

TOWN OF WESTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Other Sources, and Expenditures, And Other Uses - Budget and Actual - General Fund	40
Notes to the Required Supplementary Information	41

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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of 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, 2008, 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, and the budgetary comparison for the General fund, 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 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 June 30, 2009 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
June 30, 2009

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, 2008. **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 \$ 120,916 (i.e., net assets), an increase of \$ 5,754 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 42,319, an increase of \$ 3,744 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,407, a decrease of \$ (198) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 64,135, a decrease of \$ (2,977) 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>	
	<u>2008</u>	<u>2007</u>
	Governmental Activities	
Current and other assets	\$ 86,185	\$ 82,083
Capital assets	<u>124,996</u>	<u>126,267</u>
Total assets	211,181	208,350
Long-term liabilities outstanding	67,082	69,706
Notes payable	17,301	17,838
Other liabilities	<u>5,882</u>	<u>5,644</u>
Total liabilities	90,265	93,188
Net assets:		
Invested in capital assets, net	61,158	56,571
Restricted	31,658	29,504
Unrestricted	<u>28,100</u>	<u>29,087</u>
Total net assets	<u>\$ 120,916</u>	<u>\$ 115,162</u>

CHANGES IN NET ASSETS

	<u>2008</u>	Governmental <u>Activities</u>	<u>2007</u>
Revenues:			
Program revenues:			
Charges for services	\$ 11,560		\$ 9,504
Operating grants and contributions	9,422		8,778
Capital grants and contributions	437		624
General revenues:			
Property taxes	56,070		52,460
Excises	2,547		2,290
Penalties, interest, and other taxes	221		197
Grants and contributions not restricted to specific programs	2,708		26,844
Investment income	1,605		2,200
Other	208		285
Total revenues	84,778		103,182
Expenses:			
General government	5,215		4,080
Public safety	5,776		5,950
Education	40,094		38,167
Public works	5,614		5,846
Health and human services	717		556
Culture and recreation	3,667		2,888
Employee benefits	14,043		14,103
Interest on long-term debt	3,704		3,428
Intergovernmental	258		255
Total expenses	79,088		75,273
Change in net assets before transfers and permanent fund contributions	5,690		27,909
Permanent fund contributions	64		225
Increase in net assets	5,754		28,134
Net assets - beginning of year	115,162		87,028
Net assets - end of year	\$ 120,916		\$ 115,162

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 \$ 120,916, an increase of \$ 5,754 from the prior year.

The largest portion of net assets \$ 61,158 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 \$ 31,658 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 28,100 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 \$ 5,754. Key elements of this change are as follows:

General fund excess of revenues over expenditures	\$ 894
Community preservation fund excess of revenues over expenses	2,130
Water fund excess of expenditures over revenues	571
Trust fund contributions	776
Other-nonmajor governmental funds expenses in excess of revenues	<u>(1,867)</u>
Net fund basis effect	2,504
Reimbursements from Massachusetts School Building Authority	1,310
Debt service principal payments in excess of depreciation expense	2,000
Other	<u>(60)</u>
Total	<u>\$ 5,754</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 \$ 42,319, an increase of \$ 3,744 in comparison with the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 894
Community preservation fund revenues over expenditures	2,130
Excess of current year bond proceeds over current year capital expenditures	243
MSBA grant	1,310
Other	<u>(833)</u>
Total	<u>\$ 3,744</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 \$ 3,407, while total fund balance was \$ 7,184. 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 5.7 percent of total general fund expenditures, while total fund balance represents 12.1 percent of that same amount.

The fund balance of the general fund increased by \$ 222 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other surplus as a funding source	\$ (3,495)
Revenues in excess of budget	1,684
Expenditures less than budget	1,182
Other (short-term interest accrual)	<u>851</u>
Total	<u>\$ 222</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted from reserve fund transfers line item accounts and the following supplemental appropriations:

- \$210 appropriated for soil remediation on Town-owned land, funded by taxes.
- \$ 40 appropriated for the purpose of evaluating the condition of the Field School, funded by taxes.
- \$496 appropriated for various other departmental items funded by transfers, free cash and taxes.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 124,996 (net of accumulated depreciation), a decrease of \$ (1,271) 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:

- Country and Woodland Elementary Schools
- Various 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 \$ 64,315, 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.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The per capita income for Weston at the time of the last official U.S. census in 1999 was \$ 79,640. At the end of fiscal year 2008, per capita income is estimated to be above \$ 200,000. Updated numbers will be released at the completion of the current U.S. census, which is underway. Weston's per capita income statistics are significantly higher than state and national income levels.

According to the Commonwealth of Massachusetts, the unemployment rate for Weston in calendar year 2008 was 3.1%, which is slightly higher than the rates of 2.9% in 2006 and 2.7% in 2007. Weston's unemployment rate remains significantly lower than the state unemployment rate for 2008, which was 5.3%. It is expected that Weston's unemployment rate will continue to be below the state rate in future years.

According to Weston's Board of Assessors, the median residential property value for fiscal year 2008 was \$ 994,600. This is the second year in a row that the median value increased by 1.4% over the previous fiscal year. Weston's median residential property value is significantly higher than state and national property values, and is expected to remain that way in future years.

Weston's taxable property base is stable, and comprises about 85% of the Town's total annual revenues. A little more than 96% of the property tax revenue comes from residential property, since Weston has very little commercial development.

New growth as a percentage of the total tax levy has averaged 3.4% over the past six years. Looking back, new growth is responsible for 3.6% of the total tax levy in fiscal year 2003. In fiscal year 2004, that percentage increased to 5.4% because the Town took advantage of a one-time increase in new growth when it accepted M.G.L. Chapter 59, Section 2A (a), permitting the Town to assess new construction and other building improvements added to real property between January 2 and June 30. New growth contributed 2.8% of the total tax levy in fiscal year 2005; 3.1% in fiscal year 2006; 3.2% in fiscal year 2007; and 2.2% in fiscal year 2008. New growth is expected to continue to be a dependable contributor to the total tax levy in future years.

Annual and Special Town Meetings approved a fiscal year 2009 (July 1, 2008 to June 30, 2009) operating budget of \$ 58,987,953 (exclusive of most debt service). This represents an increase of \$ 2.4 million, which is 4.3% over fiscal year 2008.

Weston has not had an override of the limits of proposition 2 ½ since fiscal year 2007. On May 6, 2006, the Town passed a general override to assess an additional \$ 1,100,000 in taxes to fund the fiscal year 2007 budget. There was no override for fiscal years 2008 and 2009. There is no override projected for fiscal year 2010, but there is an override of \$ 1 million projected for fiscal year 2011.

Key expenditure items for the Town are funding of employee health insurance, employee retirement, and reserves.

Employee health insurance represents about 16% of the operating budget in the approved fiscal year 2009 budget, and continues to increase each year. In fiscal year 2009, an agreement was reached between the Town and employee unions to enroll in the Massachusetts Group Insurance Commission (GIC) beginning in fiscal year 2010. The estimated savings to the Town in fiscal year 2010 is expected to exceed \$ 1 million.

The Town is part of the Middlesex Retirement System (MRS), which serves 39 municipalities and a number of special government districts. All towns are required by the state to fully fund their outstanding pension liability by 2028. Currently, the liability is under funded by about \$ 33 million. The fiscal year 2009 contribution to MRS is \$ 3,054,721, which is 5.2% of the operating budget. The annual contribution to MRS is expected to increase annually.

Weston continues to adhere to its Comprehensive Reserve Policy, which was implemented in fiscal year 2006. The policy calls for annual contributions to continuing balance accounts that are dedicated to building financial reserves for operational, capital, catastrophic, and emergency needs. The goal of the policy

is to build reserves over a 10-year period to a level of approximately 9-10% of annual operating revenues. Appropriations to stabilization funds will increase from \$ 280,000 in fiscal year 2008 to \$ 290,000 in fiscal year 2009. The stabilization fund reserve will exceed a \$ 1 million balance in fiscal year 2009.

One of the most significant areas of reserve planning that is currently being addressed is assessing the liability of non-pension, retiree post-employment benefits (OPEB). An actuarial study was completed in fiscal year 2008 to identify options for funding the OPEB liability. The study estimated Weston's total liability to be a little over \$ 52 million. Although funding of the liability is not mandatory, Weston has contributed to an OPEB reserve since fiscal year 2006. The balance of this reserve as of fiscal year 2009 is just over \$100,000. The Town is expected to create an OPEB Trust in fiscal year 2010 and begin funding this liability more significantly in fiscal year 2011, as a matter of good financial management.

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, 2008

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 53,018,159
Investments	12,839,464
Receivables, net of allowance for uncollectibles:	
Property taxes	1,347,164
Excises	65,447
User fees	74,149
Departmental and other	529,310
Intergovernmental	1,613,390
Deferred asset	88,500
Total current assets	<u>69,575,583</u>
Noncurrent:	
Receivables, net of current portion:	
Intergovernmental	15,917,444
Deferred asset	692,500
Capital assets not being depreciated	19,341,913
Capital assets being depreciated, net of accumulated depreciation	<u>105,653,964</u>
Total noncurrent assets	<u>141,605,821</u>
TOTAL ASSETS	211,181,404
LIABILITIES	
Current:	
Warrants and accounts payable	1,323,982
Accrued liabilities	4,759,322
Taxes collected in advance	86,538
Other liabilities	42,382
Notes payable	17,301,357
Current portion of long-term liabilities:	
Bonds payable	6,100,733
Accrued employee benefits	106,870
Other liabilities	25,000
Total current liabilities	<u>29,746,184</u>
Noncurrent:	
Bonds payable, net of current portion	58,214,199
Accrued employee benefits, net of current portion	2,030,525
Other liabilities, net of current portion	275,000
Total noncurrent liabilities	<u>60,519,724</u>
TOTAL LIABILITIES	90,265,908
NET ASSETS	
Invested in capital assets, net of related debt	61,157,733
Restricted for:	
Grants and other statutory restrictions	18,113,232
Permanent funds:	
Nonexpendable	7,137,139
Expendable	6,407,337
Unrestricted	<u>28,100,055</u>
TOTAL NET ASSETS	\$ <u><u>120,915,496</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Case Estates Fund</u>	<u>Brook School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and short-term investments	\$ 10,586,072	\$ 15,859,787	\$ 14,449,138	\$ 310,497	\$ 9,290,443	\$ 50,495,937
Investments	-	-	-	-	12,839,464	12,839,464
Receivables:						
Property taxes	1,350,928	18,033	-	-	-	1,368,961
Excises	83,631	-	-	-	-	83,631
User fees	-	-	-	-	76,497	76,497
Departmental and other	529,310	-	-	-	-	529,310
Intergovernmental	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,200</u>	<u>177,000</u>
TOTAL ASSETS	\$ <u>12,552,741</u>	\$ <u>15,877,820</u>	\$ <u>14,449,138</u>	<u>310,497</u>	\$ <u>22,380,604</u>	\$ <u>65,570,800</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 882,308	\$ -	\$ -	\$ -	\$ 441,674	\$ 1,323,982
Accrued liabilities	673,051	-	-	-	-	673,051
Accrued payroll	1,715,662	-	-	-	-	1,715,662
Other Liabilities	-	-	-	42,382	-	42,382
Deferred revenues	2,014,189	18,033	-	-	76,497	2,108,719
Taxes collected in advance	84,018	2,520	-	-	-	86,538
Notes payable	<u>-</u>	<u>-</u>	<u>14,480,000</u>	<u>-</u>	<u>2,821,357</u>	<u>17,301,357</u>
TOTAL LIABILITIES	5,369,228	20,553	14,480,000	42,382	3,339,528	23,251,691
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	1,571,187	10,541,404	-	8,055	162,547	12,283,193
Expenditures	2,205,000	-	-	-	-	2,205,000
Permanent perpetual funds	-	-	-	-	7,137,139	7,137,139
Unreserved:						
Undesignated, reported in:						
General fund	3,407,326	-	-	-	-	3,407,326
Special revenue funds	-	5,315,863	-	260,060	4,000,924	9,576,847
Capital project funds	-	-	(30,862)	-	515,656	484,794
Permanent expendable funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,224,810</u>	<u>7,224,810</u>
TOTAL FUND BALANCES	<u>7,183,513</u>	<u>15,857,267</u>	<u>(30,862)</u>	<u>268,115</u>	<u>19,041,076</u>	<u>42,319,109</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>12,552,741</u>	\$ <u>15,877,820</u>	\$ <u>14,449,138</u>	\$ <u>310,497</u>	\$ <u>22,380,604</u>	\$ <u>65,570,800</u>

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, 2008

Total governmental fund balances	\$ 42,319,109
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	124,995,877
<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.	781,000
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,066,389
<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.	17,353,834
<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.	1,190,222
<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.	(1,038,608)
<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>(66,752,327)</u>
Net assets of governmental activities	<u>\$ 120,915,496</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, 2008

	<u>General</u>	Community Preservation <u>Fund</u>	Case Estates <u>Fund</u>	Brook School <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:						
Property taxes	\$ 54,096,443	\$ 1,547,251	\$ -	\$ -	\$ -	\$ 55,643,694
Excise taxes	2,530,736	-	-	-	-	2,530,736
Penalties, interest and other taxes	218,149	2,496	-	-	-	220,645
Charges for services	966,090	-	-	989,835	5,618,810	7,574,735
Intergovernmental	8,776,908	1,404,486	-	-	2,890,433	13,071,827
Licences and permits	990,514	-	-	-	400	990,914
Contributions	-	-	-	-	868,724	868,724
Fines and forfeitures	118,011	-	-	-	-	118,011
Investment income (loss)	1,054,413	608,191	-	12,331	(70,190)	1,604,745
Miscellaneous	72,507	-	-	-	134,789	207,296
Total Revenues	<u>68,823,771</u>	<u>3,562,424</u>	<u>-</u>	<u>1,002,166</u>	<u>9,442,966</u>	<u>82,831,327</u>
Expenditures:						
Current:						
General government	3,718,152	473,315	-	-	269,553	4,461,020
Public safety	5,659,898	-	-	-	621,032	6,280,930
Education	32,952,150	11,966	-	-	5,323,292	38,287,408
Public works	3,235,210	-	-	-	3,469,774	6,704,984
Health and human services	580,083	-	-	-	87,046	667,129
Culture and recreation	1,000,583	-	30,862	677,993	1,678,042	3,387,480
Employee benefits	12,384,839	-	-	-	-	12,384,839
Debt service	8,140,871	947,435	-	556,658	109,793	9,754,757
Intergovernmental	257,901	-	-	-	-	257,901
Total Expenditures	<u>67,929,687</u>	<u>1,432,716</u>	<u>30,862</u>	<u>1,234,651</u>	<u>11,558,532</u>	<u>82,186,448</u>
Excess (deficiency) of revenues over expenditures	894,084	2,129,708	(30,862)	(232,485)	(2,115,566)	644,879
Other Financing Sources (Uses):						
Bond issuance	-	-	-	-	3,099,000	3,099,000
Transfers in	788,710	-	-	398,805	1,474,629	2,662,144
Transfers out	<u>(1,460,942)</u>	<u>(304,051)</u>	<u>-</u>	<u>(133,282)</u>	<u>(763,869)</u>	<u>(2,662,144)</u>
Total Other Financing Sources (Uses)	<u>(672,232)</u>	<u>(304,051)</u>	<u>-</u>	<u>265,523</u>	<u>3,809,760</u>	<u>3,099,000</u>
Changes in fund balances	221,852	1,825,657	(30,862)	33,038	1,694,194	3,743,879
Fund Balance, at Beginning of Year	<u>6,961,661</u>	<u>14,031,610</u>	<u>-</u>	<u>235,077</u>	<u>17,346,882</u>	<u>38,575,230</u>
Fund Balance, at End of Year	<u>\$ 7,183,513</u>	<u>\$ 15,857,267</u>	<u>\$ (30,862)</u>	<u>\$ 268,115</u>	<u>\$ 19,041,076</u>	<u>\$ 42,319,109</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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,743,879
<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	3,185,897
Depreciation	(4,406,199)
Loss on disposal of capital assets	(50,856)
<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. 	
	442,703
<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. 	
	(1,309,518)
<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: 	
Issuance of debt	(3,429,000)
Repayments of debt	6,405,733
<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. 	
	63,189
<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. 	
	(111,211)
<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>1,218,478</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>5,753,095</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Internal Service Fund
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>2,522,222</u>
Total current assets	<u>2,522,222</u>
TOTAL ASSETS	2,522,222
<u>LIABILITIES</u>	
Accrued liabilities	<u>1,332,000</u>
Total current liabilities	<u>1,332,000</u>
TOTAL LIABILITIES	1,332,000
<u>NET ASSETS</u>	
Unrestricted	<u>1,190,222</u>
TOTAL NET ASSETS	\$ <u><u>1,190,222</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, 2008

	Internal Service Fund
Operating Revenues:	
Charges for services	\$ <u>11,387,537</u>
Total Operating Revenues	11,387,537
Operating Expenses:	
Claims expense	<u>10,169,059</u>
Total Operating Expenses	<u>10,169,059</u>
Operating income	1,218,478
Net Assets at Beginning of Year	<u>(28,256)</u>
Net Assets at End of Year	\$ <u><u>1,190,222</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Employer and employee contributions	\$ 11,387,536
Payments of employees' benefits	<u>(9,879,835)</u>
Net Cash Provided By (Used For) Operating Activities	<u>1,507,701</u>
Net Change in Cash and Short-Term Investments	1,507,701
Cash and Short-Term Investments, Beginning of Year	<u>1,138,806</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 2,646,507</u></u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 1,218,478
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	<u>289,224</u>
Net Cash Provided (used for) By Operating Activities	<u><u>\$ 1,507,702</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,092,700</u>
Total Assets	\$ <u><u>1,092,700</u></u>
<u>LIABILITIES</u>	
Other liabilities	\$ <u>1,092,700</u>
Total Liabilities	\$ <u><u>1,092,700</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 2008, 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 *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 2008 tax levy reflected an excess capacity of \$ 784,492.

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, 2008:

Major Governmental Fund:	
Case Estates	\$ (30,862)
Nonmajor Governmental Funds:	
FY08 Kindergarden Transition	\$ (12,249)
FY08 METCO - STATE	\$ (34,789)
FY08 Improved Teacher Quality	\$ (5,787)
FY08 Title I	\$ (11,150)
FY08 IDEA-SPED	\$ (86,206)
School Athletic-Health & Communications	\$ (571)
FY07 SPED Program Improvement	\$ (1,309)
FY08 SPED Program Improvement	\$ (3,243)
Fire-Operation Safety	\$ (368)
Fire-FY06 Local Prep	\$ (6,313)

(continued)

(continued)

Nonmajor Governmental Funds:

Police Grant	\$ (304)
ART21, 02 Surface Drains	\$ (193,604)
Art23,02 Case Roadway	\$ (53,744)
Art 23,04 Surface Drains	\$ (55,500)
ART16,06 School Technology	\$ (1,986)
ART12,06DPW Facility Design	\$ (290,709)
ART14,07 DPW Equip	\$ (245,373)
ART 21,07 HS Bleacher Repl	\$ (18,810)

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, 2008, \$ 4,500,769 of the Town's bank balance of \$ 55,116,030, was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

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, 2008 included the following (All federal agency securities have an implied credit rating of AAA.):

U.S. Treasury notes	\$	3,267,391
Common equities		7,472,068
U.S. Agency obligations		355,279
Certificates of deposit		<u>1,744,727</u>
Total	\$	<u><u>12,839,465</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.

At June 30, 2008, none of the Town's investments were exposed to custodial credit risk.

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>1-5</u>	<u>6-10</u>	<u>< 10</u>
Debt Related Securities:				
U.S. Treasury notes	\$ 3,267	\$ 2,092	\$ 1,175	\$ -
U.S. Agency obligations	<u>355</u>	<u>63</u>	<u>41</u>	<u>251</u>
Total	<u>\$ 3,622</u>	<u>\$ 2,155</u>	<u>\$ 1,216</u>	<u>\$ 251</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, 2008 consist of the following (in thousands):

Real Estate	\$ 598
Personal Property	2
CPA	14
Tax Liens	218
Deferred Taxes	<u>537</u>
Total	<u>\$ 1,369</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	\$ 22
Excises	18

7. Departmental and Other Receivables

Departmental and other receivables at June 30, 2008 consist mainly of ambulance billings.

8. Intergovernmental Receivables

The majority of intergovernmental receivables represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008, 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:

2009	\$ 1,436,390
2010	1,436,390
2011	1,436,390
2012	1,436,390
2013	1,436,394
2014 - 2018	6,810,065
2019 - 2022	<u>3,361,815</u>
Total	<u>\$ 17,353,834</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2008 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	\$ 118,252	\$ 56	\$ -	\$ 118,308
Machinery, equipment, and furnishings	8,179	1,546	(397)	9,328
Infrastructure	<u>18,269</u>	<u>1,243</u>	<u>-</u>	<u>19,512</u>
Total capital assets, being depreciated	144,700	2,845	(397)	147,148
Less accumulated depreciation for:				
Buildings and improvements	(22,978)	(3,169)	-	(26,147)
Machinery, equipment, and furnishings	(5,719)	(766)	346	(6,139)
Infrastructure	<u>(8,737)</u>	<u>(471)</u>	<u>-</u>	<u>(9,208)</u>
Total accumulated depreciation	<u>(37,434)</u>	<u>(4,406)</u>	<u>346</u>	<u>(41,494)</u>
Total capital assets, being depreciated, net	107,266	(1,561)	(51)	105,654
Capital assets, not being depreciated:				
Art	188	-	-	188
Land	18,446	-	-	18,446
Construction in progress	<u>367</u>	<u>341</u>	<u>-</u>	<u>708</u>
Total capital assets, not being depreciated	<u>19,001</u>	<u>341</u>	<u>-</u>	<u>19,342</u>
Governmental activities capital assets, net	<u>\$ 126,267</u>	<u>\$ (1,220)</u>	<u>\$ (51)</u>	<u>\$ 124,996</u>

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

Governmental Activities:	
General government	\$ 732
Public safety	248
Education	2,280
Public works	824
Culture and recreation	31
Human services	<u>291</u>
Total depreciation expense - governmental activities	<u>\$ 4,406</u>

10. Warrants Payable

Warrants payable represent 2008 expenditures paid by July 15, 2008 as permitted by law.

11. Accrued Liabilities

Accrued liabilities at June 30, 2008 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, 2008:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2008</u>
Bond anticipation	3.00%	02/08/08	02/06/09	<u>17,301,357</u>
Total				<u>\$ 17,301,357</u>

The following summarizes activity in notes payable during fiscal year 2008:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 1,925,000	\$ -	\$ (1,925,000)	\$ -
Bond anticipation	14,980,000	-	(14,980,000)	-
Bond anticipation	932,670	-	(932,670)	-
Bond anticipation	<u>-</u>	<u>17,301,357</u>	<u>-</u>	<u>17,301,357</u>
Total	<u>\$ 17,837,670</u>	<u>\$ 17,301,357</u>	<u>\$ (17,837,670)</u>	<u>\$ 17,301,357</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, 2008</u>
Municipal purpose loan - 1993	07/01/11	3.40 - 5.20	\$ 110,000
Municipal purpose loan - 2000	03/01/20	5.00 - 7.00	1,715,000
Municipal purpose loan - 2001	01/01/21	4.50 - 5.25	11,060,000
Municipal purpose refunding loan - 2001	08/01/10	3.10 - 4.25	285,000
MWRA loan - water	05/15/12	-	50,932
Municipal purpose loan - 2002	04/15/21	3.50 - 5.00	4,980,000
Municipal purpose loan - 2003	06/01/18	2.00 - 3.60	3,650,000
Municipal purpose refunding loan - 2003	08/01/13	1.25 - 3.00	1,830,000
Municipal purpose loan - 2004	02/01/24	2.80 - 4.50	4,000,000
Municipal purpose refunding loan 2005	03/01/20	2.00 - 5.00	8,725,000
Municipal purpose loan - 2005	02/01/25	3.00 - 4.13	4,465,000
Municipal purpose loan - 2006	02/01/26	3.30 - 6.25	13,505,000
Municipal purpose loan - 2006	12/15/06	3.5 - 4.0	6,510,000
Municipal purpose loan - 2008	02/01/08	3.00	3,098,000
Municipal purpose refunding loan - 2008	05/01/08	3.40	331,000
Total Governmental Funds			<u>\$ 64,314,932</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,100,733	\$ 2,560,160	\$ 8,660,893
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
2014-2018	21,465,000	5,857,635	27,322,635
2019-2023	11,925,000	1,942,488	13,867,488
2024-2028	<u>3,400,000</u>	<u>258,087</u>	<u>3,658,087</u>
Total	<u>\$ 64,314,932</u>	<u>\$ 18,665,063</u>	<u>\$ 82,979,995</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, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
<u>Governmental Activities</u>						
General obligation debt	\$ 67,291	\$ 3,429	\$ (6,405)	\$ 64,315	\$ (6,101)	\$ 58,214
Accrued sick leave	2,090	47	-	2,137	(107)	2,030
Landfill closure costs	325	-	(25)	300	(25)	275
Totals	<u>\$ 69,706</u>	<u>\$ 3,476</u>	<u>\$ (6,430)</u>	<u>\$ 66,752</u>	<u>\$ (6,233)</u>	<u>\$ 60,519</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 \$ 300,000 as postclosure care liability at June 30, 2008. These amounts are based on what it would cost to perform all postclosure care remaining on the closed landfill site in 2008. 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, 2008:

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 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. Subsequent Events

A. Investments

Since September, 2008, the stock market suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

19. 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.

20. Post-Employment Health Care and Life Insurance Benefits

In addition to the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits, in accordance with state statute, to participating retirees. Presently the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The number of participants currently eligible to receive benefits and loss of benefits for retirees, their dependents, or their survivors for year ended June 30, 2008 was not available.

GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions is effective June 30, 2009

The Town plans to fully implement GASB 45 in fiscal 2009.

21. 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, 2008, 2007, and 2006 were \$ 2,762,647, \$ 2,405,270, and \$ 2,149,029, 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, 2008 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 2008, the Commonwealth of Massachusetts contributed \$ 4,640,398 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. 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, 2008 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 1,042,775
Claims incurred/recognized in fiscal year 2008	10,169,059
Claims paid in fiscal year 2008	<u>9,879,834</u>
Claims liability, end of year	<u>\$ 1,332,000</u>

The \$ 1,332,000 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.

23. 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, 2008

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 53,528,790	\$ 53,956,511	\$ 53,956,511	\$ -
Motor vehicle excise	2,000,000	2,000,000	2,530,736	530,736
Penalties, interest and other taxes	146,253	146,253	218,149	71,896
Intergovernmental	4,147,079	4,144,051	4,136,510	(7,541)
Licenses and permits	757,550	757,550	990,514	232,964
Charges for services	790,000	790,000	966,090	176,090
Fines and forfeits	100,000	100,000	118,011	18,011
Investment income	350,000	350,000	1,054,413	704,413
Miscellaneous	114,660	114,660	72,508	(42,152)
Transfers in	758,710	788,710	788,710	-
Other sources	3,215,282	3,495,282	3,495,282	-
Total Revenues and Other Sources	65,908,324	66,643,017	68,327,434	1,684,417
Expenditures and Other Uses:				
General government	3,764,172	3,913,285	3,652,722	260,563
Public safety	5,604,356	5,794,050	5,751,074	42,976
Education	28,399,395	28,909,887	28,701,000	208,887
Public works	3,028,989	3,348,463	3,321,652	26,811
Health and human services	599,023	595,842	581,757	14,085
Culture and recreation	1,082,356	1,083,857	996,678	87,179
Employee benefits	13,266,793	12,837,421	12,389,819	447,602
Debt service	9,189,008	9,185,980	9,099,489	86,491
Intergovernmental	265,433	265,433	257,901	7,532
Transfers out	708,799	708,799	708,799	-
Total Expenditures and Other Uses	65,908,324	66,643,017	65,460,891	1,182,126
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,866,543	\$ 2,866,543

See notes to required supplementary information.

TOWN OF WESTON, MASSACHUSETTS
Notes to the Required Supplementary Information
For the Year Ended June 30, 2008

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)	\$ 68,823,771	\$ 67,929,687
Other financing sources/uses (GAAP basis)	<u>788,710</u>	<u>1,460,942</u>
Subtotal (GAAP Basis)	69,612,481	69,390,629
Adjust tax revenue to accrual basis	(139,931)	-
Reverse expenditures of prior year carryforwards	-	(791,501)
Add end of year appropriation carryforwards to expenditures	-	1,295,686
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,640,398)	(4,640,398)
Recognize other sources	3,495,282	-
To reverse interest accrual	<u>-</u>	<u>206,475</u>
Budgetary basis	<u>\$ 68,327,434</u>	<u>\$ 65,460,891</u>