

TOWN OF WESTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, the supplementary information appearing on pages 41 - 43, appearing in the back of this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United

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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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2010 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 reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
May 14, 2010

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, 2009. 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.

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 \$ 119,996 (i.e., net assets), a decrease of \$ (920) in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,586, a decrease of \$ (3,733) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,742, an increase of \$ 335 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 58,214, a decrease of \$ (6,101) 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.

	<u>NET ASSETS</u>	
	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 84,725	\$ 86,185
Capital assets	<u>125,711</u>	<u>124,996</u>
Total assets	210,436	211,181
Long-term liabilities outstanding	63,726	67,082
Notes payable	19,828	17,301
Other liabilities	<u>6,887</u>	<u>5,882</u>
Total liabilities	90,441	90,265
Net assets:		
Invested in capital assets, net	64,088	61,158
Restricted	30,570	31,658
Unrestricted	<u>25,338</u>	<u>28,100</u>
Total net assets	<u>\$ 119,996</u>	<u>\$ 120,916</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 11,019	\$ 11,560
Operating grants and contributions	10,533	9,422
Capital grants and contributions	356	437
General revenues:		
Property taxes	58,692	56,070
Excises	2,518	2,547
Penalties, interest, and other taxes	176	221
Grants and contributions not restricted to specific programs	2,785	2,708
Investment income (loss)	(615)	1,605
Other	202	207
Total revenues	<u>85,666</u>	<u>84,777</u>
Expenses:		
General government	5,906	5,215
Public safety	6,321	5,776
Education	42,500	40,094
Public works	6,462	5,614
Health and human services	762	717
Culture and recreation	3,737	3,667
Employee benefits	17,625	14,043
Interest on long-term debt	3,004	3,704
Intergovernmental	269	257
Total expenses	<u>86,586</u>	<u>79,087</u>
Change in net assets before transfers and permanent fund contributions	(920)	5,690
Permanent fund contributions	<u>-</u>	<u>64</u>
Increase in net assets	(920)	5,754
Net assets - beginning of year	<u>120,916</u>	<u>115,162</u>
Net assets - end of year	<u>\$ 119,996</u>	<u>\$ 120,916</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 \$ 119,996, a decrease of \$ (920) from the prior year.

The largest portion of net assets \$ 64,088 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 \$ 30,570 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 25,338 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a decrease in net assets of \$ (920). Key elements of this change are as follows:

General fund excess of revenues over expenditures	\$ 1,679
Community preservation fund excess of revenues over expenses	894
Capital Project fund excess of expenditures over revenues	(3,762)
Unrealized trust fund losses/fair value adjustment	(1,947)
Other-nonmajor governmental funds expenses in excess of revenues	<u>(497)</u>
Net fund basis effect	(3,633)
Reimbursements from Massachusetts School Building Authority	1,436
Debt service principal payments in excess of depreciation expense	921
Other	<u>356</u>
Total	<u>\$ (920)</u>

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, 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 \$ 38,586, a decrease of \$ (3,733) in comparison with the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 1,679
Community preservation fund revenues over expenditures	894
Capital Project fund excess of expenditures over revenue	(3,762)
Trust fund excess of expenditures over revenue	(1,947)
Other	<u>(597)</u>
Total	<u>\$ (3,733)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 3,742, while total fund balance was \$ 8,235. 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 5.33 percent of total general fund expenditures, while total fund balance represents 11.73 percent of that same amount.

The fund balance of the general fund increased by \$ 1,052 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other surplus as a funding source	\$ (2,663)
Revenues in excess of budget	1,145
Expenditures less than budget	3,413
Tax accrual adjustment	(325)
Other	<u>(518)</u>
Total	<u>\$ 1,052</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriation of \$617:

- \$398 appropriated for additional snow and ice expenditures, funded by free cash.
- \$60 appropriated for the fire department expenditures, funded by free cash.
- \$159 appropriated for various other departmental items funded by additional revenues.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment

Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in employee benefits expenditures. The turn backs result from the City transferring cost to the ARRA major fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 125,711 (net of accumulated depreciation), an increase of \$ 715 from the prior year. This investment in capital assets includes art, land, construction in progress, buildings and improvements, and machinery, equipment, and furnishings, and infrastructure.

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

- DPW Facility Construction in Progress
- Various new roads and road repairs
- Vehicles

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 \$ 58,214, 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 footnotes 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 Town Manager
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, 2009

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 55,886,403
Investments	9,522,636
Receivables, net of allowance for uncollectibles:	
Property taxes	1,725,050
Excises	64,447
User fees	71,816
Departmental and other	599,105
Intergovernmental	1,683,047
Deferred asset	<u>88,500</u>
Total current assets	69,641,004
Noncurrent:	
Receivables, net of current portion:	
Intergovernmental	14,481,054
Deferred asset	604,000
Capital assets not being depreciated	20,337,967
Capital assets being depreciated, net of accumulated depreciation	<u>105,372,943</u>
Total noncurrent assets	<u>140,795,964</u>
TOTAL ASSETS	210,436,968
LIABILITIES	
Current:	
Warrants and accounts payable	1,460,481
Accrued liabilities	5,379,607
Taxes collected in advance	3,223
Other liabilities	43,815
Notes payable	19,828,166
Current portion of long-term liabilities:	
Bonds payable	5,984,733
Accrued employee benefits	110,076
Other liabilities	<u>25,000</u>
Total current liabilities	32,835,101
Noncurrent:	
Bonds payable, net of current portion	52,229,466
Accrued employee benefits, net of current portion	2,091,441
OPEB	3,035,445
Other liabilities, net of current portion	<u>250,000</u>
Total noncurrent liabilities	<u>57,606,352</u>
TOTAL LIABILITIES	90,441,453
NET ASSETS	
Invested in capital assets, net of related debt	64,087,629
Restricted for:	
Grants and other statutory restrictions	19,286,155
Permanent funds:	
Nonexpendable	6,906,602
Expendable	4,377,486
Unrestricted	<u>25,337,643</u>
TOTAL NET ASSETS	<u>\$ 119,995,515</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

		<u>Program Revenues</u>			Net (Expenses) Revenues and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 5,905,784	\$ 1,309,679	\$ 1,068,023	\$ -	\$ (3,528,082)
Public safety	6,321,147	490,461	211,950	-	(5,618,736)
Education	42,499,949	1,832,437	8,508,319	-	(32,159,193)
Public works	6,462,255	2,662,629	540,180	356,093	(2,903,353)
Health and human services	761,686	1,160,321	113,682	-	512,317
Culture and recreation	3,736,864	1,015,663	91,059	-	(2,630,142)
Employee benefits	17,625,452	2,547,993	-	-	(15,077,459)
Interest	3,004,259	-	-	-	(3,004,259)
Intergovernmental	268,652	-	-	-	(268,652)
	<u>268,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268,652)</u>
Total	<u>\$ 86,586,048</u>	<u>\$ 11,019,183</u>	<u>\$ 10,533,213</u>	<u>\$ 356,093</u>	(64,677,559)
General Revenues:					
					58,691,397
					2,517,576
					176,220
					2,785,471
					(615,480)
					<u>202,394</u>
					63,757,578
					(919,981)
Net Assets:					
					<u>120,915,496</u>
					<u>\$ 119,995,515</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	General	Community Preservation Fund	Case Estates Fund	Brook School Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 12,446,390	\$ 16,452,949	\$ 14,432,435	\$ 394,595	\$ 9,444,637	\$ 53,171,006
Investments	-	-	-	-	9,522,636	9,522,636
Receivables:						
Property taxes	1,742,227	26,197	-	-	-	1,768,424
Excises	86,731	-	-	-	-	86,731
User fees	-	-	-	-	76,053	76,053
Departmental and other	599,105	-	-	-	-	599,105
Intergovernmental	2,800	-	-	-	243,857	246,657
TOTAL ASSETS	\$ 14,877,253	\$ 16,479,146	\$ 14,432,435	394,595	\$ 19,287,183	\$ 65,470,612
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 1,386,464	\$ -	\$ -	\$ -	\$ 74,017	\$ 1,460,481
Accrued liabilities	765,400	-	-	-	190,950	956,350
Accrued payroll	2,059,047	-	-	-	-	2,059,047
Other Liabilities	-	-	-	43,815	-	43,815
Deferred revenues	2,430,863	26,197	-	-	76,053	2,533,113
Taxes collected in advance	-	3,223	-	-	-	3,223
Notes payable	-	-	13,675,000	-	6,153,166	19,828,166
TOTAL LIABILITIES	6,641,774	29,420	13,675,000	43,815	6,494,186	26,884,195
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	1,166,565	10,110,402	-	15,090	301,630	11,593,687
Expenditures	2,520,000	-	-	-	-	2,520,000
Other purposes	807,396	-	-	-	-	807,396
Permanent perpetual funds	-	-	-	-	6,906,602	6,906,602
Unreserved:						
Undesignated, reported in:						
General fund	3,741,518	-	-	-	-	3,741,518
Special revenue funds	-	6,339,324	-	335,690	4,580,296	11,255,310
Capital project funds	-	-	757,435	-	(3,373,017)	(2,615,582)
Permanent expendable funds	-	-	-	-	4,377,486	4,377,486
TOTAL FUND BALANCES	8,235,479	16,449,726	757,435	350,780	12,792,997	38,586,417
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,877,253	\$ 16,479,146	\$ 14,432,435	\$ 394,595	\$ 19,287,183	\$ 65,470,612

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, 2009

Total governmental fund balances	\$ 38,586,417
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	125,710,910
<ul style="list-style-type: none">• 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.	692,500
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,463,218
<ul style="list-style-type: none">• 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.	15,917,444
<ul style="list-style-type: none">• 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.	1,293,397
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(942,210)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(63,726,161)</u>
Net assets of governmental activities	<u>\$ 119,995,515</u>

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, 2009

	General	ARRA	Community Preservation Fund	Case Estates Fund	Brook School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 56,738,188	\$ -	\$ 1,552,284	\$ -	\$ -	\$ -	\$ 58,290,472
Excise taxes	2,521,676	-	-	-	-	-	2,521,676
Penalties, interest and other taxes	173,888	-	2,333	-	-	-	176,221
Charges for services	943,920	-	-	-	1,011,689	5,031,379	6,986,988
Intergovernmental	9,390,300	274,315	1,065,215	-	-	3,184,678	13,914,508
Licences and permits	1,358,555	-	-	-	-	400	1,358,955
Contributions	-	-	-	-	-	966,123	966,123
Fines and forfeitures	125,245	-	-	-	-	-	125,245
Investment income (loss)	559,416	-	335,096	-	6,945	(1,286,401)	(384,944)
Miscellaneous	73,377	-	-	-	-	129,015	202,392
Total Revenues	<u>71,884,565</u>	<u>274,315</u>	<u>2,954,928</u>	<u>-</u>	<u>1,018,634</u>	<u>8,025,194</u>	<u>84,157,636</u>
Expenditures:							
Current:							
General government	3,511,264	-	1,547,471	-	-	99,985	5,158,720
Public safety	5,870,280	-	-	-	-	1,296,406	7,166,686
Education	35,251,836	274,315	-	-	-	6,252,209	41,778,360
Public works	3,518,761	-	-	-	-	4,651,289	8,170,050
Health and human services	637,526	-	-	-	-	86,915	724,441
Culture and recreation	1,055,709	-	-	16,703	554,233	1,738,694	3,365,339
Employee benefits	12,145,190	-	-	-	-	-	12,145,190
Debt service	7,946,609	-	513,675	-	547,339	105,267	9,112,890
Intergovernmental	268,652	-	-	-	-	-	268,652
Total Expenditures	<u>70,205,827</u>	<u>274,315</u>	<u>2,061,146</u>	<u>16,703</u>	<u>1,101,572</u>	<u>14,230,765</u>	<u>87,890,328</u>
Excess (deficiency) of revenues over expenditures	1,678,738	-	893,782	(16,703)	(82,938)	(6,205,571)	(3,732,692)
Other Financing Sources (Uses):							
Transfers in	1,050,926	-	-	805,000	301,323	872,698	3,029,947
Transfers out	(1,677,698)	-	(301,323)	-	(135,720)	(915,206)	(3,029,947)
Total Other Financing Sources (Uses)	<u>(626,772)</u>	<u>-</u>	<u>(301,323)</u>	<u>805,000</u>	<u>165,603</u>	<u>(42,508)</u>	<u>-</u>
Changes in fund balances	1,051,966	-	592,459	788,297	82,665	(6,248,079)	(3,732,692)
Fund Balance, at Beginning of Year	<u>7,183,513</u>	<u>-</u>	<u>15,857,267</u>	<u>(30,862)</u>	<u>268,115</u>	<u>19,041,076</u>	<u>42,319,109</u>
Fund Balance, at End of Year	<u>\$ 8,235,479</u>	<u>\$ -</u>	<u>\$ 16,449,726</u>	<u>\$ 757,435</u>	<u>\$ 350,780</u>	<u>\$ 12,792,997</u>	<u>\$ 38,586,417</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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,732,692)
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	5,911,524
Depreciation	(5,179,408)
Loss on disposal of capital assets	(17,084)
<ul style="list-style-type: none"> • 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. 	
	308,325
<ul style="list-style-type: none"> • 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. 	
	(1,436,390)
<ul style="list-style-type: none"> • 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: 	
Repayments of debt	6,100,733
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	96,403
<ul style="list-style-type: none"> • 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. 	
Other post-employment benefits liability	(3,035,445)
Increase in compensated absence liability	(64,122)
Decrease in landfill liability	25,000
<ul style="list-style-type: none"> • 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. 	
	<u>103,175</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(919,981)</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Internal Service Fund
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>2,715,397</u>
Total current assets	<u>2,715,397</u>
TOTAL ASSETS	2,715,397
<u>LIABILITIES</u>	
Accrued liabilities	<u>1,422,000</u>
Total current liabilities	<u>1,422,000</u>
TOTAL LIABILITIES	1,422,000
<u>NET ASSETS</u>	
Unrestricted	<u>1,293,397</u>
TOTAL NET ASSETS	\$ <u><u>1,293,397</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, 2009

	Internal Service Fund
Operating Revenues:	
Charges for services	\$ <u>10,718,293</u>
Total Operating Revenues	10,718,293
Operating Expenses:	
Claims expense	<u>10,615,118</u>
Total Operating Expenses	<u>10,615,118</u>
Operating income	103,175
Net Assets at Beginning of Year	<u>1,190,222</u>
Net Assets at End of Year	\$ <u><u>1,293,397</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Employer and employee contributions	\$ 10,718,293
Payments of employees' benefits	<u>(10,525,118)</u>
Net Cash Provided By (Used For) Operating Activities	<u>193,175</u>
Net Change in Cash and Short-Term Investments	193,175
Cash and Short-Term Investments, Beginning of Year	<u>2,522,222</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,715,397</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 103,175
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	<u>90,000</u>
Net Cash Provided (used for) By Operating Activities	<u>\$ 193,175</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>956,300</u>
Total Assets	\$ <u><u>956,300</u></u>
 <u>LIABILITIES</u>	
Other liabilities	\$ <u>956,300</u>
Total Liabilities	\$ <u><u>956,300</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 2009, 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 are 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 *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal “stimulus” funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.
- 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 *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 is reported as an internal service fund in the accompanying financial statements.

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 2 ½" 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 2009 tax levy reflected an excess capacity of \$ 58,248.

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 is 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

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 Finance Committee 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, 2009:

Nonmajor Governmental Funds:	
Insurance Restitution- Police	\$ (304)
Restoration of School Property	\$ (11,727)
FY09 MAPC- Bike Racks	\$ (2,797)
Fire- FY06 Local Prep	\$ (6,313)
Health & Communications	\$ (571)
FY09 PEP Grant	\$ (1,204)
FY09 POWAH	\$ (10,229)
ART 11,08 DPW Facility Design	\$ (932,845)
ART 12,08 DPW Equipment	\$ (108,050)
ART 13,08 Sidewalk Construction	\$ (93,772)
ART 14,08 Fiber Optics- Police/Fire	\$ (125,129)
ART 15,08 Wellesley/So. Avenue	\$ (25,591)
ART 16,08 Street Lights	\$ (11,800)
ART 17,08 School Equipment	\$ (283,600)
ART 3,08 School Technology	\$ (281,515)
ART 4,08 Fire Pumper	\$ (399,770)
ART 18,08 Resurfacing	\$ (162,072)

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, 2009, \$ 32,937,783 of the Town's bank balance of \$ 57,614,698 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name. The majority of the uncollateralized amounts represents a Certificate of Deposit that matured within the 90 days subsequent to June 30, 2009.

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, 2009 included the following (All federal agency securities have an implied credit rating of AAA.):

U.S. Treasury notes	\$ 3,090,968
Common equities	5,532,775
U.S. Agency obligations	353,617
Certificates of deposit	<u>545,276</u>
Total	<u>\$ 9,522,636</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.

Of the Town's investment of \$ 9,522,636, the government has a custodial credit risk exposure of \$ 8,977,359 because the related securities are uninsured, unregistered and 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><1</u>	<u>1-5</u>	<u>6-10</u>	<u>< 10</u>
Debt Related Securities:					
U.S. Treasury notes	\$ 3,091	\$ 123	\$ 1,665	\$ 1,303	\$ -
U.S. Agency obligations	354	-	65	-	289
Total	<u>\$ 3,445</u>	<u>\$ 123</u>	<u>\$ 1,730</u>	<u>\$ 1,303</u>	<u>\$ 289</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, 2009 consist of the following (in thousands):

Real Estate	\$	704
Personal Property		1
CPA		26
Tax Liens		423
Deferred Taxes		<u>614</u>
Total	\$	<u>1,768</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	\$	43
Excises		22

7. Departmental and Other Receivables

Departmental and other receivables at June 30, 2009 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 2009, 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:

2010	\$ 1,436,390
2011	1,436,390
2012	1,436,390
2013	1,436,394
2014	1,362,013
2015 - 2019	6,810,065
2020 - 2023	<u>1,999,802</u>
Total	<u>\$ 15,917,444</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 118,308	\$ 1,031	\$ -	\$ 119,339
Machinery, equipment, and furnishings	9,328	2,191	(519)	11,000
Infrastructure	<u>19,512</u>	<u>1,694</u>	<u>-</u>	<u>21,206</u>
Total capital assets, being depreciated	147,148	4,916	(519)	151,545
Less accumulated depreciation for:				
Buildings and improvements	(26,147)	(3,485)	-	(29,632)
Machinery, equipment, and furnishings	(6,139)	(1,058)	502	(6,695)
Infrastructure	<u>(9,208)</u>	<u>(637)</u>	<u>-</u>	<u>(9,845)</u>
Total accumulated depreciation	<u>(41,494)</u>	<u>(5,180)</u>	<u>502</u>	<u>(46,172)</u>
Total capital assets, being depreciated, net	105,654	(264)	(17)	105,373
Capital assets, not being depreciated:				
Art	188	-	-	188
Land	18,446	-	-	18,446
Construction in progress	<u>708</u>	<u>996</u>	<u>-</u>	<u>1,704</u>
Total capital assets, not being depreciated	<u>19,342</u>	<u>996</u>	<u>-</u>	<u>20,338</u>
Governmental activities capital assets, net	<u>\$ 124,996</u>	<u>\$ 732</u>	<u>\$ (17)</u>	<u>\$ 125,711</u>

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

Governmental Activities:	
General government	\$ 754
Public safety	340
Education	2,631
Public works	1,031
Culture and recreation	388
Human services	<u>36</u>
Total depreciation expense - governmental activities	<u>\$ 5,180</u>

10. Warrants Payable

Warrants payable represent 2009 expenditures paid by July 15, 2009 as permitted by law.

11. Accrued Liabilities

Accrued liabilities at June 30, 2009 consist primarily of accrued interest in the General fund and incurred but not reported claims in the Internal Service fund, 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, 2009:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2009</u>
Bond anticipation	1.50%	02/05/09	02/05/10	<u>19,828,166</u>
Total				<u>\$ 19,828,166</u>

The following summarizes activity in notes payable during fiscal year 2009:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>17,301,357</u>	\$ <u>21,724,166</u>	\$ <u>(19,197,357)</u>	\$ <u>19,828,166</u>
Total	\$ <u>17,301,357</u>	\$ <u>21,724,166</u>	\$ <u>(19,197,357)</u>	\$ <u>19,828,166</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:

Governmental Funds:	Maturities <u>Through</u>	Serial Interest Rate (s)%	Amount Outstanding as of <u>June 30, 2009</u>
Municipal purpose loan - 2000	03/01/20	5.00 - 7.00	\$ 855,000
Municipal purpose loan - 2001	01/01/21	4.50 - 5.25	10,190,000
Municipal purpose refunding loan - 2001	08/01/10	3.10 - 4.25	165,000
MWRA loan - water	05/15/12	-	38,199
Municipal purpose loan - 2002	04/15/21	3.50 - 5.00	4,565,000
Municipal purpose loan - 2003	06/01/18	2.00 - 3.60	3,285,000
Municipal purpose refunding loan - 2003	08/01/13	1.25 - 3.00	1,435,000
Municipal purpose loan - 2004	02/01/24	2.80 - 4.50	3,750,000
Municipal purpose refunding loan 2005	03/01/20	2.00 - 5.00	8,650,000
Municipal purpose loan - 2005	02/01/25	3.00 - 4.13	3,890,000
Municipal purpose loan - 2006	02/01/26	3.30 - 6.25	12,460,000
Municipal purpose loan - 2006	12/15/06	3.5 - 4.0	6,125,000
Municipal purpose loan - 2008	02/01/08	3.00	2,475,000
Municipal purpose refunding loan - 2008	05/01/08	3.40	331,000
Total Governmental Funds			\$ <u>58,214,199</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,984,733	\$ 2,325,163	\$ 8,309,896
2011	5,538,733	2,101,173	7,639,906
2012	5,130,733	1,904,842	7,035,575
2013	4,770,000	1,715,515	6,485,515
2014	4,750,000	1,529,001	6,279,001
2015-2019	20,125,000	4,982,071	25,107,071
2020-2024	9,765,000	1,423,076	11,188,076
2025-2029	2,150,000	130,062	2,280,062
Total	\$ <u>58,214,199</u>	\$ <u>16,110,903</u>	\$ <u>74,325,102</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.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/08	Additions	Reductions	Total Balance 6/30/09	Less Current Portion	Equals Long-Term Portion 6/30/09
<u>Governmental Activities</u>						
General obligation debt	\$ 64,315	\$ -	\$ (6,101)	\$ 58,214	\$ (5,985)	\$ 52,229
Accrued sick leave	2,137	65	-	2,202	(110)	2,092
OPEB Liability	-	3,035	-	3,035	-	3,035
Landfill closure costs	300	-	(25)	275	(25)	250
Totals	<u>\$ 66,752</u>	<u>\$ 3,100</u>	<u>\$ (6,126)</u>	<u>\$ 63,726</u>	<u>\$ (6,120)</u>	<u>\$ 57,606</u>

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 \$ 275,000 as postclosure care liability at June 30, 2009. These amounts are based on what it would cost to perform all postclosure care remaining on the closed landfill site in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

16. 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.

17. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2009:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Other Purposes - Represents amounts reserved for future debt service.

Reserved for Permanent Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits 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.

19. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 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 revenues, expenses, and changes in net assets 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 health care 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 June 30, 2007 the actuarial valuation date, approximately 371 retirees and 534 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 30% 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 2009 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, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2007.

Annual Required Contribution (ARC)	\$ 5,729,664
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>5,729,664</u>
Contributions made	<u>(2,694,219)</u>
Increase in net OPEB obligation	3,035,445
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 3,035,445</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>
2009	\$ 5,729,664	47%	\$ 3,035,445

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2007, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 77,479,430
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 77,479,430</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

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 tech-

niques 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 June 30, 2007 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 5% investment rate of return and an initial annual health-care cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten 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%.

20. 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, 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, 2009, 2008, and 2007 were \$ 3,082,584, \$ 2,762,647, and \$ 2,405,270, 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, 2009 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

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 Town is not required to contribute.

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 2009, the Commonwealth of Massachusetts contributed \$ 5,053,532 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

21. Self Insurance

The Town self insures against claims for most employee health. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$ 100,000 per incident, with a maximum lifetime coverage of \$ 2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2009 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 1,332,000
Claims incurred/recognized in fiscal year 2009	10,615,118
Claims paid in fiscal year 2009	<u>10,525,118</u>
Claims liability, end of year	<u><u>\$ 1,422,000</u></u>

The \$ 1,422,000 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The Town is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

22. 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.

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, 2009

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 56,561,841	\$ 56,561,841	\$ 56,561,841	\$ -
Motor vehicle excise	2,000,000	2,000,000	2,521,676	521,676
Penalties, interest and other taxes	157,624	157,624	286,069	128,445
Intergovernmental	4,688,278	4,847,278	4,336,768	(510,510)
Licenses and permits	760,000	760,000	1,356,855	596,855
Charges for services	295,000	295,000	105,099	(189,901)
Fines and forfeits	484,500	484,500	843,614	359,114
Investment income	350,000	350,000	612,981	262,981
Miscellaneous	155,699	155,699	140,228	(15,471)
Transfers in	800,049	800,049	791,969	(8,080)
Other sources	<u>2,205,000</u>	<u>2,663,000</u>	<u>2,663,000</u>	<u>-</u>
Total Revenues and Other Sources	68,457,991	69,074,991	70,220,100	1,145,109
Expenditures and Other Uses:				
General government	3,808,369	4,019,972	3,166,985	852,987
Public safety	5,742,962	5,823,022	5,590,563	232,459
Education	30,137,852	30,094,375	29,861,396	232,979
Public works	2,993,257	3,400,917	3,110,049	290,868
Health and human services	504,981	530,412	529,860	552
Culture and recreation	1,116,658	1,117,664	1,053,779	63,885
Employee benefits	14,147,868	13,921,570	12,327,131	1,594,439
Debt service	8,988,157	9,047,514	8,901,150	146,364
Intergovernmental	267,380	267,380	268,652	(1,272)
Transfers out	740,507	740,507	740,507	-
Other uses	<u>10,000</u>	<u>111,658</u>	<u>111,658</u>	<u>-</u>
Total Expenditures and Other Uses	<u>68,457,991</u>	<u>69,074,991</u>	<u>65,661,730</u>	<u>3,413,261</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,558,370</u>	\$ <u>4,558,370</u>

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, 2009

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)	\$ 71,884,565	\$ 70,205,827
Other financing sources/uses (GAAP basis)	<u>1,050,926</u>	<u>1,677,698</u>
Subtotal (GAAP Basis)	72,935,491	71,883,525
Adjust tax revenue to accrual basis	(324,859)	-
Reverse expenditures of prior year carryforwards	-	(1,456,638)
Add end of year appropriation carryforwards to expenditures	-	414,446
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,053,532)	(5,053,532)
Recognize other sources	2,663,000	-
To reverse nonbudgeted activity	<u>-</u>	<u>(126,071)</u>
Budgetary basis	<u>\$ 70,220,100</u>	<u>\$ 65,661,730</u>

See Independent Auditors' report.

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

**June 30, 2009
(Unaudited)**

Other Post-Employment Benefits

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]
06/30/07	\$ -	\$ 77,479,430	\$ 77,479,430	0.0%	N/A	N/A

See Independent Auditors' Report.