



TOWN OF BELMONT, MASSACHUSETTS

Basic Financial Statements
and Required Supplementary Information

June 30, 2003

(With Independent Auditors' Report Thereon)

TOWN OF BELMONT, MASSACHUSETTS

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Independent Auditors' Report

The Board of Selectmen
Town of Belmont, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of and for the year ended June 30, 2003, 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 Belmont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Belmont Municipal Light Department, a major enterprise fund, which represent 55% and 57%, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to amounts included for the Municipal Light Department, and the related effects on the business-type activities, is based solely on the report of the other auditors.

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. The financial statements of the Municipal Light Department were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of June 30, 2003, 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.

As described in note 2(j), the Town of Belmont, in fiscal 2003, implemented Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Information on pages 40 through 41 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a separate report dated March 19, 2004, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

March 19, 2004



TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

As management of the Town of Belmont (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2003.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal, electricity transmission and parks and recreational facilities.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal 2003 by approximately \$71.1 million (net assets).
- The Town's total net assets increased by approximately \$6.0 million.
- At the end of fiscal 2003, undesignated fund balance for the general fund was approximately \$6.4 million or 10.7% of total general fund expenditures.
- The Town's total debt increased by approximately \$10.0 million during fiscal 2003.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required 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 the Town's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the Town's 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 of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the Town include water and sewer systems and electricity transmission activities.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

requirements. All of the funds of the Town 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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Town Annex Renovation Fund, which are the Town's only major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer systems and electric transmission activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems and electricity transmission activities, all of which are considered to be major funds of the Town.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: a pension trust fund and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police and fire off-duty details.

The Town is the trustee, or fiduciary, for its employees' pension plan. The Town's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

Other Information – In addition to the basic financial statements and accompanying notes, these financial statements also present certain required supplementary information (RSI).

The Town adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided for the general fund as RSI to demonstrate compliance with this budget.

Government-Wide Financial Analysis

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$71.1 million at the close of the most recent fiscal year.

A significant portion of the Town's net assets (65.5%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

	Net Assets		
	Governmental activities	Business-type activities	Total
Current and other assets	\$ 33,049,019	7,704,936	40,753,955
Capital assets	53,835,274	13,516,701	67,351,975
Total assets	86,884,293	21,221,637	108,105,930
Long-term debt outstanding	26,850,646	1,314,086	28,164,732
Other liabilities	6,989,731	1,844,006	8,833,737
Total liabilities	33,840,377	3,158,092	36,998,469
Net assets:			
Invested in capital assets, net of related debt	34,764,521	11,833,207	46,597,728
Restricted	1,879,966	816,000	2,695,966
Unrestricted	16,399,429	5,414,339	21,813,768
Total net assets	\$ 53,043,916	18,063,546	71,107,462

An additional portion of the Town's net assets (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents (\$21.8 million) of unrestricted net assets.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

During fiscal 2003, the Town's net assets increased by approximately \$6.0 million – \$4.5 million in the governmental activities and by approximately \$1.5 million in business-type activities.

Governmental Activities – Governmental activities increased the Town's net assets by approximately \$4.5 million, thereby accounting for 75% of the total growth in net assets of the Town. Key elements of this increase are as follows:

The Town budgets according to state regulations all capital projects in total from current-year appropriations or bond authorizations. The Town of Belmont funds over \$2.0 million a year from current-year appropriations for capital projects. Funds are raised in the current year for capital projects that exceed the depreciation that has been expensed by \$2.0 million.

The Town uses conservative budgeting practices. In fiscal 2003, there was a midyear cut in local aid that was addressed by cutting appropriations to capital projects and using other sources of funds rather than face a revenue deficit. The cut in local aid amounted to \$228,000.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2% taxing limitations can be overridden by Town-wide referendum vote. The Town has taken advantage of this override capability to increase operating budgets and so-called "debt exclusions" that are not subject to the Proposition 2-1/2% limitations. In fiscal 2003, the Town issued \$11.95 million in debt for Town Hall Annex renovations that fall into this category.

The Town collects over 99% of its property tax billings in the year billed. Property taxes increased by \$4.5 million in fiscal 2003. \$1.07 million of this increase was the allowable increase under Proposition 2-1/2%. \$0.7 million of this increase is the product of the certified new growth of the Town. The majority of the increase was due to a general operating override of \$2.0 million.

Finally, there was an increase of \$300,000 from grants and other account balances.

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Required Supplementary Information
Management's Discussion and Analysis

Business-type activities – Business-type activities increased the Town's net assets by approximately \$1.5 million, accounting for 25% of the total growth in the government's net assets. Statutory requirements, much like governmental funds, call for the funding of capital purchases from current year revenues. Revenues generated for capital increases exceeded depreciation. The largest increase of \$1.0 million is seen in the water fund.

	Changes in Net Assets		
	Governmental activities	Business-type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 3,564,804	21,152,913	24,717,717
Operating grants	6,259,028	148,055	6,407,083
Capital grants	786,262	—	786,262
General revenues:			—
Property taxes	46,923,574	—	46,923,574
Excise taxes	2,681,070	—	2,681,070
Intergovernmental	3,061,055	—	3,061,055
Other	1,726,088	—	1,726,088
Total revenues	<u>65,001,881</u>	<u>21,300,968</u>	<u>86,302,849</u>
Expenses:			
General government	2,711,758	—	2,711,758
Public safety	11,837,288	—	11,837,288
Education	32,890,504	—	32,890,504
Public works	7,675,579	—	7,675,579
Human services	843,201	—	843,201
Culture and recreation	2,340,853	—	2,340,853
State and county assessments	1,465,803	—	1,465,803
Other	77,767	—	77,767
Interest on long-term debt	1,329,743	—	1,329,743
Enterprise accounts:			
Water	—	2,950,021	2,950,021
Sewer	—	4,630,384	4,630,384
Light	—	11,577,236	11,577,236
Total expenses	<u>61,172,496</u>	<u>19,157,641</u>	<u>80,330,137</u>
Excess before transfers	3,829,385	2,143,327	5,972,712
Transfers	639,831	(639,831)	—
Increase in net assets	<u>4,469,216</u>	<u>1,503,496</u>	<u>5,972,712</u>
Net assets – beginning of year	<u>48,574,700</u>	<u>16,560,050</u>	<u>65,134,750</u>
Net assets – end of year	<u>\$ 53,043,916</u>	<u>18,063,546</u>	<u>71,107,462</u>

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Financial Analysis of the Town's Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's 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, the Town's governmental funds reported combined ended fund balances of approximately \$28.1 million, an increase of approximately \$11.8 million in comparison with the prior year. Of this total amount, \$21.1 million constitutes undesignated fund balance, which is available for appropriation by the Town or for expenditures in accordance with legal restrictions. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been (1) committed to liquidate contracts and purchase orders of the prior period (\$3.5 million), (2) designated for capital endowment (\$3.2 million), (3) designated for subsequent year's expenditures (\$0.2 million), and (4) designated for future health claims and stabilization (\$0.1 million).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$6.4 million, while total general fund balance reached approximately \$9.9 million. 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 10.7% of total general fund expenditures, while total fund balance represents 16.6% of that same amount. The fund balance of the Town's general fund increased by \$1.4 million during the current fiscal year.

The Town Annex Renovation fund is the capital fund established for the renovation and restoration of the Town Hall Annex and the School Administrative offices. These are historically significant buildings in Belmont dating back to the late 1800's when they had been built as a school and the original town library. These restoration/renovations are being funded by a bond issuance of \$11.95 million (Bond Issue) that has been voted as a debt exclusion outside of the Proposition 2-1/2% limit in Massachusetts. The project is expected to be complete in January 2005. At June 30, 2003, approximately \$10.3 million of the Bond Issue remains unspent.

Proprietary funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net assets of the proprietary funds at the end of the current fiscal year totaled approximately \$18.1 million. Changes in net assets of the proprietary funds at the end of the current fiscal year totaled approximately \$1.5 million.

Budgetary Highlights

Differences between the original budget and the final amended budget were mainly the result of reserve fund transfers within budget line items to address a shortfall in the public works department due to the heavy snowfall in the winter of 2002-2003.

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to approximately \$67.4 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction-in-progress, buildings, machinery and equipment, and infrastructure.

Major capital assets included the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land	\$ 347,777	12,486	360,263
Construction in progress	2,146,855	3,631	2,150,486
Buildings	36,267,780	3,592,630	39,860,410
Land improvements	300,718	—	300,718
Machinery and equipment	2,500,399	4,244,860	6,745,259
Infrastructure	12,271,745	5,663,094	17,934,839
Total	<u>\$ 53,835,274</u>	<u>13,516,701</u>	<u>67,351,975</u>

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$31 million. The entire amount is backed by the full faith and credit of the Town.

	<u>Outstanding debt</u>		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Total long-term obligations	\$ 29,308,816	1,683,494	30,992,310

The Town's debt increased by approximately \$10 million (47.3%) during the current fiscal year. The key factors in this increase were:

During 2003, the Town issued \$11.95 million of general obligation debt. All this debt was used to finance the complete renovations to the Town Hall Annex. This issue was a voted debt exclusion under Proposition 2-1/2% and therefore not subject to the restriction of the property tax limit in Massachusetts.

The Town has a "AAA" rating from Moody's for general obligation debt.

Economic factors and next year's budget – The Town continues to experience growth in residential renovation and redevelopment. In 2003, 775 building permits were issued, resulting in \$30.9 million in value. This is increased over 2002 levels, which generated 754 permits of \$29.3 million in value. This activity has produced new growth tax revenue, which is exempt from the limitations imposed by Proposition 2½. For fiscal year 2003, the Town realized \$643,273 in new taxes from this source.

TOWN OF BELMONT, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

The unemployment rate for Belmont in 2003 was 4.1%, compared to the state average of 5.8%. Despite these economic conditions, Belmont's residents voted to override the Proposition 2½ tax levy limitation by \$2.4 million of which \$2.0 million was used in fiscal year 2003 to fund important municipal and school operations. The Town collected 99% of all tax billings by the end of the fiscal year.

The per capita income in Belmont is \$42,485, compared to the state average of \$25,952. According to a study by Massachusetts Benchmarks, median family income in Belmont has grown 56% since 1990, to \$130,400. For homes sold in 2003, the average value was \$714,238, representing an increase of 6.5% over 2002.

State aid for school and general government operations declined in fiscal 2003. However, at approximately 10% of the Town's budget, state aid is a small percentage of the revenue stream.

Requests for Information

This information is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this document or requests for additional financial information should be addressed to the Finance Department, Town Hall, 19 Moore Street, Belmont, MA 02478.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Net Assets

June 30, 2003

Assets	Governmental activities	Business-type activities	Total
Cash and investments	\$ 29,219,572	2,763,795	31,983,367
Receivables, net:			
Property taxes	1,993,879	—	1,993,879
Intergovernmental	512,612	—	512,612
Other	623,271	2,932,523	3,555,794
Other assets	154,502	337,054	491,556
Restricted cash	545,183	1,671,564	2,216,747
Capital assets:			
Nondepreciable	2,494,632	16,117	2,510,749
Depreciable, net	51,340,642	13,500,584	64,841,226
Total assets	86,884,293	21,221,637	108,105,930
Liabilities			
Warrants and accounts payable	1,785,448	773,338	2,558,786
Accrued liabilities	1,292,860	57,391	1,350,251
Compensated absences and claims	1,238,600	252,635	1,491,235
Long-term liabilities:			
Due within one year:			
Bonds and notes	2,458,170	369,408	2,827,578
Due in more than one year:			
Bonds and notes	26,850,646	1,314,086	28,164,732
Other	214,653	391,233	605,886
Total liabilities	33,840,377	3,158,091	36,998,468
Net Assets			
Invested in capital assets, net of related debt	34,764,521	11,833,207	46,597,728
Restricted for:			
Debt service	—	816,000	816,000
Nonexpendable – cemetery and other purposes	545,183	—	545,183
Expendable – other purposes	1,334,783	—	1,334,783
Unrestricted	16,399,429	5,414,339	21,813,768
Total net assets	\$ 53,043,916	18,063,546	71,107,462

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2003

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 2,711,758	189,304	14,958	93,500	(2,413,996)		(2,413,996)
Public safety	11,837,288	687,263	258,717	678,835	(10,212,473)		(10,212,473)
Education	32,890,504	1,399,767	5,457,050	13,927	(26,019,760)		(26,019,760)
Public works	7,675,579	639,620	5,800	—	(7,030,159)		(7,030,159)
Human services	843,201	27,788	59,143	—	(756,270)		(756,270)
Culture and recreation	2,340,853	621,062	42,409	—	(1,677,382)		(1,677,382)
State and county assessments	1,465,803	—	—	—	(1,465,803)		(1,465,803)
Other	77,767	—	—	—	(77,767)		(77,767)
Interest on long-term debt	1,329,743	—	420,951	—	(908,792)		(908,792)
Total governmental activities	<u>61,172,496</u>	<u>3,564,804</u>	<u>6,259,028</u>	<u>786,262</u>	<u>(50,562,402)</u>		<u>(50,562,402)</u>
Business-type activities:							
Water	2,950,021	4,030,552	—	—	—	1,080,531	1,080,531
Sewer	4,630,384	5,068,166	—	—	—	437,782	437,782
Light	11,577,236	12,054,195	148,055	—	—	625,014	625,014
Total business-type activities	<u>19,157,641</u>	<u>21,152,913</u>	<u>148,055</u>	<u>—</u>	<u>—</u>	<u>2,143,327</u>	<u>2,143,327</u>
Total primary government	<u>\$ 80,330,137</u>	<u>24,717,717</u>	<u>6,407,083</u>	<u>786,262</u>	<u>(50,562,402)</u>	<u>2,143,327</u>	<u>(48,419,075)</u>
General revenues:							
Property taxes, levied for general purposes, net					46,923,574		46,923,574
Excises					2,681,070		2,681,070
Fines and forfeitures					170,344		170,344
Other					889,491		889,491
Intergovernmental					3,061,055		3,061,055
Unrestricted contributions					250		250
Investment income					666,003		666,003
Transfers					639,831	(639,831)	—
Total general revenues and transfers					<u>55,031,618</u>	<u>(639,831)</u>	<u>54,391,787</u>
Change in net assets					4,469,216	1,503,496	5,972,712
Net assets, beginning of year					48,574,700	16,560,050	65,134,750
Net assets, end of year					<u>\$ 53,043,916</u>	<u>18,063,546</u>	<u>71,107,462</u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2003

Assets	General	Town Annex renovation	Other governmental	Total
Cash and investments	\$ 11,477,150	10,298,214	7,444,208	29,219,572
Restricted cash	—	—	545,183	545,183
Receivables, net:				
Property taxes	1,993,879	—	—	1,993,879
Intergovernmental	—	—	512,612	512,612
Other	555,838	—	67,433	623,271
Total assets	<u>\$ 14,026,867</u>	<u>10,298,214</u>	<u>8,569,436</u>	<u>32,894,517</u>
Liabilities and Fund Balance				
Warrants and accounts payable	\$ 1,217,401	102,320	465,727	1,785,448
Accrued liabilities:				
Tax abatements	156,000	—	—	156,000
Payroll and related withholdings	65,886	—	—	65,886
Other	158,810	83,092	25,781	267,683
Deferred revenue	2,491,017	—	—	2,491,017
Total liabilities	<u>4,089,114</u>	<u>185,412</u>	<u>491,508</u>	<u>4,766,034</u>
Fund balance:				
Reserved for:				
Encumbrances	3,180,919	—	369,062	3,549,981
Unreserved:				
Designated for capital endowment	—	—	3,164,499	3,164,499
Designated for health claims	96,600	—	—	96,600
Designated for subsequent year's expenditures	183,081	—	—	183,081
Designated for stabilization	64,693	—	—	64,693
Undesignated, reported in:				—
General Fund	6,412,460	—	—	6,412,460
Town Annex Fund	—	10,112,802	—	10,112,802
Special Revenue Funds	—	—	1,621,953	1,621,953
Other capital projects funds	—	—	1,042,448	1,042,448
Permanent funds	—	—	1,879,966	1,879,966
Total fund equity	<u>9,937,753</u>	<u>10,112,802</u>	<u>8,077,928</u>	<u>28,128,483</u>
Total liabilities and fund balances	<u>\$ 14,026,867</u>	<u>10,298,214</u>	<u>8,569,436</u>	<u>32,894,517</u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2003

Total fund balance – governmental funds	\$ 28,128,483
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	347,777
Construction in progress	2,146,855
Buildings	63,532,535
Land improvements	2,077,387
Machinery and equipment	6,440,419
Infrastructure	17,486,885
Less accumulated depreciation	<u>(38,196,584)</u>
	<u>53,835,274</u>
Tax revenues are recorded on an accrual basis	<u>2,491,017</u>
Bond issuance costs are capitalized in the government-wide statements	<u>154,502</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds	(29,308,816)
Bond issue premium	(214,653)
Accrued interest on bonds	(803,291)
Compensated absences and claims	<u>(1,238,600)</u>
	<u>(31,565,360)</u>
Net assets of governmental activities	<u>\$ 53,043,916</u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2003

	General	Town Annex renovation	Other governmental	Total
Revenues:				
Real and personal property taxes	\$ 46,603,593	—	—	46,603,593
Excises	2,681,070	—	—	2,681,070
Licenses and permits	674,176	—	—	674,176
Intergovernmental	7,493,180	—	2,364,588	9,857,768
Charges for services	1,325,829	—	1,343,686	2,669,515
Fines and forfeitures	418,458	—	41,936	460,394
Investment income	338,137	—	327,867	666,004
Contributions	—	—	99,211	99,211
Other	908,951	—	88,724	997,675
Total revenues	60,443,394	—	4,266,012	64,709,406
Expenditures:				
Current:				
General government	2,277,198	—	24,404	2,301,602
Public safety	9,004,983	—	161,908	9,166,891
Education	28,706,154	—	2,849,874	31,556,028
Public works	6,797,586	—	43,889	6,841,475
Human services	756,186	—	69,942	826,128
Culture and recreation	2,068,488	—	43,881	2,112,369
Other expenditures	—	—	64,693	64,693
State and county assessments	1,465,803	—	—	1,465,803
Pension	2,507,391	—	—	2,507,391
Medical and insurance	1,799,938	—	—	1,799,938
Capital outlay	1,838,950	1,837,198	799,497	4,475,645
Debt service	2,518,798	—	—	2,518,798
Total expenditures	59,741,475	1,837,198	4,058,088	65,636,761
Excess (deficiency) of revenues over (under) expenditures	701,919	(1,837,198)	207,924	(927,355)
Other financing sources (uses):				
Transfers in	825,000	—	267,900	1,092,900
Transfers out	(278,069)	—	(175,000)	(453,069)
Proceeds of long-term debt	—	11,950,000	—	11,950,000
Premium on bond sale	146,950	—	—	146,950
Total other financing sources (uses)	693,881	11,950,000	92,900	12,736,781
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,395,800	10,112,802	300,824	11,809,426
Fund balance, beginning of year, as restated	8,541,953	—	7,777,104	16,319,057
Fund balance, end of year	\$ 9,937,753	10,112,802	8,077,928	28,128,483

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2003

Net change in fund balances – total governmental funds	\$ <u>11,809,426</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital additions (\$4,462,570) exceeded depreciation expense (\$1,931,391)	<u>2,531,179</u>
Accrual basis tax revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections	<u>292,476</u>
Proceeds of long-term debt (\$11,950,000) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$1,628,172) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	<u>(10,321,828)</u>
Bond premiums, net of amortization (\$133,348) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs, net of amortization (\$59,293) are expenditures in the governmental funds, but are deferred assets in the statement of net assets. This is the amount by which premiums exceeded issuance costs	<u>(74,055)</u>
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. This amount represents the increase in compensated absences (\$8,000) and interest payable (\$440,382) offset by an decrease in claims (\$680,400)	<u>232,018</u>
Change in net assets of governmental activities	\$ <u><u>4,469,216</u></u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

(except for the Municipal Light Department, which is as of December 31, 2002)

June 30, 2003

Assets	Enterprise funds			Total
	Water	Sewer	Light	
Current assets:				
Cash and cash equivalents	\$ 1,286,827	92,286	1,384,682	2,763,795
Receivables, net	810,682	1,349,123	772,718	2,932,523
Total current assets	<u>2,097,509</u>	<u>1,441,409</u>	<u>2,157,400</u>	<u>5,696,318</u>
Noncurrent assets:				
Restricted cash	—	—	1,671,564	1,671,564
Other	—	—	337,054	337,054
Capital assets:				
Nondepreciable	6,769	—	9,348	16,117
Depreciable, net	2,601,474	3,503,801	7,395,309	13,500,584
Total noncurrent assets	<u>2,608,243</u>	<u>3,503,801</u>	<u>9,413,275</u>	<u>15,525,319</u>
Total assets	<u>4,705,752</u>	<u>4,945,210</u>	<u>11,570,675</u>	<u>21,221,637</u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	55,454	17,494	700,390	773,338
Accrued expenses	6,183	1,356	49,852	57,391
Compensated absences and claims	69,200	43,400	140,035	252,635
Bonds and notes payable	55,322	114,086	200,000	369,408
Total current liabilities	<u>186,159</u>	<u>176,336</u>	<u>1,090,277</u>	<u>1,452,772</u>
Noncurrent liabilities:				
Bonds and notes payable	—	114,086	1,200,000	1,314,086
Other	—	—	391,233	391,233
Total noncurrent liabilities	<u>—</u>	<u>114,086</u>	<u>1,591,233</u>	<u>1,705,319</u>
Total liabilities	<u>186,159</u>	<u>290,422</u>	<u>2,681,510</u>	<u>3,158,091</u>
Net Assets				
Invested in capital assets, net of related debt	2,552,921	3,275,629	6,004,657	11,833,207
Restricted for debt service	—	—	816,000	816,000
Unrestricted	1,966,672	1,379,159	2,068,508	5,414,339
Total net assets	<u>\$ 4,519,593</u>	<u>4,654,788</u>	<u>8,889,165</u>	<u>18,063,546</u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds

Year ended June 30, 2003

(except for the Municipal Light Department, which is as of December 31, 2002)

	Enterprise funds			Total
	Water	Sewer	Light	
Operating revenues:				
Charges for services	\$ 4,030,552	5,053,776	12,027,977	21,112,305
Fees	—	14,390	—	14,390
Other	—	—	26,218	26,218
Total operating revenues	4,030,552	5,068,166	12,054,195	21,152,913
Operating expenses:				
MWRA assessment	1,376,463	3,591,169	—	4,967,632
Salaries and benefits	1,116,848	739,996	268,951	2,125,795
Utilities	21,082	2,345	8,378,438	8,401,865
Repairs and maintenance	236,094	163,451	738,040	1,137,585
Other supplies and expenses	89,032	60,257	1,328,238	1,477,527
Depreciation	110,502	73,166	787,556	971,224
Total operating expenses	2,950,021	4,630,384	11,501,223	19,081,628
Operating income	1,080,531	437,782	552,972	2,071,285
Nonoperating revenue (expense):				
Interest income	—	—	77,472	77,472
Interest expense	—	—	(76,013)	(76,013)
Other	—	—	70,583	70,583
Total nonoperating revenue (expenses)	—	—	72,042	72,042
Income before transfers	1,080,531	437,782	625,014	2,143,327
Transfers in	—	10,169	—	10,169
Transfers out	(100,000)	—	(550,000)	(650,000)
Change in net assets	980,531	447,951	75,014	1,503,496
Total net assets, beginning, as restated	3,539,062	4,206,837	8,814,151	16,560,050
Total net assets, end	\$ 4,519,593	4,654,788	8,889,165	18,063,546

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2003

(except for the Municipal Light Department, which is as of December 31, 2002)

	Enterprise funds			Total
	Water	Sewer	Light	
Cash flows from operations:				
Cash received from customers	\$ 3,841,076	4,810,762	12,147,945	20,799,783
Cash paid to employees and other vendors	(2,672,682)	(4,440,054)	(10,834,980)	(17,947,716)
Net cash provided by operations	<u>1,168,394</u>	<u>370,708</u>	<u>1,312,965</u>	<u>2,852,067</u>
Cash flows from noncapital financing activities:				
Transfers	(100,000)	10,169	(550,000)	(639,831)
Interest expense	—	—	(7,338)	(7,338)
Net cash provided by (used in) noncapital financing activities	<u>(100,000)</u>	<u>10,169</u>	<u>(557,338)</u>	<u>(647,169)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(593,422)	(174,505)	(487,514)	(1,255,441)
Interest paid on debt	—	—	(68,675)	(68,675)
Repayment of long-term debt	(55,322)	(114,086)	(200,000)	(369,408)
Other	—	—	70,583	70,583
Net cash used in capital and related financing activities	<u>(648,744)</u>	<u>(288,591)</u>	<u>(685,606)</u>	<u>(1,622,941)</u>
Cash flows from investing activity:				
Interest income	—	—	77,472	77,472
Net cash provided by investing activity	<u>—</u>	<u>—</u>	<u>77,472</u>	<u>77,472</u>
Increase in cash and cash equivalents	419,650	92,286	147,493	659,429
Cash and cash equivalents, beginning of year	867,177	—	2,908,753	3,775,930
Cash and cash equivalents, end of year	\$ <u>1,286,827</u>	<u>92,286</u>	<u>3,056,246</u>	<u>4,435,359</u>
Reconciliation of operating income to cash provided by operations:				
Operating income	\$ 1,080,531	437,782	552,972	2,071,285
Reconciliation of operating income to net cash provided by operations:				
Depreciation expense	110,502	73,166	787,556	971,224
Changes in operating assets and liabilities:				
Accounts receivable	(86,865)	(183,611)	88,448	(182,028)
Accounts payable	71,978	(150,306)	(153,441)	(231,769)
Other accrued liabilities	(7,752)	193,677	37,430	223,355
Net cash provided by operations	\$ <u>1,168,394</u>	<u>370,708</u>	<u>1,312,965</u>	<u>2,852,067</u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Statement of Net Assets – Fiduciary Funds

June 30, 2003

	As of December 31, 2002: Pension trust fund	Agency funds
Assets		
Cash and cash equivalents	\$ 944,450	134,798
Receivables:		
Due from general fund	1,570,355	—
Other	167,507	128,463
Total receivables	1,737,862	128,463
Investments, at fair value:		
Common stock	10,120,955	
Pooled investments	30,887,388	
Total investments	41,008,343	—
Total assets	43,690,655	263,261
Liabilities		
Accounts payable and other liabilities	83,179	134,798
Deferred revenue	—	128,463
Total liabilities	83,179	263,261
Net Assets		
Held in trust for pension benefits	\$ 43,607,476	—

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS
Statement of Changes in Net Assets – Fiduciary Funds
Year ended December 31, 2002

	<u>Pension trust fund</u>
Additions:	
Contributions:	
Employers	\$ 3,140,709
Employees	1,597,147
Transfers from other systems, net	<u>470,046</u>
Total contributions	<u>5,207,902</u>
Investment loss, net of related fees of \$217,776	<u>(3,299,264)</u>
Total additions	<u>1,908,638</u>
Deductions:	
Benefits	5,882,031
Administrative expenses	125,545
Member refunds	<u>101,569</u>
Total deductions	<u>6,109,145</u>
Change in net assets	(4,200,507)
Net assets, beginning of year	<u>47,807,983</u>
Net assets, end of year	<u><u>\$ 43,607,476</u></u>

See accompanying notes to basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(a) ***Basis of Presentation***

The financial condition and results of operations of the Town are presented as of and for the year ended June 30, 2003, except for the Belmont Municipal Light Department (the Municipal Light Department or Light) and the System which are presented as of and for the year ended December 31, 2002.

Government-Wide Statements

The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major governmental funds:

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

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(1) Financial Statement Presentation

The Town of Belmont (the Town) is governed by an elected three-member Board of Selectmen. They in turn appoint a Town Administrator who has general supervision of and control over the Town's boards, commissions, officers and departments. The legislative body of the Town is the elected Town Meeting members which consist of 288 members elected for a three-year term in addition to some ex-officio members. Accounting principles generally accepted in the United States of America (GAAP) require that the accompanying basic financial statements present the Town (the primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. Pursuant to this criteria, the Town of Belmont Retirement System (the System) has been identified as a component unit. The System was established under the authority of Chapter 32 of the Massachusetts General Laws (MGL), as amended, and is an independent contributory retirement system available to employees of the Town. The powers of the System are vested in the Retirement Board. The System is included into the Town's fiduciary funds for reporting purposes.

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the Town's joint ventures, their purpose, the address where the joint venture financial statements are available, and the annual assessment paid by the Town in 2003.

The Town is a participant in the following joint ventures:

<u>Joint venture</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal 2003 assessment</u>
Massachusetts Water Resources Authority (MWRA)	To provide water and sewer service	100 First Avenue, Boston, MA 02129	\$ <u>4,967,632</u>
Massachusetts Bay Transportation Authority (MBTA)	To provide public transportation	10 Park Plaza Boston, MA 02116	\$ <u>1,377,965</u>
Minuteman Regional School District	To provide vocational education	785 Marrett Road Lexington, MA 02173	\$ <u>504,519</u>
North East Solid Waste Communities	To provide trash disposal services	c/o Xenergy 3 Burlington Woods Burlington, MA 01803	\$ <u>1,234,973</u>

(2) Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Town's accounting policies are described below.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Town Annex Renovation Fund – This fund accounts for the renovation and restoration of the Town Hall Annex.

The Town reports the following major enterprise funds:

Water Fund – This fund accounts for the provisions of water treatment and distribution to its residential and commercial users located within the Town.

Sewer Fund – This fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the Town.

Light – This fund accounts for the Town's Electric Light Department.

Additionally, the Town reports the following fund types:

Pension Trust Fund – Accounts for the activities of the System, which accumulates resources for pension benefit payments to qualified employees of its contributing members.

Agency Funds – These funds account for off-duty police, fire and custodial details. The Town's agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

(b) *Measurement Focus, Basis of Accounting*

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town generally considers nongrant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Grant revenues that the Town earns by incurring obligations are recognized in the same period as when the obligations are recognized. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Tax abatement liability is based upon actual claims submitted prior to June 30 and that are expected to be liquidated within the ensuing twelve months. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financial sources.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(c) ***Deferred Revenue***

In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

(d) ***Cash and Cash Equivalents***

To improve cash management, cash received by the Town is pooled. Monies for all funds, except those restricted by MGL to be held separately, are maintained in this pool. Individual fund integrity is maintained through Town records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

(e) ***Investment Valuation***

The Town's investments are carried at fair value. The Town invests in the Massachusetts Municipal Depository Trust (MMDT) which is an external investment pool and is not SEC-registered. This fund is state-regulated and is valued at current share price.

(f) ***Compensated Absences***

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated sick and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

(g) ***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are reported as expenditures in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40-50 years
Land improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	15-100 years

Capital assets of the Light department are stated at cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time donated. Net interest costs are capitalized on projects during the construction period. Depreciation of utility plant is computed on the straight-line method at 3% of the cost of plant in service at the beginning of the calendar year, exclusive of land and land rights. Under Massachusetts law, the Light department may change its depreciation rate from the allowed 3% rate only with the approval of the Massachusetts Department of Telecommunications (DTE). The Light department used a depreciation rate of 4% for fiscal 2002. Expenditures for maintenance and repairs are charged to operations as incurred.

(h) Fund Balances – Governmental Funds

The Town has allocated fund balances to its governmental funds as follows:

Reserved for Encumbrances – Represents the amount of unexpended appropriations carried forward to fiscal 2003 for projects which have not been completed, open purchase orders and for contracts which have not been performed.

Designated for Capital Endowment – Represents the amount of funds designated for long-range capital planning. The Capital Endowment Fund (the Fund) was capitalized with funds from the sale of the Town's interest in the local cable television system. Net income generated from the Fund's investments may be appropriated annually at the Town meeting upon recommendation of the Board of Selectmen for various purposes for which the Town is authorized to borrow under the MGL, except routine maintenance or repairs to any capital asset. Principal may also be appropriated upon recommendation by the Board of Selectmen and two-thirds vote of the Town Meeting. Any excess earnings not appropriated are reinvested and become part of the Fund.

Designated for Subsequent Year's Expenditures – Represents the amount of fund balance authorized to fund fiscal 2004 appropriations.

Designated for Tax Rate Stabilization – Represents the amount of fund balance designated for future tax rate stability.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Designated for health claims – represents amount of fund balance that can be expended for the purpose of paying health claims.

Undesignated – Represents the amount of funds available for appropriations by the Town or for expenditure in accordance with legal restrictions for certain special revenue, capital projects, and permanent funds.

(i) ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation of the Town or through external restrictions imposed by grantors or laws or regulations primarily for cemetery perpetual care, educational scholarships and other purposes.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(j) ***Implementation of New Accounting Standards***

In fiscal 2003, the Town implemented GASB Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*, No. 37, *Basic Financial Statements for State and Local Government: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB 34 creates new basic financial statements for reporting on the Town’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column for governmental and proprietary funds. In addition to the basic financial statements, Management’s Discussion and Analysis and the Budgetary Compensation Schedule are presented as required supplementary information.

GASB also redefines “enterprise funds” to allow entities to record private sector-type activities whose operating costs, including depreciation and interest expense, are not necessarily intended to be recovered. Accordingly, effective July 1, 2002, the Town transferred certain governmental funds (water and sewer) to enterprise funds and converted the modified-accrual fund equity to an accrual basis. In addition, certain funds previously reported as fiduciary funds have been presented as governmental funds.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

The following is a reconciliation between the fund balances as originally reported at June 30, 2002 and as restated at July 1, 2002:

	<u>Governmental</u>		<u>Enterprise</u>	
	<u>General</u>	<u>Other</u>	<u>Water</u>	<u>Sewer</u>
Fund balance as previously reported	\$ 8,551,634	6,968,057	—	—
Transfer of governmental funds to enterprise funds	(95,914)	(967,177)	967,177	95,914
Transfer of expendable and nonexpendable trust funds to governmental funds	186,233	1,676,224	—	—
Recognition of invested in capital assets, net of related debt	—	—	2,014,679	3,060,204
Recognition of other assets and liabilities, net	(100,000)	100,000	557,206	1,050,719
Fund balance as restated	<u>\$ 8,541,953</u>	<u>7,777,104</u>	<u>3,539,062</u>	<u>4,206,837</u>

(k) Bond Discounts, Premiums and Issuance Costs

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Property Tax Receivables

Real and personal property taxes are based on values assessed as of each January 1 and are due in semiannual installments on November 1st and May 1st. By law, all taxable property in the Commonwealth

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide tax limitation statute known as “Proposition 2-1/2” limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 347,777	—	—	347,777
Construction in progress	—	2,146,855	—	2,146,855
Total capital assets, not being depreciated	<u>347,777</u>	<u>2,146,855</u>	<u>—</u>	<u>2,494,632</u>
Capital assets, being depreciated:				
Buildings	62,565,805	966,730	—	63,532,535
Land improvements	2,013,948	63,439	—	2,077,387
Machinery and equipment	5,758,207	682,212	—	6,440,419
Infrastructure	16,883,550	603,335	—	17,486,885
	<u>87,221,510</u>	<u>2,315,716</u>	<u>—</u>	<u>89,537,226</u>
Less accumulated depreciation for:				
Buildings	26,060,152	1,204,603	—	27,264,755
Land improvements	1,750,711	25,958	—	1,776,669
Machinery and equipment	3,483,063	456,957	—	3,940,020
Infrastructure	4,971,267	243,873	—	5,215,140
	<u>36,265,193</u>	<u>1,931,391</u>	<u>—</u>	<u>38,196,584</u>
Total capital assets, being depreciated, net	<u>50,956,317</u>	<u>384,325</u>	<u>—</u>	<u>51,340,642</u>
Governmental capital assets, net	<u>\$ 51,304,094</u>	<u>2,531,180</u>	<u>—</u>	<u>53,835,274</u>

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Public safety	\$ 160,895
Public works	562,824
Education	1,135,381
Human services	13,576
Culture and recreation	<u>58,715</u>
Total depreciation expense – governmental activities	<u><u>\$ 1,931,391</u></u>

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 3,138	—	—	3,138
Construction in progress	—	3,631	—	3,631
Total capital assets, not being depreciated	<u>3,138</u>	<u>3,631</u>	<u>—</u>	<u>6,769</u>
Capital assets, being depreciated:				
Buildings	141,491	—	—	141,491
Land improvements	7,822	—	—	7,822
Machinery and equipment	411,061	70,489	—	481,550
Infrastructure	19,320,701	519,302	—	19,840,003
Total capital assets, being depreciated	<u>19,881,075</u>	<u>589,791</u>	<u>—</u>	<u>20,470,866</u>
Less accumulated depreciation for:				
Buildings	111,778	3,066	—	114,844
Land improvements	7,822	—	—	7,822
Machinery and equipment	221,130	35,032	—	256,162
Infrastructure	17,418,160	72,404	—	17,490,564
	<u>17,758,890</u>	<u>110,502</u>	<u>—</u>	<u>17,869,392</u>
Total capital assets being depreciated, net	<u>2,122,185</u>	<u>479,289</u>	<u>—</u>	<u>2,601,474</u>
Water capital assets, net	<u>\$ 2,125,323</u>	<u>482,920</u>	<u>—</u>	<u>2,608,243</u>

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Sewer:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 41,966	174,505	—	216,471
Infrastructure	4,794,679	—	—	4,794,679
	<u>4,836,645</u>	<u>174,505</u>	<u>—</u>	<u>5,011,150</u>
Less accumulated depreciation for:				
Machinery and equipment	22,415	3,910	—	26,325
Infrastructure	1,411,768	69,256	—	1,481,024
	<u>1,434,183</u>	<u>73,166</u>	<u>—</u>	<u>1,507,349</u>
Total capital assets being depreciated, net	<u>3,402,462</u>	<u>101,339</u>	<u>—</u>	<u>3,503,801</u>
Sewer capital assets, net	\$ <u>3,402,462</u>	<u>101,339</u>	<u>—</u>	<u>3,503,801</u>

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

	Beginning balance	Increases	Decreases	Ending balance
Light:				
Capital assets, not being depreciated:				
Land	\$ 9,348	—	—	9,348
Total capital assets, not being depreciated	9,348	—	—	9,348
Capital assets, being depreciated:				
Buildings	14,160,079	434,803	67,589	14,527,293
Machinery and equipment	5,739,413	137,055	101,481	5,774,987
Total capital assets, being depreciated	19,899,492	571,858	169,070	20,302,280
Less accumulated depreciation for:				
Buildings	10,462,153	566,403	67,246	10,961,310
Machinery and equipment	1,741,988	221,153	17,480	1,945,661
Total accumulated depreciation	12,204,141	787,556	84,726	12,906,971
Total capital assets being depreciated, net	7,695,351	(215,698)	84,344	7,395,309
Light capital assets, net	7,704,699	(215,698)	84,344	7,404,657
Business-type activities capital assets, net	\$ 13,232,484	368,561	84,344	13,516,701

(5) Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (MMDT). The System has additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(a) Deposits

The following summary presents the amount of Town deposits which are fully insured or collateralized with securities held by the Town or its agent in the Town's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name (Category 2), and those deposits which are not collateralized (Category 3) at June 30, 2003 (except for the System which is at December 31, 2001).

	Bank balance			Total bank balance	Carrying amount
	1	2	3		
Cash	\$ 1,808,240	—	31,515,614	33,323,854	29,861,380

(b) Investments

The Town categorizes investments according to the level of custodial credit risk assumed by the Town. Category 1 includes investments that are insured, registered or held by the Town's agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department, or agent in the Town's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Town's name.

Investments in MMDT, international investments, real estate, and venture capital funds are not categorized because they are managed investment pools.

	Category			Not categorized	Fair value
	1	2	3		
MMDT	\$ —	—	—	2,358,862	2,358,862
Common stocks	10,700,928	—	—	—	10,700,928
Fixed-income securities:					
Corporate	250,732	—	—	—	250,732
Government	2,228,415	—	—	—	2,228,415
Pooled funds	—	—	—	30,887,388	30,887,388
Total	\$ 13,180,075	—	—	33,246,250	46,426,325

Of the investments reflected in the preceding table, investments of the System constitute 77% and 93%, respectively, of the investments in Category 1 and not categorized.

From time to time the System invests in derivative products, mainly currency hedges, to minimize the currency risk on its international investments. The System's investments are managed by independent professional money managers whose investment performance is subject to periodic review. At June 30, 2003, the System considers its exposure to derivatives to be insignificant.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid, and capital outlays throughout the year.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(6) Retirement System

The System's separately issued December 31, 2002 financial statements can be obtained by contacting the Town of Belmont Retirement Office located at 19 Moore Street, Belmont, Massachusetts 02478.

(a) *Plan Description*

The Town contributes to the System a cost-sharing, multiple-employer, public employee retirement system that acts as the investment and administrative agent for the Town and the Belmont Housing Authority. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System, which is governed by Chapter 32 of the MGL. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System, to which the Town of Belmont does not contribute.

(b) *Significant Accounting Policies of the System*

(i) *Basis of Accounting*

The System is presented on the accrual basis of accounting.

(ii) *Contributions*

Employer contributions are recognized as revenue and recorded as a receivable when appropriated by the participating employers. Plan member and other contributions are recognized when due.

(iii) *Benefits and Refunds*

Benefits and refunds to plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the plan.

(iv) *Valuation of Investments*

Investments are reported at fair value. Fair values of investments are based on quotations from a national securities exchange, except for pooled funds, which are valued at unit value.

(v) *Basis of Investment Transactions*

Purchases and sales of investments are recorded on the trade date.

(c) *Contribution Requirements and Contribution Made*

The System's funding policy is governed by Section 22D of Chapter 32. The Town is required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability no later than June 30, 2028. The System's funding schedule will amortize the unfunded liability by fiscal 2025. Normal cost is based upon the entry age normal cost method and would increase each year. The Commonwealth of Massachusetts funded cost-of-living adjustments (COLAs) granted from July 1, 1981 to June 30, 1998. The System is responsible for COLAs granted after July 1, 1998.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

The Town's contributions to the System for the years ended December 31, 2002, 2001, and 2000 were \$3,089,830, \$2,943,529, and \$2,778,126, respectively, and were made in accordance with the funding policy described above.

(7) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2003:

	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Governmental activities:						
General – general obligation bonds	2023	3.00% - 5.50%	\$ 18,986,988	11,950,000	(1,628,172)	29,308,816
Subtotal			<u>18,986,988</u>	<u>11,950,000</u>	<u>(1,628,172)</u>	<u>29,308,816</u>
Business-type activities:						
Water – note payable	2004	0%	110,644	—	(55,322)	55,322
Sewer – note payable	2005	0%	342,258	—	(114,086)	228,172
Light – general obligation bonds	2010	4.25% - 4.60%	1,600,000	—	(200,000)	1,400,000
Subtotal			<u>2,052,902</u>	<u>—</u>	<u>(369,408)</u>	<u>1,683,494</u>
Total debt			<u>\$ 21,039,890</u>	<u>11,950,000</u>	<u>(1,997,580)</u>	<u>30,992,310</u>

Water and sewer notes payable represent interest free notes from the MWRA. The notes are payable in equal installments through 2004 (water) and 2005 (sewer).

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2003 matures as follows:

	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 2,458,170	1,531,047	3,989,217
2005	2,228,170	1,169,872	3,398,042
2006	2,083,170	1,074,972	3,158,142
2007	2,113,170	984,907	3,098,077
2008	2,113,170	891,357	3,004,527
2009-2013	10,165,913	3,103,134	13,269,047
2014-2018	5,165,784	1,157,691	6,323,475
2019-2023	2,981,269	346,736	3,328,005
	<u>\$ 29,308,816</u>	<u>10,259,716</u>	<u>39,568,532</u>

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

	Business-type activities			
	Water		Sewer	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2004	\$ 55,322	—	114,086	—
2005	—	—	114,086	—
	<u>\$ 55,322</u>	<u>—</u>	<u>228,172</u>	<u>—</u>

	Business-type activities			
	Light		Total	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2004	\$ 200,000	57,950	369,408	57,950
2005	200,000	49,400	314,086	49,400
2006	200,000	40,700	200,000	40,700
2007	200,000	31,800	200,000	31,800
2008	200,000	22,800	200,000	22,800
2009-2013	400,000	18,350	400,000	18,350
	<u>\$ 1,400,000</u>	<u>221,000</u>	<u>1,683,494</u>	<u>221,000</u>

The Commonwealth of Massachusetts has approved school construction assistance to the Town. The assistance program, which is administered by the School Building Assistance Bureau (SBAB), provides funds for future debt service of general obligation school bonds outstanding. These resources are subject to annual appropriation by the state legislature and the Town's compliance with certain reporting requirements. During fiscal 2003, the Town received approximately \$1,100,000 of such assistance.

The Town is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2003, the Town may issue approximately \$174,583,000 additional general obligation debt under the normal debt limit. The Town has approximately \$27,275,000 of debt exempt from the debt limit.

At June 30, 2003, the Town had \$2,940,000 of authorized and unissued debt.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of each entity at June 30, 2003, the estimated share of such debt being serviced by the Town, and the total of its share of estimated indirect debt.

	Long-term debt outstanding (unaudited)	Town's estimated share	Town's estimated indirect debt
MWRA:			
Water	\$ 1,550,239,000	1.214%	\$ 18,819,898
Sewer	3,452,895,000	1.195%	41,262,091

(8) Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs).
- Federal and state-aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. Short-term debt activity for the year ended June 30, 2003 was as follows:

	Outstanding at June 30, 2002	Additions	Deductions	Outstanding at June 30, 2003
Bond anticipation notes payable:				
Belmont High Track Plans	\$ 25,000	—	(25,000)	—

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(9) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2003 were as follows:

	Governmental funds		Enterprise funds		
	General	Other	Water	Sewer	Light
Water – administration	\$ 100,000	—	(100,000)	—	—
Sewer – subsidy	(10,169)	—	—	10,169	—
Electric – in lieu of taxes	550,000	—	—	—	(550,000)
Capital endowment – debt service	100,000	(100,000)	—	—	—
Parking meters – revolving fund transfer	50,000	(50,000)	—	—	—
Cemetery perpetual care – expendable fund transfer	25,000	(25,000)	—	—	—
Insurance reimbursement – fire station study	(242,900)	242,900	—	—	—
General – debt service	(25,000)	25,000	—	—	—
Total	\$ 546,931	92,900	(100,000)	10,169	(550,000)

(10) Due from Other Funds

The pension trust fund had an interfund receivable of \$1,570,355, which represents remaining pension contributions. There is no corresponding payable because the Town and the pension trust fund have different fiscal year-ends.

(11) Postemployment Benefits

In addition to providing pension benefits, the Town provides the majority of retired employees with partial payment of their health care and life insurance benefits. These benefits are provided primarily through Harvard Pilgrim and Unicare. Benefits paid by the Town are on a “pay-as-you-go” basis, and there is no actuarial valuation available as of June 30, 2003. The Town’s share of the total cost for the year ended June 30, 2003 was approximately \$2,068,000.

(12) Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, unemployment, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$50,000 per incident. Vehicle damage and loss is self-insured. The Town is self-insured for workers’ compensation relating to police officers and firefighters. Self-insured workers’ compensation is not material to the Town’s basic financial statements at June 30, 2003. All other employees of the Town are provided workers’ compensation coverage through a premium-based plan.

Through April 1, 2003, the Town was also self-insured for those employees electing indemnity health plans. The Town also provides preferred provider health plans (premium-based health plans) for those employees not electing indemnity plans. Subsequent to April 1, 2003, the Town’s health insurance is completely premium based.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

The Town is self-insured for other general liability; however, Chapter 258 of the MGL limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

Liabilities for self-insured claims are reported as liabilities if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability in fiscal 2003 and 2002 were as follows:

	Indemnity plans
Balance, June 30, 2001	\$ 701,300
Provision for losses/change in estimate	3,185,368
Payment for claims	<u>(3,109,668)</u>
Balance, June 30, 2002	777,000
Provision for losses/change in estimate	2,242,296
Payment for claims	<u>(2,922,696)</u>
Balance, June 30, 2003	<u><u>\$ 96,600</u></u>

(13) Contingencies

There are several lawsuits in which the Town is involved. The Town estimates that the potential claims against the Town not covered by insurance resulting from such litigation would not materially affect the Town's basic financial statements.

TOWN OF BELMONT, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund
Required Supplementary Information

June 30, 2003

	<u>Budgeted amounts</u>		<u>Actual amounts (budgetary basis)</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Real and personal property taxes, net	\$ 46,285,347	46,285,347	46,285,347	—
Excises	2,575,000	2,575,000	2,681,070	106,070
Licenses and permits	536,800	536,800	674,176	137,376
Intergovernmental	7,721,338	7,721,338	7,493,180	(228,158)
Charges for services	1,140,850	1,140,850	1,325,819	184,969
Fines and forfeitures	467,000	467,000	418,468	(48,532)
Investment income	400,000	400,000	314,152	(85,848)
Other	528,400	528,400	629,547	101,147
Amounts available for appropriation	<u>59,654,735</u>	<u>59,654,735</u>	<u>59,821,759</u>	<u>167,024</u>
Charges to appropriations (outflows):				
Current:				
General government	2,541,950	2,389,581	2,285,630	103,951
Public safety	9,065,841	9,137,841	9,102,016	35,825
Education	28,742,946	28,742,946	28,599,120	143,826
Public works	6,882,969	7,023,178	6,775,262	247,916
Human services	812,038	811,636	763,117	48,519
Culture and recreation	2,096,221	2,096,221	2,086,906	9,315
State and county assessments	1,457,551	1,457,551	1,465,803	(8,252)
Pension	2,531,987	2,531,987	2,507,391	24,596
Medical and insurance	2,085,554	1,978,386	1,799,938	178,448
Capital outlay	2,118,453	2,166,183	2,166,183	—
Debt service	2,550,225	2,550,225	2,518,798	31,427
Total charges to appropriations	<u>60,885,735</u>	<u>60,885,735</u>	<u>60,070,164</u>	<u>815,571</u>
Excess (deficiency)	<u>(1,231,000)</u>	<u>(1,231,000)</u>	<u>(248,405)</u>	<u>982,595</u>
Other financing sources (uses):				
Premium on bond sale	—	—	146,950	146,950
Transfers in (out), net	725,000	725,000	546,931	(178,069)
Total other financing sources (uses)	<u>725,000</u>	<u>725,000</u>	<u>693,881</u>	<u>(31,119)</u>
Net change	<u>\$ (506,000)</u>	<u>(506,000)</u>	<u>445,476</u>	<u>951,476</u>

See notes to required supplementary information.

TOWN OF BELMONT, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2003

Note A – Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by Town meeting.

All general fund functions are budgeted and are prepared on a basis other than generally accepted accounting principles (GAAP). The "actual" results column budgetary basis is presented on a "budget basis" to provide a meaningful comparison with the budget.

The major differences between budget and GAAP bases are that:

- (a) Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP). The following reconciliations summarize the differences between budget and GAAP basis accounting principles for the year ended June 30, 2003.

Note B – Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures – General Fund

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 59,821,759	60,070,164	693,881
Adjustment of revenues to a modified accrual basis	621,635	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	(328,689)	—
As reported on a GAAP basis	<u>\$ 60,443,394</u>	<u>59,741,475</u>	<u>693,881</u>