

TOWN OF WESTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2005

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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, 2005, 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, 2005 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, 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 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 April 10, 2006 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
April 10, 2006

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, 2005. **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 the 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 \$ 62,944 (i.e., net assets), an increase of \$ 4,142 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances deficit of \$(920), an increase of \$ 7,105 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,265, a decrease of \$ 552 in comparison with the prior year.
- Total bonds payable (as revised) at the close of the current fiscal year was \$ 55,662 an increase of \$ 2,665 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. All amounts are presented in thousands.

	<u>NET ASSETS</u>	
	Governmental <u>Activities</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 36,132	\$ 32,376
Capital assets	<u>119,494</u>	<u>120,896</u>
Total assets	155,626	153,272
Long-term liabilities outstanding	58,109	55,439
Notes payable	29,519	33,467
Other liabilities	<u>5,054</u>	<u>5,564</u>
Total liabilities	92,682	94,470
Net assets:		
Invested in capital assets, net	37,797	37,482
Restricted	17,318	14,395
Unrestricted	<u>7,829</u>	<u>6,925</u>
Total net assets	\$ <u>62,944</u>	\$ <u>58,802</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,785	\$ 6,297
Operating grants and contributions	7,986	5,037
Capital grants and contributions	1,213	1,660
General revenues:		
Property taxes	46,302	43,413
Excises	2,404	2,258
Penalties and interest on taxes	144	189
Grants and contributions not restricted to specific programs	1,756	1,838
Investment income	818	823
Other	<u>105</u>	<u>698</u>
Total revenues	67,513	62,213
Expenses:		
General government	3,317	3,345
Public safety	5,349	5,329
Education	33,306	31,574
Public works	5,566	4,910
Health and human services	1,442	804
Culture and recreation	2,477	2,153
Employee benefits	9,408	7,608
Interest on long-term debt	2,709	2,832
Intergovernmental	<u>241</u>	<u>235</u>
Total expenses	<u>63,815</u>	<u>58,790</u>
Change in net assets before transfers and permanent fund contributions	3,698	3,423
Permanent fund contributions	<u>444</u>	<u>94</u>
Increase in net assets	4,142	3,517
Net assets - beginning of year	<u>58,802</u>	<u>55,285</u>
Net assets - end of year	\$ <u>62,944</u>	\$ <u>58,802</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 \$ 62,944 an increase of \$ 4,142 from the prior year.

The largest portion of net assets, \$ 37,797, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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, \$ 17,318 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 7,829 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 4,142. Key elements of this increase are as follows:

General fund deficiency of revenues over expenditures	\$ (102)
Community preservation fund excess of revenues over expenditures	1,704
Water fund excess of revenues over expenditures	189
Recreation fund deficiency of revenue over expenditures	(239)
Chapter 90 fund excess of revenues over expenditures	466
Receipts reserved for appropriation excess of revenues over expenditures	414
Expendable trust fund excess of revenues over expenditures	342
Other non-major funds revenues over expenditures	<u>736</u>
Net fund basis effect	3,510
Effect of accrual basis accounting of revenues	1,218
Change in compensated absences and deferred asset	(93)
Depreciation in excess of principal debt service payments	(742)
Internal service fund expenditures exceeding revenues	418
Other	<u>(169)</u>
Total	\$ <u>4,142</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 deficit of \$ (921) a deficit reduction of \$ 7,105 in comparison with the prior year. Key elements of this deficit decrease are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (670)
Community preservation fund revenues over expenditures	1,728
Excess of current year bond proceeds over current year capital expenditures	4,407
Other funds revenues in excess of expenditures	<u>1,640</u>
Total	\$ <u>7,105</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 \$ 1,265 while total fund balance was \$ 3,958. 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 2 percent of total general fund expenditures, while total fund balance represents 7 percent of that same amount.

The fund balance of the general fund decreased by \$ (670) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance and other sources	\$ (2,057)
Raise prior year deficit	449
Revenues in excess of budget	881
Expenditures less than budget	243
Tax accrual revenue adjustment	276
Other	<u>(462)</u>
Total	\$ (<u> 670</u>)

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in no change to overall appropriations, only reserve fund transfers between appropriations.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 119,494 (net of accumulated deprecia-

tion), a decrease of \$ 1,402 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- Brook School Apartments
- Country and Woodland Elementary Schools

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 55,662, 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

According to the U.S. Census Bureau, the median family income in Weston for 1999 was \$ 181,041: the per capita income for Weston at the same time was \$ 79,640. This is significantly higher than both state and national income levels.

According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for Weston for 2005 was 2.7%, significantly less than the state and national unemployment rates.

According to the Weston's Board of Assessors, the median residential property value for 2005 was \$ 956,600, which is significantly higher than the state and national property values.

Annual and special town meetings approved a fiscal year 2006 operating budget of \$ 49,707,476 (exclusive of most debt service) which includes \$ 110,000 in appropriations to Stabilization Funds according to the Comprehensive Reserve Policy adopted by the Finance Committee and the Board of Selectmen. The fiscal year 2006 operating budget increase is 7.65% over fiscal year 2005.

Weston's tax base is stable. 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 as a result of accepting M.G.L. Chapter 59, Section 2A (a), which permits the Town to assess new construction and other building improvements added to real property between January 2 and June 30. This resulted in an increase in the tax levy of 6% in fiscal year 2004. In fiscal year 2005, new growth allowed the tax levy to increase by 2.8%. In fiscal year 2006, new growth allowed the tax levy to increase by 3.3%.

On May 7, 2005, the Town passed a general override of the limits of Proposition 2½ to assess an additional \$ 1,370,000 in taxes in order to fund the fiscal year 2006 budget.

Beginning in fiscal year 2006, the Town implemented a comprehensive financial reserve policy that calls for annually setting aside funds to address operational needs, catastrophic and emergency reserves, maintenance of assets and unfunded liabilities. This policy calls for rebuilding financial reserves over a 10-year period to a level of approximately 9-10% of annual operating revenues.

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
Town House Road - Post Office Box 378
Weston, Massachusetts 02493

TOWN OF WESTON, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 23,675,285
Investments	9,612,681
Receivables, net of allowance for uncollectibles:	
Property taxes	867,646
Excises	386,949
User fees	58,152
Departmental and other	181,580
Intergovernmental	9,850
Deferred asset	88,500
Noncurrent:	
Receivables	293,506
Deferred asset	958,000
Capital Assets not being depreciated	19,171,392
Capital Assets being depreciated, net of accumulated depreciation	<u>100,322,579</u>
TOTAL ASSETS	155,626,120
LIABILITIES	
Current:	
Warrants payable	846,185
Accrued liabilities	4,207,597
Notes payable	29,519,000
Current portion of long-term liabilities:	
Bonds payable	5,045,733
Accrued employee benefits	103,618
Other liabilities	25,000
Noncurrent:	
Bonds payable, net of current portion	50,616,398
Accrued employee benefits, net of current portion	1,968,732
Other liabilities, net of current portion	<u>350,000</u>
TOTAL LIABILITIES	92,682,263
NET ASSETS	
Invested in capital assets, net of related debt	37,797,437
Restricted for:	
Grants and other statutory restrictions	5,680,234
Permanent funds:	
Expendable	6,406,526
Nonexpendable	5,230,644
Unrestricted	<u>7,829,016</u>
TOTAL NET ASSETS	<u>\$ 62,943,857</u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Elementary School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 7,061,437	\$ 5,277,129	\$ 932,245	\$ 8,907,698	\$ 22,178,509
Investments	-	-	-	9,612,681	9,612,681
Receivables:					
Property taxes	1,190,113	15,374	-	-	1,205,487
Excises	418,211	-	-	-	418,211
User fees	-	-	-	58,152	58,152
Departmental and other	181,583	-	-	-	181,583
Intergovernmental	8,350	-	-	1,500	9,850
	<u>8,859,694</u>	<u>5,292,503</u>	<u>932,245</u>	<u>18,580,031</u>	<u>33,664,473</u>
TOTAL ASSETS	\$ 8,859,694	\$ 5,292,503	\$ 932,245	\$ 18,580,031	\$ 33,664,473
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 846,185	\$ -	\$ -	\$ -	\$ 846,185
Due to other governments	-	-	-	67,452	67,452
Accrued liabilities	535,209	-	-	24,181	559,390
Accrued payroll	1,206,318	-	-	-	1,206,318
Deferred revenues	1,411,458	15,374	-	58,005	1,484,837
Taxes collected in advance	902,108	-	-	-	902,108
Notes payable	-	-	24,904,000	4,615,000	29,519,000
	<u>4,901,278</u>	<u>15,374</u>	<u>24,904,000</u>	<u>4,764,638</u>	<u>34,585,290</u>
TOTAL LIABILITIES	4,901,278	15,374	24,904,000	4,764,638	34,585,290
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	1,293,436	-	-	-	1,293,436
Expenditures	1,400,000	-	-	-	1,400,000
Permanent perpetual funds	-	-	-	5,230,644	5,230,644
Unreserved:					
Undesignated, reported in:					
General fund	1,264,980	-	-	-	1,264,980
Special revenue funds	-	5,277,129	-	3,975,815	9,252,944
Capital project funds	-	-	(23,971,755)	(1,797,592)	(25,769,347)
Permanent expendable funds	-	-	-	6,406,526	6,406,526
	<u>3,958,416</u>	<u>5,277,129</u>	<u>(23,971,755)</u>	<u>13,815,393</u>	<u>(920,817)</u>
TOTAL FUND BALANCES	3,958,416	5,277,129	(23,971,755)	13,815,393	(920,817)
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,859,694	\$ 5,292,503	\$ 932,245	\$ 18,580,031	\$ 33,664,473

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, 2005

Total governmental fund balances	\$ (920,817)
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	119,493,971
<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.	1,046,500
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,438,668
<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.	854,948
<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.	(859,932)
<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>(58,109,481)</u>
Net assets of governmental activities	<u>\$ 62,943,857</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, 2005

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Elementary School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 43,609,594	\$ 1,210,907	\$ -	\$ -	\$ 44,820,501
Excise taxes	2,403,075	-	-	10,528	2,413,603
Penalties, interest and other taxes	130,919	-	-	-	130,919
Charges for services	1,596,951	-	-	4,060,779	5,657,730
Intergovernmental	6,709,611	1,122,336	-	3,484,650	11,316,597
Licenses and permits	905,918	-	-	-	905,918
Contributions	-	-	-	28,037	28,037
Fines and forfeitures	120,833	-	-	-	120,833
Investment income	293,210	117,960	-	390,182	801,352
Miscellaneous	94,764	-	-	854,889	949,653
Total Revenues	<u>55,864,875</u>	<u>2,451,203</u>	<u>-</u>	<u>8,829,065</u>	<u>67,145,143</u>
Expenditures:					
Current:					
General government	2,688,553	117,891	-	295,717	3,102,161
Public safety	4,905,373	-	-	390,524	5,295,897
Education	28,121,417	-	510,774	3,549,416	32,181,607
Public works	3,121,244	-	-	2,679,938	5,801,182
Health and human services	498,010	-	-	889,655	1,387,665
Culture and recreation	903,042	-	-	1,381,077	2,284,119
Employee benefits	8,568,115	-	-	-	8,568,115
Debt service	6,920,023	629,250	-	41,571	7,590,844
Intergovernmental	241,453	-	-	-	241,453
Total Expenditures	<u>55,967,230</u>	<u>747,141</u>	<u>510,774</u>	<u>9,227,898</u>	<u>66,453,043</u>
Excess (deficiency) of revenues over expenditures	(102,355)	1,704,062	(510,774)	(398,833)	692,100
Other Financing Sources (Uses):					
Proceeds of refunding bond	9,155,000	-	-	-	9,155,000
Payments to escrow agent	(9,155,000)	-	-	-	(9,155,000)
Bond proceeds	-	-	2,000,000	4,413,000	6,413,000
Transfers in	415,567	23,500	-	953,167	1,392,234
Transfers out	(983,167)	-	-	(409,067)	(1,392,234)
Total Other Financing Sources (Uses)	<u>(567,600)</u>	<u>23,500</u>	<u>2,000,000</u>	<u>4,957,100</u>	<u>6,413,000</u>
Changes in fund balances	(669,955)	1,727,562	1,489,226	4,558,267	7,105,100
Fund Balance, at Beginning of Year	<u>4,628,371</u>	<u>3,549,567</u>	<u>(25,460,981)</u>	<u>9,257,126</u>	<u>(8,025,917)</u>
Fund Balance, at End of Year	<u>\$ 3,958,416</u>	<u>\$ 5,277,129</u>	<u>\$ (23,971,755)</u>	<u>\$ 13,815,393</u>	<u>\$ (920,817)</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, 2005

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,105,100								
<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: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Capital outlay purchases, net</td> <td style="text-align: right;">2,005,531</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(3,407,617)</td> </tr> </table> • 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. 800,632 • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Issuance of debt</td> <td style="text-align: right;">(15,568,000)</td> </tr> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">12,902,733</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (21,043) • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (93,241) • 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>417,912</u> 		Capital outlay purchases, net	2,005,531	Depreciation	(3,407,617)	Issuance of debt	(15,568,000)	Repayments of debt	12,902,733
Capital outlay purchases, net	2,005,531								
Depreciation	(3,407,617)								
Issuance of debt	(15,568,000)								
Repayments of debt	12,902,733								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>4,142,007</u></u>								

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Internal Service Fund
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,496,776</u>
Total current assets	<u>1,496,776</u>
TOTAL ASSETS	1,496,776
<u>LIABILITIES</u>	
Accrued liabilities	<u>641,828</u>
Total current liabilities	<u>641,828</u>
TOTAL LIABILITIES	641,828
<u>NET ASSETS</u>	
Unrestricted	<u>854,948</u>
TOTAL NET ASSETS	<u>\$ <u>854,948</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, 2005

	Internal Service <u>Fund</u>
Operating Revenues:	
Charges for services	\$ <u>5,034,067</u>
Total Operating Revenues	5,034,067
Operating Expenses:	
Claims expense	<u>4,616,155</u>
Total Operating Expenses	<u>4,616,155</u>
Operating Income	417,912
Net Assets at Beginning of Year	<u>437,036</u>
Net Assets at End of Year	<u>\$ <u>854,948</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005

	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Employer and employee contributions	\$ 5,034,067
Payments of employees' benefits	<u>(4,228,087)</u>
Net Cash Provided By (Used For) Operating Activities	<u>805,980</u>
Net Change in Cash and Short-Term Investments	805,980
Cash and Short-Term Investments, Beginning of Year	<u>690,796</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 1,496,776</u></u>
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 417,912
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Other assets	356,400
Accrued liabilities	<u>31,668</u>
Net Cash Provided By Operating Activities	<u><u>\$ 805,980</u></u>

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	Agency <u>Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,119,922</u>
Total Assets	\$ <u><u>1,119,922</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Other liabilities	\$ <u>1,119,922</u>
Total Liabilities	\$ <u><u>1,119,922</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 2005, 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 of 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 *Elementary School Building Fund* is used to account for all financial resources and expenditures related to school renovation projects.

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 2005 tax levy reflected an excess capacity of \$ 961,844.

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 fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice	\$ (471,498)
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D. Deficit Fund Equity

The following funds had deficits as of June 30, 2005:

Elementary School Building Fund	\$ (23,971,755)
Nonmajor Funds:	
Residential SPED	(4,795)
Class Size Reduction	(3,000)
Title I	(27,185)
Early Childhood Education	(10,505)
Improving Teacher Quality	(9,353)
Library Room Rental	(1,900)
Fire Department Roof	(17,916)
Fire Station	(17,099)
Purchase of Upham Way	(187,452)
Extraordinary repairs	(28,000)
Cook’s Pond Dam	(18,350)
Waste Water Facility	(79,941)
GIS Phase II	(42,505)
Brook School Apartments	(2,647,197)
School Sewage	(46,000)
Sewage 1999 Article 3	(2,554)

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, 2005, \$ 9,571,975 of the Town’s bank balance of \$ 24,687,065 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, 2005 included the following:

U.S. Treasury Obligations	2,898,015
U.S. Government Agencies	89,756
Common equities	<u>6,624,910</u>
Total	<u>\$ 9,612,681</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 institutions 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.

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
Debt Related Securities:					
U.S. Treasury notes	\$ 2,898	\$ 384	\$ 1,370	\$ 1,144	Aaa
Federal agency securities	<u>90</u>	<u>-</u>	<u>25</u>	<u>65</u>	Aaa
Total	\$ <u>2,988</u>	\$ <u>384</u>	\$ <u>1,395</u>	\$ <u>1,209</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, 2005 consist of the following (in thousands):

Real Estate	\$ 353
Personal Property	5
Tax Liens	389
Deferred Taxes	<u>443</u>
Total	\$ <u>1,190</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	\$ 44
Excises	31

7. Departmental and Other Receivables

Departmental and other receivables at June 30, 2005 consist mainly of ambulance billings outstanding.

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2005.

9. Capital Assets

Capital asset activity for the year ended June 30, 2005 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	\$ 113,049	\$ 407	\$ -	\$ 113,456
Machinery, equipment, and furnishings	7,094	403	(58)	7,439
Infrastructure	<u>792</u>	<u>164</u>	<u>-</u>	<u>956</u>
Total capital assets, being depreciated	120,935	974	(58)	121,851
Less accumulated depreciation for:				
Buildings and improvements	(13,973)	(2,792)	-	(16,765)
Machinery, equipment, and furnishings	(4,205)	(600)	58	(4,747)
Infrastructure	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>(16)</u>
Total accumulated depreciation	(18,178)	(3,408)	<u>58</u>	(21,528)
Total capital assets, being depreciated, net	102,757	(2,434)	-	100,323
Capital assets, not being depreciated:				
Art	188	-	-	188
Land	17,951	44	-	17,995
Construction in progress	<u>-</u>	<u>988</u>	<u>-</u>	<u>988</u>
Total capital assets, not being depreciated	<u>18,139</u>	<u>1,032</u>	<u>-</u>	<u>19,171</u>
Governmental activities capital assets, net	<u>\$ 120,896</u>	<u>\$ (1,402)</u>	<u>\$ -</u>	<u>\$ 119,494</u>

The Town has not yet fully capitalized infrastructure assets for governmental activities.

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

Governmental Activities:	
General government	\$ 666
Public safety	231
Education	2,009
Public works	284
Culture and recreation	193
Human services	<u>25</u>
Total depreciation expense - governmental activities	<u>\$ 3,408</u>

10. Warrants Payable

Warrants payable represent 2005 expenditures paid by July 15, 2005 as permitted by law.

11. Accrued Liabilities

Accrued liabilities at June 30, 2005 consist primarily of accrued interest in the General fund and incurred but not reported claims in the Internal Service fund.

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.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2005 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

13. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2005:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2005</u>
Bond anticipation	2.75%	06/28/05	02/10/06	\$ 610,000
Bond anticipation	2.75%	02/11/05	02/10/06	<u>28,909,000</u>
Total				\$ <u>29,519,000</u>

The following summarizes activity in notes payable during fiscal year 2005:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 3,074,000	\$ -	\$ (3,074,000)	\$ -
Bond anticipation	30,393,000	-	(30,393,000)	-
Bond anticipation	<u>-</u>	<u>31,062,000</u>	<u>(1,543,000)</u>	<u>29,519,000</u>
Total	\$ <u>33,467,000</u>	\$ <u>31,062,000</u>	\$ <u>(35,010,000)</u>	\$ <u>29,519,000</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Funds:</u>	<u>Maturities Through</u>	<u>Serial Interest Rate (s)%</u>	<u>Amount Outstanding as of June 30, 2005</u>
Land acquisition	01/15/06	6.25 - 6.50	\$ 170,000
Municipal purpose loan - 1993	07/01/11	3.40 - 5.20	1,110,000
Municipal purpose loan - 1995	08/01/10	4.80 - 7.00	70,000
Municipal purpose loan - 2000	03/01/20	5.00 - 7.00	4,330,000
Municipal purpose loan - 2001	01/01/21	4.50 - 5.25	13,670,000
Municipal purpose refunding loan - 2001	08/01/10	3.10 - 4.25	660,000
MWRA loan - water	05/15/12	-	89,131
Municipal purpose loan - 2002	04/15/21	3.50 - 5.00	6,400,000
Municipal purpose loan - 2003	02/01/08	1.08 - 2.50	1,270,000
Municipal purpose loan - 2003	06/01/18	2.00 - 3.60	4,760,000
Municipal purpose refunding loan - 2003	08/01/13	1.25 - 3.00	3,035,000
Municipal purpose loan - 2004	02/01/24	2.80 - 4.50	4,750,000
Municipal purpose refunding loan 2005	03/01/20	2.00 - 5.00	8,935,000
Municipal purpose loan - 2005	02/01/25	3.00 - 4.13	<u>6,413,000</u>
Total Governmental Funds			\$ <u>55,662,131</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2005 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,045,733	\$ 2,243,079	\$ 7,288,812
2007	4,792,733	2,048,275	6,841,008
2008	4,622,733	1,874,126	6,496,859
2009	4,047,733	1,706,666	5,754,399
2010	3,952,733	1,548,664	5,501,397
2011 - 2015	17,235,466	5,603,170	22,838,636
2016 - 2020	13,480,000	2,312,783	15,792,783
2021 - 2025	<u>2,485,000</u>	<u>218,794</u>	<u>2,703,794</u>
Total	\$ <u>55,662,131</u>	\$ <u>17,555,557</u>	\$ <u>73,217,688</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. Also, the Town estimates it will receive a state grant of approximately 35% of the current \$ 24,904,000 Bond Anticipation Notes outstanding as of June 30, 2005 during fiscal year 2006 from the MSBA, subject to final audit.

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2005 are as follows (excludes amounts issued as bond anticipation notes):

<u>Purpose</u>	<u>Amount</u>
Conservation - (Art. 13, 1/99)	\$ 265,000
Computer software	25,000
Computer hardware	21,000
Engineering - sewerage - general	30,000
Sewage treatment - (Art. 3)	27,000
Sewer treatment C&W schools - (Art. 2)	50,000
Retaining wall rehab - Church St. - (Art. 20)	100,000
Surface drains #4 - (Art. 21)	285,000
Case complex roads & parking #1 - (Art. 23)	100,000
Water system equip. - Church St. W/E - (Art. 26)	22,670
Brook school apts. & septic - amend 5/10/04 - (Art. 11)	250,000
Brook school apts. & septic - amend 5/10/04 - (Art. 11)	250,000
Library window repairs - (Art. 21)	60,000
Water system equip. - North Ave. - (Art. 23)	50,000
Landfill pollution mitigation - (Art. 24)	525,000
School vehicles - (Art. 25)	9,000
GIS phase #2 - (Art. 25)	50,000
MS/HS wastewater treatment facility - (Art. 32)	150,000
Water system equip. - Paines Hill water tank. - (Art. 33)	50,000
Fire station 2 - extraordinary repairs - (Art. 3)	30,000
Affordable housing #2 - (Art. 14)	250,000
DPW equipment replacement - (Art. 25)	117,500
DPW roadway improvements #4 - (Art. 26)	50,000
Surface drains #7 - (Art. 27)	200,000
GIS phase #3 - (Art. 28)	70,000
Library roof repairs - (Art. 29)	450,000
Fire dept. ambulance replacement - (Art. 30)	160,000
Fiber optic network - IT - (Art. 31)	400,000
Town emergency phone notification system - (Art. 32)	30,000
Middle school pool facility heating system - (Art. 33)	80,000
School technology equip. #1 - (Art. 34)	130,000
School parking/road improvements #3 - (Art. 35)	100,000
Field school feasibility study - (Art. 36)	<u>50,000</u>
Total	<u>\$ 4,437,170</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities (in thousands):

	Total				Total	Less	Equals
	Balance				Balance	Current	Long-Term
<u>Governmental Activities</u>	<u>7/1/04</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	<u>6/30/05</u>	<u>Portion</u>	<u>6/30/05</u>
Bonds payable	\$ 52,997	\$ 6,413	\$ 9,155	\$ (12,903)	\$ 55,662	\$ (5,046)	\$ 50,616
Accrued employee benefits	2,042	30	-	-	2,072	(104)	1,968
Landfill closure	400	-	-	(25)	375	(25)	350
Totals	\$ <u>55,439</u>	\$ <u>6,443</u>	\$ <u>9,155</u>	\$ <u>(12,928)</u>	\$ <u>58,109</u>	\$ <u>(5,175)</u>	\$ <u>52,934</u>

E. Advance and Current Refundings

Current Year

On August 1, 2004, the Town issued general obligation bonds in the amount of \$ 9,155,000 with a variable interest rate ranging from 2.00% to 5.00% to advance refund \$ 8,240,000 of term bonds with a variable interest rate ranging from 5.20% to 5.75%. The term bonds mature on March 1, 2020 and are callable on March 1, 2010. The general obligation bonds were issued at 2.00% and, after paying issuance costs of \$ 50,000, the net proceeds were \$ 9,327,001. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on March 1, 2010. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$ 245,475 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 250,666.

Defeased debt still outstanding at June 30, 2005 is \$ 8,240,000.

Prior Year

In prior years, the Town has defeased various bond issues by creating separate irrevocable trusts. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2014. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2005, the amount of defeased debt outstanding but removed from the governmental activities was \$ 2,719,000.

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 \$ 375,000 as postclosure care liability at June 30, 2005. These amounts are based on what it would cost to perform all postclosure care remaining on the closed landfill site in 2005. 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, 2005:

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, 2005, 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	\$ 5,041,830	4.50%	02/10/06	02/09/07
Bond anticipation noted	\$ 610,000	3.90%	02/10/06	06/01/06
General obligation bond	\$ 15,648,000	3.75-6.25%	02/10/06	02/10/26

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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel the probable outcome of these cases at the present time is indeterminable, 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, 2005 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, 2005, 2004, and 2003 were \$ 1,795,236, \$ 1,651,883, and \$ 1,428,001, 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 2005, the Commonwealth of Massachusetts contributed \$ 3,614,273 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 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, 2005 are as follows:

	<u>Health Coverage</u>
Claims liability, July 1, 2004	\$ 610,160
Claims incurred/recognized in fiscal year 2005	4,616,155
Claims paid in fiscal year 2005	<u>4,584,487</u>
Claims liability, June 30, 2005	\$ <u>641,828</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.

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, 2005

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 43,333,382	\$ 43,333,382	\$ 43,333,382	\$ -
Motor vehicle excise	1,900,000	1,900,000	2,403,075	503,075
Penalties, interest and other taxes	165,000	165,000	130,919	(34,081)
Intergovernmental	3,078,294	3,078,294	3,095,338	17,044
Licenses and permits	680,000	680,000	905,918	225,918
Charges for services	1,596,157	1,596,157	1,596,951	794
Fines and forfeits	90,000	90,000	120,833	30,833
Investment income	250,000	250,000	293,210	43,210
Miscellaneous	30,244	30,244	94,764	64,520
Transfers in	385,567	385,567	415,567	30,000
Other sources	2,057,248	2,057,248	2,057,248	-
Total Revenues and Other Sources	53,565,892	53,565,892	54,447,205	881,313
Expenditures and Other Uses:				
General government	11,550,154	11,609,654	11,247,351	362,303
Public safety	4,992,631	4,934,631	4,929,488	5,143
Education	24,615,016	24,615,016	24,537,723	77,293
Public works	2,585,121	2,585,121	2,862,730	(277,609)
Health and human services	523,318	521,818	499,474	22,344
Culture and recreation	892,401	892,401	871,745	20,656
Debt service	7,021,516	7,021,516	7,000,932	20,584
Intergovernmental	253,685	253,685	241,453	12,232
Transfers out	683,167	683,167	683,167	-
Other	448,883	448,883	448,883	-
Total Expenditures and Other Uses	53,565,892	53,565,892	53,322,946	242,946
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,124,259	\$ 1,124,259

See notes to financial statements.

TOWN OF WESTON, MASSACHUSETTS
Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

Budget/GAAP Reconciliation

The budgetary data for the general fund 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)	\$ 55,864,875	\$ 55,967,230
Other financing sources/uses (GAAP basis, net of refunding)	<u>415,567</u>	<u>983,167</u>
Subtotal (GAAP Basis)	56,280,442	56,950,397
Adjust tax revenue to accrual basis	(276,212)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(943,480)
Record current year carryforwards and continuing appropriations	-	481,419
Record GASB 24 on behalf payment	(3,614,273)	(3,614,273)
To record other sources and uses	<u>2,057,248</u>	<u>448,883</u>
Budgetary basis	\$ <u>54,447,205</u>	\$ <u>53,322,946</u>