<b>TOTAL NET ASSETS</b>	\$ <u><u>35,252</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Internal Service Fund
<b>Operating Expenses:</b>	
Claims expense	\$ <u>4,749</u>
Total Operating Expenses	<u>4,749</u>
Operating income (loss)	(4,749)
 <b>Nonoperating Expenses:</b>	
Contributions to OPEB	<u>(2,067,313)</u>
Total Nonoperating Expenses	<u>(2,067,313)</u>
Change in Net Assets	(2,072,062)
Net Assets at Beginning of Year	<u>2,107,314</u>
Net Assets at End of Year	\$ <u><u>35,252</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Internal Service Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Payments of employees' benefits	\$ <u>(4,749)</u>
Net Cash (Used For) Operating Activities	<u>(4,749)</u>
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Contributions to OPEB	<u>(2,067,313)</u>
Net Cash (Used For) Noncapital Financing Activities	<u>(2,067,313)</u>
Net Change in Cash and Short-Term Investments	(2,072,062)
Cash and Short-Term Investments, Beginning of Year	<u>2,107,314</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 35,252</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash (Used For) Operating Activities:</u></b>	
Operating loss	\$ <u>(4,749)</u>
Net Cash (used for) Operating Activities	<u><u>\$ (4,749)</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 3,510,049	\$ 1,405,635
Receivables:		
Departmental and other	<u>-</u>	<u>5,802</u>
Total Assets	3,510,049	1,411,437
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>1,411,437</u>
Total Liabilities	<u>-</u>	<u>1,411,437</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust for other post employment benefits and other purposes	\$ <u><u>3,510,049</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012

		Other Post- Employment Benefits <u>Trust Fund</u>
<b>Additions:</b>		
Contributions	\$	3,286,313
Investment Income		<u>5,944</u>
Total additions		3,292,257
 <b>Net assets:</b>		
Beginning of year		<u>217,792</u>
End of year	\$	<u><u>3,510,049</u></u>

See notes to financial statements.

# TOWN OF WESTON, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Weston (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

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*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Community Preservation Fund* accounts for activity associated with the Town's resources from the Community Preservation Act.
- The *Case Estates Fund* accounts for activity associated with the purchase of the Case Estates.
- The *High School Science Lab Fund* accounts for activity associated with the construction of the High School Science Lab addition.
- The *Field School Fund* accounts for activity associated with the engineering, constructing and equipping costs for the new Field School
- The *Brook School Fund* accounts for activity associated with the Brook School Apartments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The self-insured employee health program, reported as an internal service fund, was converted from self-insurance to the GIC insurance plan during fiscal year 2010. The remaining balance in the fund is to pay unanticipated run-off claims.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's

portion of this pool is reflected on the combined financial statements under the caption “cash and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

*F. Property Tax Limitations*

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 2,350,404.

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

#### H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds

are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### *K. Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

## **2. Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Board of Selectmen presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Deficit Fund Equity**

The following funds had deficits as of June 30, 2012:

Major Governmental Funds:	
ART 13 5/11 HS School Science Lab	\$ (9,265,742)
ART 1 11/11 Field School	(910,762)
Nonmajor Governmental Funds:	
FY11 SPED IDEA	\$ (312)
FY11 ARRA IDEA	(33,946)
FY11 School Health Grant	(792)
FY12 METCO Grant	(1,642)
POWAH Grant	(5,732)
Bullet Proof Vest Grant	(6,908)
Other Town/School Grants	(791)
ART 21, 5/12 Surface Drains	(7,158)
ART 12, 5/11 High School Boiler	(262,148)
ART 17,09 Town/School Phone Network	(35,873)
ART 19,09 Field School Design Fees	(530,208)
ART 1, 11/10 HS Sprinkler System	(68,000)
ART 20,02 Retaining Walls	<u>(2,300)</u>
Total nonmajor	\$ <u><u>(955,809)</u></u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have formal policies for custodial credit risk.

As of June 30, 2012, \$ 21,815,566 of the Town's bank balance of \$ 62,783,554 was exposed to custodial credit risk as uninsured or uncollateralized. However, \$ 7,796,434 of the exposed balance was on deposit with Massachusetts Municipal Depository Trust (MMDT).

## 4. Investments

### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Investments at June 30, 2012 included the following (in thousands) (All federal agency securities have an implied credit rating of AAA.):

U.S. Treasury notes	\$	3,067
Common equities		6,982
U.S. Agency obligations		380
Certificates of deposit		4,405
Asset Backed Securities		<u>43</u>
Total	\$	<u><u>14,877</u></u>

The Town's investment policies allow the Treasurer to invest Town funds, including bond proceeds, in the following instruments:

- Massachusetts State pooled funds
- U.S. Treasuries
- U.S. Agency obligations
- Bank accounts or Certificates of Deposit
- Unsecured bank deposits (subject to limitations noted below)
- Repurchase agreements
- Certain mutual funds

Trust funds may be invested in any instruments allowed by Legal List issued by Banking Commissioner. The Stabilization Trust fund may be invested in the following instruments:

- National banks
- Savings banks
- Cooperative banks or trust companies organized under Massachusetts laws
- Securities legal for savings banks
- Federal Savings and Loan Associations situated in Massachusetts
- Massachusetts Municipal Depository Trust
- Approved Money Market funds

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

**C. Concentration of Credit Risk**

The Town's investment policies limit unsecured bank deposits, including certificates of deposit, to no more than 5% of an institution's assets and no more than 10% of the Town's cash. Other than U.S. Treasuries, U.S. Agency obligations and State Pools, no more than 15% of the Town's investments may be invested in a single financial institution. The U.S. Treasury notes are AAA rated securities.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>	<u>&gt;10</u>
Debt-related Securities:					
U.S. Treasury notes	\$ 3,067	\$ 1,320	\$ 1,251	\$ 496	\$ -
U.S. Agency obligations	380	-	-	-	380
Asset-backed securities	43	-	-	43	-
Total	<u>\$ 3,490</u>	<u>\$ 1,320</u>	<u>\$ 1,251</u>	<u>\$ 539</u>	<u>\$ 380</u>

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Taxes Receivable**

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 a quarterly basis 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 they relate to.

After the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate	\$	641
CPA		34
Tax Liens		740
Deferred Taxes		<u>471</u>
Total	\$	<u>1,886</u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

Property taxes	\$	78
Excises		36

## 7. Departmental and Other Receivables

Departmental and other receivables at June 30, 2012 consist mainly of ambulance billings.

## 8. Intergovernmental Receivables

The majority of intergovernmental receivables represent reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures. Future receipt of MSBA payments are as follows:

	<u>MSBA</u>	<u>Other</u>	<u>Total</u>
2013	\$ 798,607	\$ 275,896	\$ 1,074,503
2014	724,226	-	724,226
2015	724,226	-	724,226
2016	724,226	-	724,226
2017	724,226	-	724,226
2018 - 2021	<u>2,172,676</u>	<u>-</u>	<u>2,172,676</u>
Total	<u>\$ 5,868,187</u>	<u>\$ 275,896</u>	<u>\$ 6,144,083</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 121,458	\$ 456	\$ -	\$ 121,914
Machinery, equipment, and furnishings	12,260	1,318	(289)	13,289
Infrastructure	<u>22,491</u>	<u>1,033</u>	<u>-</u>	<u>23,524</u>
Total capital assets, being depreciated	156,209	2,807	(289)	158,727
Less accumulated depreciation for:				
Buildings and improvements	(36,841)	(3,419)	-	(40,260)
Machinery, equipment, and furnishings	(8,137)	(1,201)	245	(9,093)
Infrastructure	<u>(11,321)</u>	<u>(755)</u>	<u>-</u>	<u>(12,076)</u>
Total accumulated depreciation	<u>(56,299)</u>	<u>(5,375)</u>	<u>245</u>	<u>(61,429)</u>
Total capital assets, being depreciated, net	99,910	(2,568)	(44)	97,298

(continued)

(continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Art	188	-	-	188
Land	18,446	-	-	18,446
Construction in progress	<u>15,732</u>	<u>12,575</u>	<u>(189)</u>	<u>28,118</u>
Total capital assets, not being depreciated	<u>34,366</u>	<u>12,575</u>	<u>(189)</u>	<u>46,752</u>
Governmental activities capital assets, net	<u>\$ 134,276</u>	<u>\$ 10,007</u>	<u>\$ (233)</u>	<u>\$ 144,050</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 905
Public safety	422
Education	2,705
Public works	1,009
Culture and recreation	328
Human services	<u>6</u>
Total depreciation expense - governmental activities	<u>\$ 5,375</u>

#### 10. **Warrants Payable**

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law.

#### 11. **Accrued Liabilities**

Accrued liabilities at June 30, 2012 consist primarily of accrued interest and payroll with holdings in the General fund and as well as an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

#### 12. **Deferred Revenue**

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.

**13. Notes Payable**

The Town had the following notes outstanding at June 30, 2012:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/12</u>
High School Science Lab	2.50%	02/03/12	02/01/13	\$ 12,100,000
Field School Replacement	2.50%	02/03/12	02/01/13	2,500,000
Water Main Improvements	2.50%	02/03/12	02/01/13	216,000
Field School Design Fees	2.50%	02/03/12	02/01/13	521,934
High School Boiler	2.50%	02/03/12	02/01/13	<u>662,400</u>
Total				<u>\$ 16,000,334</u>

The following summarizes activity in notes payable during fiscal year 2012:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 1,700,000	\$ -	\$ (1,700,000)	\$ -
Bond anticipation	-	6,854,200	(6,854,200)	-
Bond anticipation	<u>-</u>	<u>16,000,334</u>	<u>-</u>	<u>16,000,334</u>
Total	<u>\$ 1,700,000</u>	<u>\$ 22,854,534</u>	<u>\$ (8,554,200)</u>	<u>\$ 16,000,334</u>

**14. Long-Term Debt**

*A. General Obligation Bonds*

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Funds:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Municipal purpose loan - 2003	06/01/18	2.00 - 3.60	\$ 2,190,000
Municipal purpose refunding loan - 2003	08/01/13	1.25 - 3.00	495,000
Municipal purpose loan - 2004	02/01/24	2.80 - 4.50	3,000,000
Municipal purpose refunding loan 2005	03/01/20	2.00 - 5.00	6,735,000
Municipal purpose loan - 2005	02/01/25	3.00 - 4.13	2,580,000
Municipal purpose loan - 2006	02/01/26	3.30 - 6.25	9,765,000
Municipal purpose loan - 2006	12/15/26	3.5 - 4.0	4,995,000
Municipal purpose loan - 2008	02/01/16	3.00	865,000
Municipal purpose loan 2010	02/01/26	2.64	4,035,000
Municipal purpose refunding loan - 2011	01/01/21	2.00 - 2.50	2,425,000
Municipal purpose loan 2011	02/01/30	2.00 - 5.00	20,135,000
Municipal purpose loan 2012	02/01/28	2.00-2.625	<u>5,254,332</u>
Total Governmental Funds:			<u>\$ 62,474,332</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,844,332	\$ 2,175,393	\$ 9,019,725
2014	6,635,000	1,928,442	8,563,442
2015	6,075,000	1,706,396	7,781,396
2016	5,565,000	1,514,121	7,079,121
2017	5,255,000	1,351,458	6,606,458
2018 - 2022	19,455,000	4,398,639	23,853,639
2023 - 2027	10,670,000	1,527,594	12,197,594
2028 - 2030	<u>1,975,000</u>	<u>154,481</u>	<u>2,129,481</u>
Total	<u>\$ 62,474,332</u>	<u>\$ 14,756,524</u>	<u>\$ 77,230,856</u>

The Commonwealth of Massachusetts has approved certain school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources annually for the future debt service of general obligation bonds outstanding. See note 8.

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
General obligation debt <sup>(1)</sup>	\$ 67,690	\$ 5,254	\$ (10,470)	\$ 62,474	\$ (6,844)	\$ 55,630
Accrued sick leave	2,000	155	(2)	2,153	(108)	2,045
Net OPEB obligation	9,820	6,411	(5,696)	10,535	-	10,535
Landfill closure costs	<u>225</u>	<u>-</u>	<u>(25)</u>	<u>200</u>	<u>(25)</u>	<u>175</u>
Totals	\$ <u>79,735</u>	\$ <u>11,820</u>	\$ <u>(16,193)</u>	\$ <u>75,362</u>	\$ <u>(6,977)</u>	\$ <u>68,385</u>

<sup>(1)</sup> Changes include refunded amounts

#### D. Advance and Current Refundings

##### Current Year

On February 1, 2012, the Town issued general obligation bonds in the amount of \$ 3,335,000 with an interest rate ranging of 2.0% to advance refund \$ 3,350,000 of term bonds with an interest rate ranging from 3.5 to 5.0%. The proceeds of the Bonds will be used to call all of the refunded bonds.

The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on February 1, 2021. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$ 528,515, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 481,077.

## **15. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town reported \$ 200,000 as postclosure care liability at June 30, 2012. These amounts are based on what it would cost to perform all postclosure care remaining on the closed landfill site in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

## 16. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2012 (in thousands):

	General Fund	Community Preservation Fund	Case Estates Fund	HS Science Lab Funds	Field School Funds	Brook School Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>								
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,972	\$ 4,972
Total Nonexpendable	-	-	-	-	-	-	4,972	4,972
<b>Restricted</b>								
Debt service	786	-	-	-	-	-	-	786
Bonded projects	-	-	7,636	-	-	-	1,867	9,503
Community preservation	-	18,757	-	-	-	-	-	18,757
Brook School Fund	-	-	-	-	-	789	-	789
Recreation Fund	-	-	-	-	-	-	426	426
Water Fund	-	-	-	-	-	-	683	683
Special revenue funds	-	-	-	-	-	-	3,724	3,724
Expendable permanent funds	-	-	-	-	-	-	8,247	8,247
Total Restricted	786	18,757	7,636	-	-	789	14,947	42,915
<b>Committed</b>								
Stabilization funds	2,381	-	-	-	-	-	-	2,381
Continuing appropriations	2,032	-	-	-	-	-	-	2,032
Total Committed	4,413	-	-	-	-	-	-	4,413
<b>Assigned</b>								
Encumbrances	839	-	-	-	-	-	-	839
For next year's expenditures	3,251	-	-	-	-	-	-	3,251
Total Assigned	4,090	-	-	-	-	-	-	4,090
<b>Unassigned</b>								
	4,901	-	-	(9,266)	(910)	-	(956)	(6,231)
Total Unassigned	4,901	-	-	(9,266)	(910)	-	(956)	(6,231)
Total Fund Balance	\$ 14,190	\$ 18,757	\$ 7,636	\$ (9,266)	\$ (910)	\$ 789	\$ 18,963	\$ 50,159

## 17. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,070,818	\$ 471,825
Community Preservation Fund	100,000	380,183
Brook School Fund	280,183	136,133
Nonmajor Funds:		
Special Revenue Funds:		
School grants	-	683
Town grants	-	745
Receipts reserved- Well litigation	-	75,000
Water Fund Indirect Costs	-	314,324
Recreation Fund	458,825	-
Capital Project Funds		
Miscellaneous	13,000	-
Town Hall Renovations		80,472
Landfill Mitigation		167,461
Expendable Trust Funds:		
Cemetery Perpetual Care	-	40,000
J Smith Tavern	-	6,000
Well Litigation	-	250,000
Subtotal Nonmajor Funds	<u>471,825</u>	<u>934,685</u>
Grand Total	<u>\$ 1,922,826</u>	<u>\$ 1,922,826</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

## **18. Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**19. Subsequent Events**

Debt

Subsequent to June 30, 2012, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 4,425,000	1.00%	08/21/12	02/01/13

**20. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**21. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

**A. Plan Description**

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels,

employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2010 the actuarial valuation date, approximately 431 retirees and 632 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

**B. Benefits Provided**

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

**C. Funding Policy**

Retirees contribute between 13% and 33% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

**D. Annual OPEB Costs and Net OPEB Obligation**

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 5,969,360
Interest on net OPEB obligation	441,893
Adjustment to ARC	<u>(327,328)</u>
Annual OPEB cost	6,083,925
Contributions made	<u>(5,369,085)</u>
Increase in net OPEB obligation	714,840
Net OPEB obligation - beginning of year	<u>9,819,835</u>
Net OPEB obligation - end of year	<u>\$ 10,534,675</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 6,083,925	88.3%	\$ 10,534,675
2011	\$ 5,773,747	35.0%	\$ 9,819,835
2010	\$ 4,903,458	38.2%	\$ 6,065,701
2009	\$ 5,729,664	47.0%	\$ 3,035,445

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 69,781,850
Actuarial value of plan assets	<u>(107,153)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 69,674,697</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.15%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all health-care benefits after six years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

## **22. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

### **A. Plan Description**

The Town contributes to the Middlesex Retirement System (the "System"), a cost-sharing multiple-employer, and defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report that can be obtained through the Middlesex Retirement System at 25 Linnell Circle, P.O. Box 160, Billerica, MA 01865.

### **B. 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 remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 3,482,215, \$ 3,192,183, and \$ 3,054,721, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2012 was not available.

### **C. Massachusetts Teacher Retirement System (MTRS) - Plan Description**

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS

is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

**D. Teachers**

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 6,200,009 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

**23. Self-Insurance**

The Town converted from a self-insurance program to a premium-based program through GIC insurance during fiscal year 2010. Outstanding year-end claims are considered immaterial.

## **24. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## **25. Implementation of New GASB Standards**

- The GASB has issued Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by eliminating the deferred charges. The Town anticipates that by eliminating the deferred charges, its net assets will be reduced accordingly.
- The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the County's actuarially accrued liability.

TOWN OF WESTON, MASSACHUSETTS

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
<b>Revenues and Transfers In:</b>				
Taxes	\$ 62,772,902	\$ 62,797,902	\$ 62,797,902	\$ -
Motor vehicle excise	2,100,000	2,100,000	2,418,788	318,788
Penalties, interest and other taxes	140,000	140,000	207,903	67,903
Intergovernmental	3,589,852	3,589,852	3,558,314	(31,538)
Licenses and permits	750,000	750,000	1,174,382	424,382
Charges for services	975,000	975,000	1,107,086	132,086
Fines and forfeits	110,000	110,000	117,675	7,675
Investment income	126,574	126,574	80,770	(45,804)
Miscellaneous	-	-	505,987	505,987
Transfers in	988,916	988,916	988,916	-
<b>Total Revenues and Transfers In</b>	<b>71,553,244</b>	<b>71,578,244</b>	<b>72,957,723</b>	<b>1,379,479</b>
<b>Expenditures and Transfers Out:</b>				
General government	4,692,703	4,702,703	3,434,243	1,268,460
Public safety	6,403,653	6,403,653	6,352,630	51,023
Education	33,648,879	33,848,879	33,467,624	381,255
Public works	4,156,389	4,156,389	3,151,717	1,004,672
Health and human services	751,820	766,820	670,437	96,383
Culture and recreation	1,245,315	1,245,315	1,189,504	55,811
Employee benefits	13,638,941	13,638,941	12,684,328	954,613
Debt service	8,279,744	8,279,744	8,179,295	100,449
Intergovernmental	321,454	321,454	293,388	28,066
Transfers out	1,927,825	1,927,825	1,940,825	(13,000)
<b>Total Expenditures and Transfers Out</b>	<b>75,066,723</b>	<b>75,291,723</b>	<b>71,363,991</b>	<b>3,927,732</b>
Excess (deficiency) of revenues over expenditures	(3,513,479)	(3,713,479)	1,593,732	5,307,211
Other Financing Source:				
Overlay surplus	250,000	250,000	-	(250,000)
Use of free cash	3,263,479	3,463,479	-	(3,463,479)
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,593,732</b>	<b>\$ 1,593,732</b>

See notes to required supplementary information,  
and Independent Auditors' report.

TOWN OF WESTON, MASSACHUSETTS  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2012

Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 78,383,220	\$ 77,626,126
Other financing sources/uses (GAAP basis)	<u>4,420,818</u>	<u>3,821,825</u>
Subtotal (GAAP Basis)	82,804,038	81,447,951
Adjust tax revenue to accrual basis	(234,939)	-
Reverse expenditures of prior year carryforwards	-	(1,598,000)
Add end of year appropriation carryforwards to expenditures	-	839,026
To reverse the effect of non- budgeted State contributions for teachers retirement	(6,200,009)	(6,200,009)
To reverse effects of refunding	(3,350,000)	(3,350,000)
To reverse other nonbudgeted activity	<u>(61,367)</u>	<u>225,023</u>
Budgetary basis	<u>\$ 72,957,723</u>	<u>\$ 71,363,991</u>

See Independent Auditors' report.

**TOWN OF WESTON, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012  
(Unaudited)**

**Other Post-Employment Benefits**

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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 Percent- age of Covered Payroll [(b-a)/c]
07/01/10	\$ 107,153	\$ 69,781,850	\$ 69,674,697	0.15%	N/A	N/A
06/30/09	\$ -	\$ 71,314,686	\$ 71,314,686	0.0%	\$ 38,506,436	185.2%
06/30/07	\$ -	\$ 77,479,430	\$ 77,479,430	0.0%	\$ 34,916,995	221.9%

See Independent Auditors' Report.