

TOWN OF WESTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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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, 2007, 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, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the budgetary comparison for the General Fund, appearing at the back of this report, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

Additional Offices:

Greenfield, MA Ellsworth, ME Nashua, NH Manchester, NH

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 our report dated June 16, 2008 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
June 16, 2008

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, 2007. **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 composed of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of 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 services 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 own programs.

Notes to financial statements. The notes provide additional information that are 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 the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 115,162 (i.e., net assets), an increase of \$ 28,134 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,575, an increase of \$ 11,551 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,605, an increase of \$ 832 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 67,291, an increase of \$ 1,027 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 <u>Activities</u>
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 82,083	\$ 39,490
Capital assets	<u>126,267</u>	<u>126,958</u>
Total assets	208,350	166,448
Long-term liabilities outstanding	69,706	68,749
Notes payable	17,838	5,042
Other liabilities	<u>5,644</u>	<u>5,629</u>
Total liabilities	93,188	79,420
Net assets:		
Invested in capital assets, net	56,571	58,457
Restricted	29,504	22,304
Unrestricted	<u>29,087</u>	<u>6,267</u>
Total net assets	\$ <u><u>115,162</u></u>	\$ <u><u>87,028</u></u>

CHANGES IN NET ASSETS

	<u>2007</u>	<u>Governmental Activities</u>	<u>2006</u>
Revenues:			
Program revenues:			
Charges for services	\$ 9,504		\$ 8,584
Operating grants and contributions	8,778		7,803
Capital grants and contributions	624		823
General revenues:			
Property taxes	52,460		50,672
Excises	2,290		2,255
Penalties, interest, and other taxes	197		205
Grants and contributions not restricted to specific programs	26,844		12,734
Investment income	2,200		1,196
Other	285		371
Total revenues	<u>103,182</u>		<u>84,643</u>
Expenses:			
General government	4,080		3,749
Public safety	5,950		5,679
Education	38,167		35,882
Public works	5,846		5,466
Health and human services	556		756
Culture and recreation	2,888		2,587
Employee benefits	14,103		11,811
Interest on long-term debt	3,428		3,197
Intergovernmental	255		233
Total expenses	<u>75,273</u>		<u>69,360</u>
Change in net assets before transfers and permanent fund contributions	27,909		15,283
Permanent fund contributions	225		1,618
Increase in net assets	28,134		16,901
Net assets - beginning of year, as restated	<u>87,028</u>		<u>70,127</u>
Net assets - end of year	<u>\$ 115,162</u>		<u>\$ 87,028</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 \$ 115,162, an increase of \$ 28,134 from the prior year.

The largest portion of net assets, \$ 56,571 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, \$ 29,504 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 29,087 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 \$ 28,134. Key elements of this increase are as follows:

General fund excess of revenues over expenditures	\$ 1,571
Community preservation fund excess of revenues over expenses	1,455
Water fund excess of expenditures over revenues	(23)
Recreation fund excess of expenditures over revenues	(350)
Trust fund contributions	225
Nonmajor governmental funds revenues in excess of expenses	<u>1,600</u>
Net fund basis effect	4,478
Reimbursements from Massachusetts School Building Authority	22,150
Debt service principal payments in excess of depreciation expense	1,217
Other	<u>289</u>
Total	<u>\$ 28,134</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 balance of \$ 38,575, an increase of \$ 11,551 in comparison with the prior year. Key elements of this increase are as follows:

General fund revenues in excess of expenditures	\$ 1,571
Community preservation fund revenues over expenditures	1,455
Excess of current year bond proceeds over current year capital expenditures	4,610
MSBA grant	3,487
Other	<u>428</u>
Total	<u>\$ 11,551</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 \$ 3,605 while total fund balance was \$ 6,962. 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 5.6 percent of total general fund expenditures, while total fund balance represents 10.9 percent of that same amount.

The fund balance of the general fund increased by \$ 1,425 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other surplus as a funding source	\$ (1,540)
Revenues in excess of budget	2,949
Expenditures less than budget	490
Other (short-term interest accrual)	<u>(474)</u>
Total	<u>\$ 1,425</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:

- Additional appropriation for the School Department of \$ 67 funded by tax levy

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 126,267 (net of accumulated depreciation), a decrease of \$ (691) 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 \$ 67,291, 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
(Section G amounts are expressed in whole dollars.)

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 2007, per capita income is estimated to be above \$ 240,000. These statistics are significantly higher than state and national income levels.

According to the Commonwealth of Massachusetts, the unemployment rate for Weston in 2007 was 2.7%, which is slightly lower than the 2006 rate of 2.9%. Weston's unemployment rate remains significantly lower than the state unemployment rate for 2007, which was 4.5%.

According to Weston's Board of Assessors, the median residential property value for 2007 was \$ 980,800, which is a 1.4% increase from 2006, and is significantly higher than state and national property values.

Weston's tax base is stable. Looking back over the past five years, new growth in the tax base provided an increase in the tax levy of 3.7% in fiscal year 2003. In fiscal year 2004, the Town took advantage of a one-time increase in new growth due to the Town's acceptance of M.G.L. Chapter 59, Section 2A (a), which permitted the Town to assess new construction and other building improvements added to real property between January 2 and June 30. This resulted in a tax levy increase of 6%. New growth allowed the tax levy to increase by 2.8% in fiscal year 2005; 3.4% in fiscal year 2006; and 3.3% in fiscal year 2007.

Annual and Special Town Meetings approved a fiscal year 2008 (July 1, 2007 to June 30, 2008) operating budget of \$ 55,496,623 (exclusive of most debt service). This represents an increase of \$ 3.4 million increase, which is 6.6% over fiscal year 2007.

On May 6, 2006, the Town passed a general override of the limits of proposition 2 ½ to assess an additional \$ 1,100,000 in taxes to fund the fiscal year 2007 budget. There was no override for fiscal year 2008. There is no override projected for fiscal year 2009, but an override is anticipated for fiscal year 2010.

Appropriations to stabilization funds, as part of the Comprehensive Reserve Policy, increased from \$ 110,000 to \$ 420,000 in fiscal year 2007. The Policy was implemented in fiscal year 2006 and calls for building financial reserves in continuing balance accounts created 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.

The most significant area of the Town's finances that is currently being addressed is assessing the liability of post-employment benefits of retirees. An actuarial study is due to be completed in fiscal year 2008 to identify options for funding this liability. Funding of the liability is not mandatory, but may be recommended as a matter of good financial management. A reserve fund was created in 2006 and has been funded each year with a small, but growing contribution. The total amount that has been contributed to this reserve fund is not nearly enough to address the total liability.

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, 2007

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 46,510,802
Investments	11,816,192
Receivables, net of allowance for uncollectibles:	
Property taxes	1,078,637
Excises	140,235
User fees	43,755
Departmental and other	2,619,698
Intergovernmental	1,650,297
Deferred asset	88,500
Total current assets	<u>63,948,116</u>
Noncurrent:	
Receivables, net of current portion:	
Intergovernmental	17,353,834
Deferred asset	781,000
Capital assets not being depreciated	19,001,238
Capital assets being depreciated, net of accumulated depreciation	<u>107,265,797</u>
Total noncurrent assets	<u>144,401,869</u>
TOTAL ASSETS	208,349,985
LIABILITIES	
Current:	
Warrants and accounts payable	798,347
Accrued liabilities	4,741,784
Taxes collected in advance	61,322
Other liabilities	42,110
Notes payable	17,837,670
Current portion of long-term liabilities:	
Bonds payable	6,075,733
Accrued employee benefits	104,484
Other liabilities	25,000
Total current liabilities	<u>29,686,450</u>
Noncurrent:	
Bonds payable, net of current portion	61,215,932
Accrued employee benefits, net of current portion	1,985,201
Other liabilities, net of current portion	300,000
Total noncurrent liabilities	<u>63,501,133</u>
TOTAL LIABILITIES	93,187,583
NET ASSETS	
Invested in capital assets, net of related debt	56,570,964
Restricted for:	
Grants and other statutory restrictions	15,441,650
Permanent funds:	
Nonexpendable	7,073,552
Expendable	6,988,552
Unrestricted	<u>29,087,684</u>
TOTAL NET ASSETS	\$ <u><u>115,162,402</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

		<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	\$ 4,079,835	\$ 877,293	\$ 1,318,201	\$ -	\$ (1,884,341)
Public safety	5,949,918	459,653	270,215	-	(5,220,050)
Education	38,166,642	1,350,923	6,897,887	-	(29,917,832)
Public works	5,845,739	2,566,038	13,950	623,881	(2,641,870)
Health and human services	555,630	1,132,316	74,090	-	650,776
Culture and recreation	2,888,555	1,050,154	203,804	-	(1,634,597)
Employee benefits	14,103,061	2,067,393	-	-	(12,035,668)
Interest	3,428,376	-	-	-	(3,428,376)
Intergovernmental	<u>255,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,361)</u>
Total	<u>\$ 75,273,117</u>	<u>\$ 9,503,770</u>	<u>\$ 8,778,147</u>	<u>\$ 623,881</u>	(56,367,319)
		General Revenues and permanent fund contributions:			
					52,459,946
					2,290,263
					197,099
					26,843,643
					2,200,033
					285,331
					<u>224,950</u>
					Total general revenues and permanent fund contributions
					<u>84,501,265</u>
					Change in Net Assets
					28,133,946
		Net Assets:			
					Beginning of year, as restated
					<u>87,028,456</u>
					End of year
					<u>\$ 115,162,402</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Case Estates Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 10,418,542	\$ 13,372,430	\$ 12,880,142	\$ 8,825,169	\$ 45,496,283
Investments	-	-	-	11,816,192	11,816,192
Receivables:					
Property taxes	1,089,853	10,914	-	-	1,100,767
Excises	174,533	-	-	-	174,533
User fees	-	-	-	43,755	43,755
Departmental and other	360,660	659,180	1,599,858	-	2,619,698
Intergovernmental	400	-	-	340,378	340,778
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 12,043,988</u>	<u>\$ 14,042,524</u>	<u>\$ 14,480,000</u>	<u>\$ 21,025,494</u>	<u>\$ 61,592,006</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 798,347	\$ -	\$ -	\$ -	\$ 798,347
Accrued liabilities	983,205	-	-	-	983,205
Accrued payroll	1,614,008	-	-	-	1,614,008
Other Liabilities	-	-	-	42,110	42,110
Deferred revenues	1,625,445	10,914	-	43,755	1,680,114
Taxes collected in advance	61,322	-	-	-	61,322
Notes payable	-	-	14,480,000	3,357,670	17,837,670
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	5,082,327	10,914	14,480,000	3,443,535	23,016,776
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	1,162,138	3,889	-	48,975	1,215,002
Expenditures	2,195,000	-	-	-	2,195,000
Permanent perpetual funds	-	-	-	7,073,552	7,073,552
Unreserved:					
Undesignated, reported in:					
General fund	3,604,523	-	-	-	3,604,523
Special revenue funds	-	14,027,721	-	4,122,758	18,150,479
Capital project funds	-	-	-	(651,878)	(651,878)
Permanent expendable funds	-	-	-	6,988,552	6,988,552
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>6,961,661</u>	<u>14,031,610</u>	<u>-</u>	<u>17,581,959</u>	<u>38,575,230</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,043,988</u>	<u>\$ 14,042,524</u>	<u>\$ 14,480,000</u>	<u>\$ 21,025,494</u>	<u>\$ 61,592,006</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, 2007

Total governmental fund balances	\$ 38,575,230
<ul style="list-style-type: none">● Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	126,267,035
<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.	869,500
<ul style="list-style-type: none">● Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,623,686
<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.	18,663,353
<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.	(28,256)
<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.	(1,101,796)
<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>(69,706,350)</u>
Net assets of governmental activities	<u>\$ 115,162,402</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, 2007

	General	Community Preservation Fund	Case Estates Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 51,038,433	\$ 1,380,340	\$ -	\$ -	\$ 52,418,773
Excise taxes	2,295,526	-	-	-	2,295,526
Penalties, interest and other taxes	194,535	2,563	-	-	197,098
Charges for services	932,599	-	-	5,436,454	6,369,053
Intergovernmental	8,959,160	1,315,380	-	6,561,294	16,835,834
Licenses and permits	945,056	-	-	-	945,056
Contributions	-	-	-	971,434	971,434
Fines and forfeitures	122,225	-	-	43	122,268
Investment income	975,177	663,808	-	561,048	2,200,033
Miscellaneous	136,236	-	-	149,096	285,332
Total Revenues	<u>65,598,947</u>	<u>3,362,091</u>	<u>-</u>	<u>13,679,369</u>	<u>82,640,407</u>
Expenditures:					
Current:					
General government	2,499,084	738,931	-	179,335	3,417,350
Public safety	5,600,708	-	-	192,870	5,793,578
Education	31,414,112	537,427	-	5,247,806	37,199,345
Public works	2,860,343	-	-	3,201,797	6,062,140
Health and human services	522,766	-	-	82,795	605,561
Culture and recreation	997,742	-	-	2,789,921	3,787,663
Employee benefits	11,710,335	-	-	-	11,710,335
Debt service	8,167,427	630,307	-	363,387	9,161,121
Intergovernmental	255,361	-	-	-	255,361
Total Expenditures	<u>64,027,878</u>	<u>1,906,665</u>	<u>-</u>	<u>12,057,911</u>	<u>77,992,454</u>
Excess (deficiency) of revenues over expenditures	1,571,069	1,455,426	-	1,621,458	4,647,953
Other Financing Sources (Uses):					
Bond issuance	-	6,000,000	-	903,000	6,903,000
Transfers in	837,184	-	-	1,088,140	1,925,324
Transfers out	(983,140)	(105,000)	-	(837,184)	(1,925,324)
Total Other Financing Sources (Uses)	<u>(145,956)</u>	<u>5,895,000</u>	<u>-</u>	<u>1,153,956</u>	<u>6,903,000</u>
Changes in fund balances	1,425,113	7,350,426	-	2,775,414	11,550,953
Fund Balance, at Beginning of Year, as restated	<u>5,536,548</u>	<u>6,681,184</u>	<u>-</u>	<u>14,806,545</u>	<u>27,024,277</u>
Fund Balance, at End of Year	<u>\$ 6,961,661</u>	<u>\$ 14,031,610</u>	<u>\$ -</u>	<u>\$ 17,581,959</u>	<u>\$ 38,575,230</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, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 11,550,953

- 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	4,044,954
Depreciation	(4,659,160)
Loss on disposal of capital assets	(76,310)

- 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.

35,909

- 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.

18,663,353

- 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	(6,903,000)
Repayments of debt	5,875,733

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

(54,488)

- 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.

(18,665)

- 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.

(325,333)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 28,133,946

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Internal Service Fund
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,014,519</u>
Total current assets	<u>1,014,519</u>
TOTAL ASSETS	1,014,519
<u>LIABILITIES</u>	
Accrued liabilities	<u>1,042,775</u>
Total current liabilities	<u>1,042,775</u>
TOTAL LIABILITIES	1,042,775
<u>NET ASSETS</u>	
Unrestricted	<u>(28,256)</u>
TOTAL NET ASSETS	<u>\$ (28,256)</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, 2007

	Internal Service Fund
Operating Revenues:	
Charges for services	\$ <u>7,510,550</u>
Total Operating Revenues	7,510,550
Operating Expenses:	
Claims expense	<u>7,835,883</u>
Total Operating Expenses	<u>7,835,883</u>
Operating (loss)	(325,333)
Net Assets at Beginning of Year	<u>297,077</u>
Net Assets at End of Year	\$ <u><u>(28,256)</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Employer and employee contributions	\$ 7,510,550
Payments of employees' benefits	<u>(7,634,837)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(124,287)</u>
Net Change in Cash and Short-Term Investments	(124,287)
Cash and Short-Term Investments, Beginning of Year	<u>1,138,806</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,014,519</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating (loss)	\$ (325,333)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Warrants payable	(719)
Accrued liabilities	<u>201,765</u>
Net Cash Provided (used for) By Operating Activities	<u>\$ (124,287)</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>943,688</u>
Total Assets	\$ <u><u>943,688</u></u>
<u>LIABILITIES</u>	
Other liabilities	\$ <u>943,688</u>
Total Liabilities	\$ <u><u>943,688</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 Selectman. 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 2007, 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 segments 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 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 are 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.

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 proprietary 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 is 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 1/2” limits 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 or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 1,348,450.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the governmental activities 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 obliga-

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

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

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

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

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the required Supplementary information 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, 2007:

Nonmajor Governmental Funds:

FY06-Toyota Science Tapestry Gra	\$ (181)
FY07 METCO - STATE	\$ (274,815)
FY07-Title II-Teacher Quality	\$ (2,963)
FY07 Drug Free	\$ (3,631)
FY07 Early Childhood	\$ (10,720)
School Athletic-Health & Communications	\$ (571)
Student Field Trips	\$ (15,818)
Bullet Proof Vest F-T-S	\$ (4,247)
Fire-Operation Safety	\$ (368)
Fire-FY06 Local Prep	\$ (6,313)
Police Grant	\$ (2,764)
ART11,02 BSA	\$ (12,926)
ART21, 02 Surface Drains	\$ (265,097)
Art23,02 Case Roadway	\$ (22,847)
ART2, 11/06C&W Schools-ADDL	\$ (277,080)
Art 37,05 School Buses	\$ (117,988)
Art 23,04 Surface Drains	\$ (51,716)
Art 32,04 Waste Wtr Fac Rprt	\$ (17,560)
Art25,04 GIS Phase II	\$ (40,000)
Art 4,5/8/06 Library	\$ (134,100)
ART36,05Field Feasibility Studies	\$ (45,000)
ART16,06School Technology	\$ (183,892)
ART18,06School LanguageLab	\$ (40,000)
ART17,06HS/MSA Lane Repaving	\$ (137,318)
ART28,05GISPhaseIII	\$ (23,240)
ART12,06DPW facilitydesign	\$ (34)

(continued)

(continued)

ART14,06Road Impr	\$ (50,000)
ART19,06H/SGYMBleacherORG30824	\$ (41,439)
ART13,06DPW Equip	\$ (35,624)

Proprietary Funds:

Internal Service Funds	\$ (28,256)
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The deficits in these funds will be eliminated through future intergovernmental revenues, bond proceeds, or 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 deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent 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, 2007, all but \$ 10,750,669 of the Town's bank balance of \$ 48,421,500 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 investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Investments at June 30, 2007 included the following:

U.S. Treasury notes	\$ 3,418,478
Common equities	8,311,889
U.S. Agency obligations	<u>85,825</u>
Total	<u>\$ 11,816,192</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 formal policies for 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 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>
Debt Related Securities:			
U.S. Treasury notes	\$ 3,419	\$ 1,781	\$ 1,638
U.S. Agency obligations	<u>86</u>	<u>25</u>	<u>61</u>
Total	<u>\$ 3,505</u>	<u>\$ 1,806</u>	<u>\$ 1,699</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 formal 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, 2007 consist of the following (in thousands):

Real Estate	\$ 328
Personal Property	1
CPA	11
Tax Liens	217
Deferred Taxes	<u>544</u>
Total	<u>\$ 1,101</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	34

7. Departmental and Other Receivables

Departmental and other receivables at June 30, 2007 consist mainly of ambulance billings outstanding and receivable for return of Case Estates deposit.

8. Intergovernmental Receivables

The majority of intergovernmental receivables represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007, 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:

2008	\$ 1,309,519
2009	1,436,390
2010	1,436,390
2011	1,436,390
2012	1,436,390
2013 - 2017	6,884,446
2018 - 2021	<u>4,723,828</u>
Total	<u>\$ 18,663,353</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2007 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	\$ 115,842	\$ 2,410	\$ -	\$ 118,252
Machinery, equipment, and furnishings	7,989	585	(395)	8,179
Infrastructure	<u>17,569</u>	<u>700</u>	<u>-</u>	<u>18,269</u>
Total capital assets, being depreciated	141,400	3,695	(395)	144,700
Less accumulated depreciation for:				
Buildings and improvements	(19,571)	(3,407)	-	(22,978)
Machinery, equipment, and furnishings	(5,259)	(779)	319	(5,719)
Infrastructure	<u>(8,264)</u>	<u>(473)</u>	<u>-</u>	<u>(8,737)</u>
Total accumulated depreciation	<u>(33,094)</u>	<u>(4,659)</u>	<u>319</u>	<u>(37,434)</u>
Total capital assets, being depreciated, net	108,306	(964)	(76)	107,266
Capital assets, not being depreciated:				
Art	188	-	-	188
Land	18,446	-	-	18,446
Construction in progress	<u>18</u>	<u>349</u>	<u>-</u>	<u>367</u>
Total capital assets, not being depreciated	<u>18,652</u>	<u>349</u>	<u>-</u>	<u>19,001</u>
Governmental activities capital assets, net	<u>\$ 126,958</u>	<u>\$ (615)</u>	<u>\$ (76)</u>	<u>\$ 126,267</u>

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

Governmental Activities:	
General government	\$ 745
Public safety	248
Education	2,397
Public works	837
Culture and recreation	34
Human services	<u>398</u>
Total depreciation expense - governmental activities	<u>\$ 4,659</u>

10. Warrants Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 as permitted by law.

11. Accrued Liabilities

Accrued liabilities at June 30, 2007 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, 2007:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2008</u>
Bond anticipation	4.25%	09/12/06	09/12/07	\$ 1,925,000
Bond anticipation	4.00 - 4.25%	12/19/06	02/08/08	14,980,000
Bond anticipation	4.00%	02/09/07	02/08/08	<u>932,670</u>
Total				<u>\$ 17,837,670</u>

The following summarizes activity in notes payable during fiscal year 2007:

	<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	-	4,419,327	(3,486,657)	932,670
Bond anticipation	<u>5,041,830</u>	<u>-</u>	<u>(5,041,830)</u>	<u>-</u>
Total	<u>\$ 5,041,830</u>	<u>\$ 21,324,327</u>	<u>\$ (8,528,487)</u>	<u>\$ 17,837,670</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:

	Maturities	Serial Interest Rate (s)%	Amount Outstanding as of June 30, 2007
Governmental Funds:	<u>Through</u>	<u>Rate (s)%</u>	
Municipal purpose loan - 1993	07/01/11	3.40 - 5.20	\$ 660,000
Municipal purpose loan - 2000	03/01/20	5.00 - 7.00	2,580,000
Municipal purpose loan - 2001	01/01/21	4.50 - 5.25	11,930,000
Municipal purpose refunding loan - 2001	08/01/10	3.10 - 4.25	405,000
MWRA loan - water	05/15/12	-	63,665
Municipal purpose loan - 2002	04/15/21	3.50 - 5.00	5,395,000
Municipal purpose loan - 2003	02/01/08	1.08 - 2.50	370,000
Municipal purpose loan - 2003	06/01/18	2.00 - 3.60	4,020,000
Municipal purpose refunding loan - 2003	08/01/13	1.25 - 3.00	2,245,000
Municipal purpose loan - 2004	02/01/24	2.80 - 4.50	4,250,000
Municipal purpose refunding loan 2005	03/01/20	2.00 - 5.00	8,795,000
Municipal purpose loan - 2005	02/01/25	3.00 - 4.13	5,110,000
Municipal purpose loan - 2006	02/01/26	3.30 - 6.25	14,565,000
Municipal purpose loan -2006	12/15/06	3.5 - 4.0	6,903,000
Total Governmental Funds			<u>\$ 67,291,665</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,075,733	\$ 2,850,788	\$ 8,926,521
2009	5,477,733	2,468,188	7,945,921
2010	5,372,733	2,255,698	7,628,431
2011	4,977,733	2,048,189	7,025,922
2012	4,692,733	1,866,716	6,559,449
2013 - 2017	21,585,000	6,687,782	28,272,782
2018 - 2022	14,320,000	2,573,231	16,893,231
2023 - 2027	4,790,000	454,962	5,244,962
Total	<u>\$ 67,291,665</u>	<u>\$ 21,205,554</u>	<u>\$ 88,497,219</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, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total			Total	Less	Equals
	Balance			Balance	Current	Long-Term
<u>Governmental Activities</u>	<u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/07</u>	<u>Portion</u>	<u>6/30/07</u>
General obligation debt	\$ 66,264	\$ 6,903	\$ (5,876)	\$ 67,291	\$ (6,076)	\$ 61,215
Accrued sick leave	2,135	-	(45)	2,090	(105)	1,985
Landfill closure costs	350	-	(25)	325	(25)	300
	<u>\$ 68,749</u>	<u>\$ 6,903</u>	<u>\$ (5,946)</u>	<u>\$ 69,706</u>	<u>\$ (6,206)</u>	<u>\$ 63,500</u>

15. Landfill Closure and Postclosure Care Costs

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

The Town reported \$ 325,000 as postclosure care liability at June 30, 2007. These amounts are based on what it would cost to perform all postclosure care remaining on the closed landfill site in 2007. 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, 2007:

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

Debt

Subsequent to June 30, 2007, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 4,084,500	4.00%	09/12/07	02/08/08
Bond anticipation note	17,301,357	3.00%	02/08/08	02/06/09
General obligation bonds	3,098,000	3.00%	02/01/08	02/01/16

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

The Town's employee contracts provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2007 was not available.

21. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *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 County 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 which can be obtained through the Middlesex Retirement System, 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 contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$ 2,405,270, \$ 2,149,029, and \$ 1,795,236, respectively, which were equal to its annual required contributions for each of these years.

C. 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 was unavailable.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 4,138,506 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 coverage. 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, 2007 are as follows:

	<u>Health Coverage</u>
Claims liability, July 1, 2006	\$ 841,009
Claims incurred/recognized in fiscal year 2007	7,835,883
Claims paid in fiscal year 2007	<u>7,634,117</u>
Claims liability, June 30, 2007	<u>\$ 1,042,775</u>

23. Risk Management

The government 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.

24. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2007, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/06 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/06 (as restated)
General Funds	\$ 5,536,548	\$ -	\$ 5,536,548
Community Preservation	6,681,184	-	6,681,184
Elementary School Building	(2,648,604)	2,648,604	-
Nonmajor Funds	<u>17,455,149</u>	<u>(2,648,604)</u>	<u>14,806,545</u>
Total	<u>\$ 27,024,277</u>	<u>\$ -</u>	<u>\$ 27,024,277</u>

25. Beginning Fund Balance Net Assets Restatement

The beginning (July 1, 2006) fund balances of the Town have been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 79,844,829
Infrastructure capital assets, net of accumulated depreciation	<u>7,183,627</u>
As restated	<u><u>\$ 87,028,456</u></u>

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, 2007

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 51,002,126	\$ 51,068,862	\$ 51,068,862	\$ -
Motor vehicle excise	1,900,000	1,900,000	2,295,526	395,526
Penalties, interest and other taxes	144,808	144,808	194,535	49,727
Intergovernmental	3,592,812	3,592,812	4,785,787	1,192,975
Licenses and permits	735,000	735,000	945,056	210,056
Charges for services	776,000	776,000	932,599	156,599
Fines and forfeits	100,000	100,000	122,225	22,225
Investment income	250,000	250,000	923,904	673,904
Miscellaneous	-	-	136,236	136,236
Transfers in	725,187	725,187	837,184	111,997
Other sources	1,540,000	1,540,000	1,540,000	-
Total Revenues and Other Sources	60,765,933	60,832,669	63,781,914	2,949,245
Expenditures and Other Uses:				
General government	2,822,471	2,477,040	2,445,100	31,940
Public safety	5,339,715	5,619,258	5,591,047	28,211
Education	27,280,891	27,357,603	27,340,637	16,966
Public works	2,952,554	2,961,336	2,832,202	129,134
Health and human services	519,227	536,163	525,179	10,984
Culture and recreation	1,021,118	1,022,041	1,002,656	19,385
Employee benefits	11,986,851	12,016,122	11,715,149	300,973
Debt service	7,790,177	7,790,177	7,652,273	137,904
Intergovernmental	241,601	241,601	255,361	(13,760)
Transfers out	810,967	810,967	983,140	(172,173)
Other	361	361	361	-
Total Expenditures and Other Uses	60,765,933	60,832,669	60,343,105	489,564
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,438,809	\$ 3,438,809

See notes to required supplementary information.

TOWN OF WESTON, MASSACHUSETTS
Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

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)	\$ 65,598,947	\$ 64,027,878
Other financing sources/uses (GAAP basis)	<u>837,184</u>	<u>983,140</u>
Subtotal (GAAP Basis)	66,436,131	65,011,018
Adjust tax revenue to accrual basis	30,429	-
Reverse expenditures of prior year carryforwards	-	(843,697)
Add end of year appropriation carryforwards to expenditures	-	829,083
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,138,506)	(4,138,506)
Recognize other sources	1,540,000	361
To reverse interest accrual	-	(429,014)
To reverse nonbudgeted activity	<u>(86,140)</u>	<u>(86,140)</u>
Budgetary basis	<u>\$ 63,781,914</u>	<u>\$ 60,343,105</u>