

**TOWN OF CARLISLE, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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# *Independent Auditors' Report*



*Certified Public Accountants*

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## **Independent Auditors' Report**

To the Honorable Board of Selectmen  
Town of Carlisle, 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 Carlisle, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town of Carlisle, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Carlisle, Massachusetts' management. Our responsibility is to express opinions 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 Carlisle, Massachusetts, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2012 on our consideration of the Town of Carlisle, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 14) and general fund and community preservation fund budgetary comparison, certain pension and other post employment benefits information (located on pages 49 through 57) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Zullin, Ray & Company, LLC*

September 20, 2012

## *Management's Discussion and Analysis*

As management of the Town of Carlisle, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2012.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$28,525,956 (net assets).
- The Town's total net assets increased by \$4,818,249, primarily due to actual spending for the fiscal year that was less than budgeted (approximately \$1,030,000) and an increase in capital grants and contributions (approximately \$3,457,000).
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,218,018, or 12.9% percent, of total general fund revenues and other financing sources of \$25,041,207.
- The Town's total short-term debt increased by \$3,471,000 during the fiscal year. Short-term debt of \$9,965,000 from the prior year (for school design, a fire truck, a DPW truck, cisterns, and school construction) was reissued, with the exception of a \$39,000 pay down of school design notes. Also, \$3,510,000 of additional notes for school construction were issued.
- The Town's total bonded debt decreased by \$865,000 during the fiscal year. No new long-term debt was issued during the fiscal year.

### *Overview of the Basic Financial Statements*

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

#### 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 a private-sector business.

The **statement of net assets** presents information on all of the Town's non-fiduciary 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 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, earned but unused vacation leave, etc.).

The government-wide financial statements present functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, and debt service interest.

The government-wide financial statements can be found on pages 16-17 of this report.

### 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 requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, community preservation (special revenue), and school construction project (capital projects) funds, each of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-23 of this report.

### **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 programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

The fiduciary funds provide separate information for private-purpose trust funds and agency funds, and are combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

### **Notes to the basic 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. The notes to the financial statements are on pages 26-48.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post employment benefits information, which can be found on pages 49-57 of this report.

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$28,525,956 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>	
	2012	2011
<b>Assets</b>		
Current assets.....	\$ 13,964,807	\$ 17,002,328
Noncurrent assets (excluding capital assets).....	178,083	131,872
Capital assets (net).....	<u>38,796,146</u>	<u>26,551,941</u>
 Total assets.....	 <u>52,939,036</u>	 <u>43,686,141</u>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	3,538,998	2,447,777
Noncurrent liabilities (excluding debt).....	3,413,082	2,675,657
Current debt - short-term notes payable (1).....	13,436,000	9,965,000
Current debt - long-term bonds payable.....	750,000	865,000
Noncurrent debt.....	<u>3,275,000</u>	<u>4,025,000</u>
 Total liabilities.....	 <u>24,413,080</u>	 <u>19,978,434</u>
<b>Net Assets</b>		
Invested in capital assets (net of related debt).....	25,242,919	19,739,271
Restricted.....	3,717,055	3,705,279
Unrestricted.....	<u>(434,018)</u>	<u>263,157</u>
 Total net assets.....	 <u>\$ 28,525,956</u>	 <u>\$ 23,707,707</u>

(1) The Town anticipates permanently financing the \$13,436,000, most of which relates to the new school building project, of short-term notes payable outstanding at June 30, 2012 in fiscal year 2013.

A portion of the Town's net assets reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its 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 the Town's net assets (\$3,717,055) represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net assets available for the support of governmental activities. Such resources have been consumed with the recognition of post retirement benefit liabilities of \$3,343,314.

Changes in Net Assets

The Town's total net assets increased by \$4,818,249, compared to an increase of \$900,093 in the prior fiscal year. These amounts are summarized as follows:

<b>Revenues</b>	<i>Governmental Activities</i>	
	2012	2011
<i>Program Revenues:</i>		
Charges for services.....	\$ 951,643	\$ 966,014
Operating grants and contributions.....	1,891,616	1,664,403
Capital grants and contributions.....	4,485,954	1,029,451
<i>General Revenues:</i>		
Real estate and personal property taxes.....	21,319,317	20,759,333
Motor vehicle and other excise taxes.....	809,090	779,837
Penalties and interest on taxes.....	60,354	54,670
Payments in lieu of taxes.....	-	6,279
Community preservation surcharges.....	356,979	350,897
Grants and contributions not restricted to specific programs.....	1,641,864	1,608,744
Unrestricted investment income.....	61,860	66,622
<b>Total revenues.....</b>	<b><u>31,578,677</u></b>	<b><u>27,286,250</u></b>
<b>Expenses</b>		
General government.....	1,426,869	1,488,003
Public safety.....	2,783,181	2,597,787
Education.....	19,256,515	19,155,514
Public works.....	1,656,298	1,715,813
Health and human services.....	424,355	347,791
Culture and recreation.....	918,903	885,031
Debt service - interest.....	294,307	196,218
<b>Total expenses.....</b>	<b><u>26,760,428</u></b>	<b><u>26,386,157</u></b>
<b>Change in net assets.....</b>	<b>4,818,249</b>	<b>900,093</b>
<b>Net assets - beginning of year.....</b>	<b><u>23,707,707</u></b>	<b><u>22,807,614</u></b>
<b>Net assets - end of year.....</b>	<b><u>\$ 28,525,956</u></b>	<b><u>\$ 23,707,707</u></b>

The Town's net assets increased \$4,818,249. In the prior year, the Town's net assets increased \$900,093. The key element of this change is an increase in capital grants and contributions (approximately \$3,457,000), primarily related to the Carlisle K-8 school construction project.

### *Fund Financial Statement Analysis*

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

#### Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling (\$2,940,558), a decrease of \$7,585,177 in comparison with the prior year. Unassigned fund balance totaled (\$7,397,076), resulting from temporary fund deficits (see Note 2B) in the school construction project major fund and several nonmajor capital projects funds. The remainder of governmental fund balance includes the following constraints (as detailed in footnote 11 on page 45) for:

- Nonspendable (\$249,698)
- Restricted (\$3,592,828)
- Committed (\$562,196)
- Assigned (\$51,796)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$3,218,018, while total fund balance was \$3,832,010. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and other financing sources. Unassigned fund balance represents 12.9% of total general fund revenues and other financing sources, while total fund balance represents 15.3% of that total.

The fund balance of the Town's general fund increased \$395,522 during the current fiscal year. Although the Town recognized an approximate \$1,350,000 budgetary surplus (budget vs. actual activity before encumbrances and continuing appropriations), approximately \$786,000 of reserves was utilized for spending during fiscal year 2012. In addition, the net increase to the Town's tax refunds payable liability was approximately \$207,000.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) decreased by \$120,233 during the current fiscal year. The fund recognized \$358,622 in surcharges, liens and penalties and interest, \$93,610 in intergovernmental revenues and \$1,510 of investment income. Expenditures of \$573,975 were incurred during the fiscal year. Of this amount, approximately \$170,000 was incurred for renovations to the Highland Building, approximately \$132,000 was incurred for restoration of the Bog House and approximately \$204,000 was incurred for debt service.

The school construction project fund (capital project) decreased by \$7,501,950 during the current fiscal year. The fund recognized \$4,142,680 in intergovernmental revenues. Expenditures of \$11,644,630 were incurred during the fiscal year.

General Fund Budgetary Highlights

The original general fund budget of \$24,069,448 was increased by \$184,160 (0.8%) during the fiscal year. The following table summarizes the net increase:

Purpose of Increase	Amount	Funding Source
DPW dump truck.....	\$ 95,000	Unassigned fund balance
Fire department pickup truck.....	53,000	Unassigned fund balance
Fire department expenditures.....	36,160	Ambulance special revenue fund
<b>Total increase.....</b>	<b>\$ 184,160</b>	

General Fund Trends

	2012	2011	2010	2009	2008
<b>General Fund - Operating Component:</b>					
Total fund balance.....	\$ 2,770,959	\$ 2,438,354	\$ 2,371,330	\$ 2,055,894	\$ 1,698,410
Less restrictions for:					
Debt service.....	-	46,807	70,878	95,073	80,598
Less commitments for:					
Subsequent year's expenditures (b).....	141,000	297,852	294,828	104,625	148,416
Continuing appropriations.....	421,196 (c)	238,124	226,052	234,312 (a)	305,951
Less assignments for:					
Encumbrances.....	51,796	54,858	33,472	23,453	73,676
Unassigned fund balance.....	2,156,967	1,800,713	1,746,100	1,598,431	1,089,769
<b>General Fund - Stabilization Component:</b>					
Total fund balance (unassigned).....	1,061,051	998,134	935,154	871,150	868,342
Total general fund balance.....	3,832,010	3,436,488	3,306,484	2,927,044	2,566,752
Total general fund revenue & other financing sources (ofs).....	\$ 25,041,207	\$ 24,236,867	\$ 23,471,317	\$ 22,995,726	\$ 22,302,470
Total general fund (operating) unassigned fund balance as % of total general fund revenues and ofs.....	8.6%	7.4%	7.4%	7.0%	4.9%
Total general fund (stabilization) unassigned fund balance as % of total general fund revenues and ofs.....	4.3%	4.1%	4.0%	3.8%	3.9%
Total general fund unassigned fund balance as % of total general fund revenues and ofs.....	12.9%	11.5%	11.4%	10.8%	8.8%

(a) The decrease in the fund balance constraints for encumbrances and continuing appropriations (between 2008 and 2009) of approximately \$122,000 is primarily attributable to a decrease in several special article carryforwards, including an approximate \$68,000 decrease in school special article carryforwards.

(b) Net changes in the commitment for subsequent year's expenditures are attributable to net changes in the amount of "free cash" (a statutory calculation) that the Town votes to fund a portion of the subsequent fiscal year's operating budget.

(c) The increase in the fund balance constraints for continuing appropriations (between 2011 and 2012) of approximately \$183,000 is primarily attributable to new special article carryforwards, including \$95,000 and \$53,000 for a dump truck and pickup truck, respectively.

**Capital Asset and Debt Administration**

Capital assets

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$38,796,146 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$12,244,205.

Major capital asset events that occurred during the current fiscal year include the following:

- Carlisle K-8 school construction in progress (\$11,718,000)
- Purchase of fire truck (\$410,000)
- Chapter 90 roadway improvements (\$320,000)
- Highland building construction in progress (\$178,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>	
	2012	2011
Land.....	\$ 9,128,798	\$ 9,128,798
Construction in progress.....	15,768,595	3,738,798
Land improvements.....	36,672	42,799
Buildings.....	7,300,480	7,549,191
Machinery and equipment.....	1,652,973	1,255,013
Infrastructure.....	4,908,628	4,837,342
Total capital assets.....	\$ 38,796,146	\$ 26,551,941

Additional information on the Town's capital assets can be found in Note 5 on page 38 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$4,025,000, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	2012	2011
General obligation bonds.....	\$ 3,895,000	\$ 4,760,000
Massachusetts Water Pollution Abatement Trust (MWPAT) notes.....	130,000	130,000
Total bonds and notes.....	\$ 4,025,000	\$ 4,890,000

The Town's total bonded debt decreased \$865,000 (17.7%) during the current fiscal year. Short-term debt of \$9,965,000 from the prior year was reissued, with the exception of a \$39,000 pay down of school design notes. Also, \$3,510,000 of additional notes for school construction were issued. The Town received an Aa2 rating from Moody's Investor Service for its most recent issuance of long-term debt on March 15, 2010. This bond rating was unchanged from the Town's previous issuance of long-term debt on April 1, 2006.

State statutes limit the amount of general obligation debt the Town may issue to 5% of its total assessed valuation. Based upon the equalized valuation dated January 31, 2011 by the Commissioner of Revenue, the current debt limit is \$73,075,120, which is significantly in excess of the Town's outstanding debt.

Additional information on the Town's long-term debt can be found in Note 9 on pages 40-42 of this report.

### *Economic Factors and Next Year's Budgets and Rates*

- Overall anticipated fiscal year 2013 revenues and fund transfers are expected to show an increase of 0.73% over fiscal year 2012. Revenues from property taxes are expected to increase by 1.23%, which includes a decrease in the excluded debt levy of \$126,403. For fiscal year 2013, State aid to cities and towns, local schools and regional school districts is expected to increase as compared to the prior fiscal year. The Massachusetts Department of Revenue has published the fiscal year 2013 Cherry Sheet, showing that Carlisle should expect to receive a net of \$1,161,216 in state aid. This compares to \$1,127,112 estimated on the Cherry Sheet for fiscal 2012, an increase of \$34,104 (3.03%). Local receipts are expected to increase by 2.19%. To supplement the fiscal year 2013 budget, the Town voted to use \$66,000 of Free Cash. In addition, Free Cash was used for a \$75,000 transfer to the Stabilization Fund.
- Free Cash represents amounts which are available for appropriation by Town Meeting each year. These amounts are certified annually in accordance with the provisions of G.L. Chapter 59, sec. 23 by the Department of Revenue. The calculation, and therefore the balance, differs materially from the fund balances set forth in these financial statements. The certified Free Cash balance as of July 1, 2012 was \$2,577,531 (\$2,144,197 at July 1, 2011).
- Fiscal year 2013 department appropriations provide for an increase of 0.51% as compared to fiscal year 2012. The budgets included cost-of-living increases and scheduled wage adjustments for non-contractual employees. All contractual obligations are funded for employees under contract. Increased costs for benefits, health insurance and retirement obligations for current and former employees are also provided. There are three collective bargaining units in Carlisle. The Carlisle Public School teachers are represented by the Carlisle Teachers' Association. Police officers are represented by the Massachusetts Coalition of Police Officers, Local 201. Communications (dispatchers) personnel are represented by the Massachusetts Coalition of Police Officers, Local 201A.
- The fiscal year 2013 budget provides for \$250,000 of continuing investment in the Town's assets and infrastructure. These include a range of items for the local schools, police and fire departments, DPW and other bodies. The Town voted to fund these assets with \$250,000 from within the base property tax levy.
- The fiscal year 2013 budget provides for payment of the budgetary assessment required by both the Concord-Carlisle Regional School District (CCRS) and the Minuteman Regional School District (MMRS) for operating expenses and debt service. In each case, the assessment is calculated based upon the percentage of Carlisle students to the total enrollment of the member communities. The assessment ratio in fiscal year 2012 for CCRS was 29.61%, requiring an appropriation for operations and debt service of \$6,348,019. The assessment ratio for the fiscal year 2013 at CCRS decreased to 28.23%, resulting in an assessment for operations and debt service of \$6,026,104, approved by Town Meeting. The total appropriation has therefore decreased 5.08% from fiscal 2012 to fiscal 2013. The assessment ratio at CCRS in the next few years is expected to decrease gradually as Carlisle sends a lesser proportion of students to CCRS. This will result in the Town bearing a lesser portion of the overall CCRS budget for operations and debt service. The MMRS assessment for fiscal 2013 increased by \$60,054 (46.14%) as compared to fiscal 2012, to an assessment of \$190,231. The number of students attending MMRS increased from approximately 5 attending in fiscal 2012 to 7 attending in fiscal 2013.
- To meet the total appropriations for fiscal year 2013, no Proposition 2 ½ override was necessary. The total fiscal year 2013 budget to be raised from taxes or provided through State aid, local receipts, etc. is expected to be \$24,494,312, an increase of 0.57% over fiscal year 2012.

- New growth, or the additional value of new construction or subdivisions, which is used to project new tax revenue, has remained relatively flat during the past two years. New growth for the twelve months ended June 30, 2011 amounted to \$14,666,224. The current estimate of new growth for the twelve months ended June 30, 2012 is estimated to be approximately \$16,000,000, and the current projection for new growth for the twelve months ending June 30, 2013 is \$15,000,000. New growth is derived from newly created building lots, from the construction of new homes, and renovations to existing properties.
- At the May 2009 annual Town Meeting, and subsequently approved as a debt exclusion by a vote at the ballot, \$450,000 was appropriated for schematic design and project management services associated with the additions, renovations and site work improvements to the Carlisle Public Schools. At the May 2010 annual Town Meeting, and subsequently approved as a debt exclusion by a vote at the ballot, an additional \$19,455,000 was appropriated for design, project management services, and construction associated with the additions, renovations and site work improvements to the Carlisle Public Schools. Including the original appropriations for the 2006 Master Plan of \$50,000, and the initial appropriation for the Owners Project Manager of \$25,000, the total project costs for the Carlisle Public School totals \$19,980,000. The Massachusetts School Building Authority ("MSBA") originally agreed to reimburse up to \$6,988,637 of qualifying expenditures, subject to audit, for both the schematic design and construction phases of the school building project. During fiscal year 2012, the MSBA reduced the maximum reimbursement to \$6,796,030. The construction bids came in lower than the original estimates. The agreed upon reimbursement rate for eligible costs remains at 40%.
- As of June 30, 2012, the Town has borrowed \$12,812,000 of funds for the Carlisle Public School project. Additional Bond Anticipation borrowings will be required as progress is made towards completion of the project, scheduled for the fall of 2012. The Town is required to make annual interest payments on the outstanding Bond Anticipation debt. The Town expects to issue long term General Obligation bonds, to finance a significant portion of the project costs in the fall of 2012. Following completion of the project, the Town will issue additional long term General Obligation bonds to finance the balance of the project costs, which together with the Fall 2012 bond issuance, will require annual payments of principal and interest. Assuming the project costs use all of the approved authorization for the project of \$19,980,000, and assuming that the Town receives all of the \$6,796,030 from MSBA, the total debt for the Carlisle Public School building project would be \$13,183,970, which will likely be payable over 25 years. It is likely that the actual reimbursement from MSBA will be somewhat lower due to the mix of actual costs considered to be subject to reimbursement. The final reimbursement from MSBA, and therefore the actual amount of debt will be determined after an audit by MSBA once the project is complete.
- At the May 2010 annual town meeting, and subsequently approved as a debt exclusion by a vote at the ballot, \$1,300,000 was appropriated for schematic design and project management services associated with a proposed construction and renovation project at the Concord/Carlisle High School. The Concord-Carlisle Regional School District ("CCRS") has entered into a Feasibility Study and Schematic Design Agreement with the MSBA to proceed with the schematic design. At the November 8, 2011 special Town Meeting, and subsequently approved as a debt exclusion by vote at the ballot, a total of \$92,578,524 was appropriated by the towns of Carlisle and Concord for the purpose of paying the costs of designing, constructing, originally equipping and furnishing a new District High School (\$88,494,844) and an alternate physical education center (\$4,083,680). The maximum expected reimbursement from MSBA is 35.58% of eligible costs related only to the new school portion of the project. Construction is expected to begin in the fall of 2012, at which time the District would begin to issue Bond Anticipation notes. The District will be required to make annual interest payments on the outstanding Bond Anticipation notes, likely beginning in fiscal year 2014. The debt service, both principal and interest, by each community will be based upon the assessment ratio in effect for any given year. For fiscal year 2013, Carlisle's assessment ratio is 28.23%, and is expected to decline slowly over the next decade.

- The Minuteman Regional School District, of which the Town is a member, has been planning for a major renovation project of the campus located in Lexington. Discussions have been on-going among the member communities, the school administration, and the MSBA, but have not yet resulted in a definitive plan. Members of the District are also challenging whether towns outside the District that also send students to the school should contribute to any capital renovation costs. The future impact on the Town of any building project at the Region is likely to be small, given the limited number of students attending the school from the Town.
- The Town reports on the actuarial value of the Town's unfunded Other Post Retirement Benefits (OPEB) liability, principally health and life insurance coverage for the Town's retirees and their spouses. The actuarial analysis is required to be performed every two years. The most recent actuarial report, for the years ending June 30, 2012 and 2013, calculated the liability at \$7,900,998 and \$8,582,757 respectively. Were the Town to begin funding this liability over the next thirty (30) years, the required contribution for fiscal years 2013 and 2014 would be \$885,149 and \$935,394, respectively. To date, the Town has not set aside assets for the purpose of funding the liability, electing to pay the current benefit costs as they are incurred. As the Town plans for fiscal year 2014 and beyond, consideration will be given to how to address the unfunded liability, and what, if any, level of funding should be provided.

### *Requests for Information*

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 66 Westford Street, Carlisle, Massachusetts 01741.

## *Basic Financial Statements*

## STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents.....	\$ 5,846,295
Restricted cash and cash equivalents.....	6,335,480
Restricted investments.....	789,302
Receivables, net of allowance for uncollectible amounts:	
Real estate and personal property taxes.....	151,520
Tax liens.....	12,528
Motor vehicle excise taxes.....	13,796
Community preservation surcharges.....	2,756
Intergovernmental.....	805,804
Loans.....	7,326
Total current assets.....	<u>13,964,807</u>
Noncurrent assets:	
Receivables, net of allowance for uncollectible amounts:	
Real estate tax deferrals.....	47,917
Loans.....	55,552
Tax foreclosures.....	74,614
Capital assets not being depreciated.....	24,897,393
Capital assets, net of accumulated depreciation.....	<u>13,898,753</u>
Total noncurrent assets.....	<u>38,974,229</u>
Total assets.....	<u>52,939,036</u>
<b>LIABILITIES</b>	
Current liabilities:	
Warrants payable.....	1,612,107
Accrued payroll.....	855,982
Tax refunds payable.....	709,938
Other liabilities.....	179,707
Accrued interest.....	98,391
Compensated absences.....	82,873
Short-term notes payable.....	13,436,000
Long-term bonds and notes payable.....	<u>750,000</u>
Total current liabilities.....	<u>17,724,998</u>
Noncurrent liabilities:	
Net OPEB obligation.....	3,343,314
Compensated absences.....	69,768
Long-term bonds and notes payable.....	<u>3,275,000</u>
Total noncurrent liabilities.....	<u>6,688,082</u>
Total liabilities.....	<u>24,413,080</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt.....	25,242,919
Restricted for:	
Community preservation.....	1,066,586
Affordable housing.....	549,808
Loans.....	62,878
Permanent funds:	
Expendable.....	521,279
Nonexpendable.....	186,820
Other specific purposes.....	1,329,684
Unrestricted.....	<u>(434,018)</u>
Total net assets.....	<u>\$ 28,525,956</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 1,426,869	\$ 60,498	\$ 165,950	\$ -	\$ (1,200,421)
Public safety.....	2,783,181	303,872	148,989	-	(2,330,320)
Education.....	19,256,515	284,866	1,369,079	4,142,680	(13,459,890)
Public works.....	1,656,298	82,532	7,968	336,836	(1,228,962)
Health and human services.....	424,355	65,649	55,726	6,438	(296,542)
Culture and recreation.....	918,903	154,226	40,612	-	(724,065)
Debt service - interest.....	294,307	-	103,292	-	(191,015)
Total governmental activities.....	<u>26,760,428</u>	<u>\$ 951,643</u>	<u>\$ 1,891,616</u>	<u>\$ 4,485,954</u>	<u>(19,431,215)</u>
General revenues:					
					21,319,317
					809,090
					60,354
					356,979
					1,641,864
					61,860
Total general revenues.....					<u>24,249,464</u>
Change in net assets.....					4,818,249
Net assets - beginning of year.....					<u>23,707,707</u>
Net assets - end of year.....					<u>\$ 28,525,956</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>School Construction Project</u>
Cash and cash equivalents.....	\$ 5,846,295	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	151,520	-	-
Real estate tax deferrals.....	47,917	-	-
Tax liens.....	12,528	-	-
Motor vehicle and other excise taxes.....	13,796	-	-
Community preservation surcharges.....	-	2,756	-
Intergovernmental.....	-	-	468,968
Loans.....	-	-	-
Tax foreclosures.....	74,614	-	-
Restricted assets:			
Cash and cash equivalents.....	-	1,087,829	3,508,560
Investments.....	-	-	-
<b>TOTAL ASSETS.....</b>	<b><u>\$ 6,146,670</u></b>	<b><u>\$ 1,090,585</u></b>	<b><u>\$ 3,977,528</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 298,343	\$ 22,474	\$ 1,234,730
Accrued payroll.....	839,714	1,525	-
Tax refunds payable.....	709,938	-	-
Other liabilities.....	179,707	-	-
Deferred revenue.....	222,922	2,756	-
Accrued short-term interest.....	64,036	-	-
Short-term notes payable.....	-	-	12,600,000
<b>TOTAL LIABILITIES.....</b>	<b><u>2,314,660</u></b>	<b><u>26,755</u></b>	<b><u>13,834,730</u></b>
 <b>FUND BALANCES:</b>			
Nonspendable.....	-	-	-
Restricted.....	-	1,063,830	-
Committed.....	562,196	-	-
Assigned.....	51,796	-	-
Unassigned.....	3,218,018	-	(9,857,202)
<b>TOTAL FUND BALANCES.....</b>	<b><u>3,832,010</u></b>	<b><u>1,063,830</u></b>	<b><u>(9,857,202)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 6,146,670</u></b>	<b><u>\$ 1,090,585</u></b>	<b><u>\$ 3,977,528</u></b>

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,846,295
-	151,520
-	47,917
-	12,528
-	13,796
-	2,756
336,836	805,804
62,878	62,878
-	74,614
1,739,091	6,335,480
789,302	789,302
<u>\$ 2,928,107</u>	<u>\$ 14,142,890</u>

\$ 56,560	\$ 1,612,107
14,743	855,982
-	709,938
-	179,707
-	225,678
-	64,036
836,000	13,436,000
<u>907,303</u>	<u>17,083,448</u>
249,698	249,698
2,528,998	3,592,828
-	562,196
-	51,796
<u>(757,892)</u>	<u>(7,397,076)</u>
<u>2,020,804</u>	<u>(2,940,558)</u>
<u>\$ 2,928,107</u>	<u>\$ 14,142,890</u>

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Community Preservation	School Construction Project
<b>REVENUES</b>			
Real estate and personal property taxes.....	\$ 21,253,405	\$ -	\$ -
Motor vehicle excise taxes.....	801,599	-	-
Tax liens.....	44,700	685	-
Community preservation surcharges.....	-	357,164	-
Charges for services.....	-	-	-
Intergovernmental .....	2,364,925	93,610	4,142,680
Penalties and interest on taxes.....	56,265	773	-
Licenses and permits.....	113,337	-	-
Fines and forfeitures.....	9,768	-	-
Departmental.....	111,454	-	-
Contributions.....	-	-	-
Investment income.....	61,860	1,510	-
<b>TOTAL REVENUES.....</b>	<b>24,817,313</b>	<b>453,742</b>	<b>4,142,680</b>
<b>EXPENDITURES</b>			
Current:			
General government.....	1,032,023	369,565	-
Public safety.....	2,026,768	-	-
Education.....	15,840,907	-	11,644,630
Public works.....	1,072,628	-	-
Health and human services.....	211,906	-	-
Culture and recreation.....	641,420	-	-
Pension benefits.....	1,763,430	-	-
Employee benefits.....	926,695	-	-
Property and liability insurance.....	117,553	-	-
State and county charges.....	49,500	-	-
Debt service:			
Principal.....	676,000	189,000	-
Interest.....	286,855	15,410	-
<b>TOTAL EXPENDITURES.....</b>	<b>24,645,685</b>	<b>573,975</b>	<b>11,644,630</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>171,628</b>	<b>(120,233)</b>	<b>(7,501,950)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in.....	120,602	-	-
Premium from issuance of bonds and notes.....	103,292	-	-
Transfers out.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>223,894</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>395,522</b>	<b>(120,233)</b>	<b>(7,501,950)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,436,488</b>	<b>1,184,063</b>	<b>(2,355,252)</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,832,010</b>	<b>\$ 1,063,830</b>	<b>\$ (9,857,202)</b>

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 21,253,405
-	801,599
-	45,385
-	357,164
200,381	200,381
942,650	7,543,865
3,315	60,353
-	113,337
-	9,768
541,786	653,240
333,208	333,208
12,477	75,847
<u>2,033,817</u>	<u>31,447,552</u>
64,171	1,465,759
627,361	2,654,129
791,805	28,277,342
501,754	1,574,382
132,909	344,815
153,731	795,151
-	1,763,430
-	926,695
-	117,553
-	49,500
-	865,000
-	302,265
<u>2,271,731</u>	<u>39,136,021</u>
<u>(237,914)</u>	<u>(7,688,469)</u>
-	120,602
-	103,292
<u>(120,602)</u>	<u>(120,602)</u>
<u>(120,602)</u>	<u>103,292</u>
(358,516)	(7,585,177)
<u>2,379,320</u>	<u>4,644,619</u>
<u>\$ 2,020,804</u>	<u>\$ (2,940,558)</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2012

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Total governmental fund balances (page 19).....	\$	(2,940,558)
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		38,796,146
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		225,678
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(34,355)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....		(4,025,000)
Compensated absences.....		(152,641)
Net OPEB obligation.....		<u>(3,343,314)</u>
Net assets of governmental activities (page 16).....	\$	<u>28,525,956</u>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 21).....	\$	(7,585,177)
<p>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. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		13,173,571
Depreciation.....		(929,366)
<p>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.....</p>		
		27,833
<p>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 impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period.</p>		
Bond maturities.....		865,000
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		7,958
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Compensated absences.....		(2,555)
Net OPEB obligation.....		(739,015)
Changes in net assets of governmental activities (page 17).....	\$	<u>4,818,249</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2012

<b>ASSETS</b>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents.....	\$ 304,629	\$ 50,099
Receivables, net of allowance for uncollectible amounts:		
Departmental and other.....	-	20,685
Total assets.....	304,629	70,784
 <b>LIABILITIES</b>		
Warrants payable.....	-	825
Accrued payroll.....	-	4,099
Liabilities due depositors.....	-	65,860
Total liabilities.....	-	70,784
 <b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ 304,629	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Net investment income:	
Interest.....	\$ 1,825
<b>DEDUCTIONS</b>	
Scholarships awarded.....	<u>12,350</u>
CHANGE IN NET ASSETS.....	(10,525)
NET ASSETS AT BEGINNING OF YEAR.....	<u>315,154</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>304,629</u></u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Carlisle, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen (the Board).

For financial reporting purposes, the basic financial statements include all funds, organizations, account groups, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

**Joint Ventures**

A joint venture is an organization (resulting from a contractual agreement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified participants.

***Concord-Carlisle Regional School District (CCRSD)***

The CCRSD is governed by a seven member school committee consisting of two elected representatives from the Town. The Town is indirectly liable for the CCRSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2012 the Town's assessment was \$6,348,019. Separate financial statements may be obtained by writing to the CCRSD at 120 Meriam Road, Concord, MA 01742. See Note 9 for the Town's overlapping debt associated with the CCRSD.

***Minuteman Regional High School District (MMRHSD)***

The MMRHSD is governed by a seventeen member school committee which includes one elected representative from the Town. The Town is indirectly liable for the MMRHSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2012, the Town's assessment was \$130,177. Separate financial statements may be obtained by writing to the MMRHSD at 758 Marrett Road, Lexington, MA 02421.

## Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

### *C. Measurement Focus, Basis of Accounting and Basis of Presentation*

## Government-Wide and Fund Financial Statements

The government-wide financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### Fund Financial Statements

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *community preservation fund* is a special revenue fund (defined below) used to account for the 2% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low income residents or seniors with a low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *school construction project fund* is a capital projects fund (defined below) used to account for the accumulation of resources to expand and upgrade the Carlisle K-8 School.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Fiduciary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of police detail and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

#### ***D. Cash and Cash Equivalents and Investments***

##### Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value.

#### ***E. Accounts Receivable***

##### Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

#### **Real Estate Taxes, Real Estate Tax Deferrals, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed approximately six months after the close of the valuation year on delinquent properties. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

#### **Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

#### **Community Preservation Surcharges**

Community preservation surcharges are levied annually and at a rate of 2% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

## Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

## Loans

The Town administers various loan programs to residents that provide assistance to comply with Title V (related to septic systems) requirements. Loans are recorded as receivables upon issuance.

### F. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes and tax liens
- Motor vehicle excise taxes
- Departmental and other

As of June 30, 2012, the allowance for uncollectible amounts for departmental and other accounts receivable is immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not recorded.

- Real estate taxes and deferrals
- Community preservation surcharges
- Loans

Intergovernmental receivables are considered 100% collectible.

### G. Inventories

#### Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

### H. Restricted Assets

#### Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

### I. Capital Assets

#### Government-Wide Financial Statements

Capital assets, which consist of land, land improvements, buildings, machinery and equipment, and infrastructure, are reported in the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings and improvements.....	20 - 50
Machinery and equipment.....	5 - 15
Infrastructure.....	40 - 75

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

*J. Interfund Receivables and Payables*

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

*K. Interfund Transfers*

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

*L. Deferred Revenue*Government-Wide Financial Statements and Fund Financial Statements

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

*M. Net Assets and Fund Balances*Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Assets)

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Community preservation" represents amounts restricted for open space, historic resource and affordable housing purposes.

"Affordable housing" represents amounts restricted for a fund (established in accordance with MGL, Chapter 44, Section 55C) used to account for activities related to the creation and preservation of affordable housing for the benefit of low and moderate income households.

"Loans" represents outstanding septic loans receivable.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

*Unassigned* – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

#### *N. Long-term Debt*

##### Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

##### Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### *O. Investment Income*

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

#### *P. Compensated Absences*

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

##### Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

*Q. Post Retirement Benefits*Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health and life insurance coverage for current and future retirees and their spouses.

*R. Use of Estimates*Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

*S. Total Column*Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***A. Budgetary Information*

The municipal finance laws of the Commonwealth require the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases to the annual budget subsequent to Annual Town Meeting approval require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original and final fiscal year 2012 approved budget for the general fund authorized \$24,069,448 in appropriations and other amounts to be raised. During fiscal year 2012, appropriations were increased by \$184,160.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Fund Deficits**

At June 30, 2012, the following fund deficits exist:

Fund	Amount	Funding Source
School construction capital projects fund (major fund).....	\$ 9,857,202	Intergovernmental revenues/long-term debt
Fire truck capital projects fund.....	410,000	Long-term debt
DPW roll-off truck capital projects fund.....	153,988	Long-term debt
DPW sander/dump truck capital projects fund.....	133,904	Long-term debt
Cistern capital projects fund.....	60,000	Long-term debt

The fund deficits identified above are temporary deficits resulting from the respective projects being funded by short-term debt. In accordance with GAAP, short-term debt proceeds are not recognized as revenue, therefore the short-term debt proceeds in these funds are not part of fund balance. The Town anticipates permanently financing these funds through the issuance of long-term debt in fiscal year 2013, which will resolve the temporary deficits.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The municipal finance laws of the Commonwealth authorize the Town to invest available cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds and private purpose trust funds are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2012, \$8,264,017 of the Town's bank balance of \$11,324,814 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 64,989	\$ 64,989
Fixed income mutual funds.....	334,765	334,765
External investment pools.....	<u>1,480,949</u>	<u>1,480,949</u>
Total debt securities.....	<u>1,880,703</u>	<u>\$ 1,880,703</u>
<u>Other Investments:</u>		
Equity mutual funds.....	<u>454,537</u>	
Total investments.....	<u>\$ 2,335,240</u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2012, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2012, the credit quality ratings of the Town's investment in debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings *</u>					
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>Unrated</u>
Money market mutual funds.....	\$ 64,989	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,989
Fixed income mutual funds.....	334,765	60,589	5,217	8,419	10,553	15,058	234,929
External investment pools.....	<u>1,480,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480,949</u>
Total.....	<u>\$ 1,880,703</u>	<u>\$ 60,589</u>	<u>\$ 5,217</u>	<u>\$ 8,419</u>	<u>\$ 10,553</u>	<u>\$ 15,058</u>	<u>\$ 1,780,867</u>

\* Per the rating scale of Standard and Poor's (a national credit rating organization)

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2012, receivables for the individual major governmental funds, nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 158,120	\$ (6,600)	\$ 151,520
Real estate tax deferrals.....	47,917	-	47,917
Tax liens.....	56,828	(44,300)	12,528
Motor vehicle and other excise taxes.....	62,896	(49,100)	13,796
Community preservation surcharges.....	2,756	-	2,756
Departmental and other.....	20,685	-	20,685
Intergovernmental.....	805,804	-	805,804
Loans.....	62,878	-	62,878
	<u>\$ 1,217,884</u>	<u>\$ (100,000)</u>	<u>\$ 1,117,884</u>

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Community Preservation Fund	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 74,067	\$ -	\$ 74,067
Real estate tax deferrals.....	47,917	-	47,917
Tax liens.....	12,528	-	12,528
Motor vehicle and other excise taxes.....	13,796	-	13,796
Community preservation surcharges.....	-	2,756	2,756
Tax foreclosures.....	74,614	-	74,614
<b>Total.....</b>	<u>\$ 222,922</u>	<u>\$ 2,756</u>	<u>\$ 225,678</u>

The Commonwealth has approved grants for school construction assistance. The assistance program, which is administered by the MSBA, provides resources for allowable costs related to school construction costs. The MSBA has approved a maximum grant totaling \$6,796,030 for the construction costs related to the Carlisle K-8 school addition/renovation. The maximum grant amount represents 40% of the total state approved construction cost of \$16,990,076. At June 30, 2012, approximately \$15,172,000 has been accrued on the project and \$5,140,000 in MSBA grants has been received. A \$468,968 intergovernmental receivable has been reported in the School Construction Project major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2012.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,128,798	\$ -	\$ -	\$ 9,128,798
Construction in progress.....	3,738,798	12,029,797	-	15,768,595
Total capital assets not being depreciated.....	<u>12,867,596</u>	<u>12,029,797</u>	<u>-</u>	<u>24,897,393</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	746,835	-	-	746,835
Buildings and improvements.....	13,645,062	56,367	-	13,701,429
Machinery and equipment.....	4,267,266	707,761	-	4,975,027
Infrastructure.....	27,636,891	379,646	-	28,016,537
Total capital assets being depreciated.....	<u>46,296,054</u>	<u>1,143,774</u>	<u>-</u>	<u>47,439,828</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(704,036)	(6,127)	-	(710,163)
Buildings and improvements.....	(6,095,871)	(305,078)	-	(6,400,949)
Machinery and equipment.....	(3,012,253)	(309,801)	-	(3,322,054)
Infrastructure.....	(22,799,549)	(308,360)	-	(23,107,909)
Total accumulated depreciation.....	<u>(32,611,709)</u>	<u>(929,366)</u>	<u>-</u>	<u>(33,541,075)</u>
Total capital assets being depreciated, net.....	<u>13,684,345</u>	<u>214,408</u>	<u>-</u>	<u>13,898,753</u>
Total governmental activities capital assets, net.....	<u>\$ 26,551,941</u>	<u>\$ 12,244,205</u>	<u>\$ -</u>	<u>\$ 38,796,146</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 40,531
Public safety.....	256,735
Education.....	244,954
Public works.....	366,206
Culture and recreation.....	20,940
Total depreciation expense - governmental activities.....	<u>\$ 929,366</u>

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	<u>General Fund</u>
Nonmajor Governmental Funds.....	\$ <u>120,602</u> (1)

(1) Represents budgeted transfer from the ambulance special revenue fund (\$36,160); also represents unbudgeted transfers of fund balance in excess of \$10,000 from the Recreation 53D special revenue fund (\$37,224), close-out of the Medicaid AAC special revenue fund (\$36,394) and close-out of the Conservation Commission 53E½ special revenue fund (\$10,824)

**NOTE 7 - SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund and community preservation fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2012, are as follows:

**Notes Payable - Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2011	Increases	Decreases	Balance at 6/30/2012
BAN School Design.....		11/19/10	11/18/11	1.05%	\$ 251,000	\$ -	\$ (251,000)	\$ -
BAN DPW Roll-off Truck.....		11/19/10	11/18/11	1.05%	154,000	-	(154,000)	-
BAN Cisterns.....		11/19/10	11/18/11	1.05%	60,000	-	(60,000)	-
BAN School Project.....		2/16/11	11/18/11	1.00%	9,090,000	-	(9,090,000)	-
BAN Fire Truck.....		2/16/11	11/18/11	1.00%	410,000	-	(410,000)	-
BAN School Design.....		11/18/11	11/16/12	1.25%	-	212,000	-	212,000
BAN School Project.....		11/18/11	11/16/12	1.25%	-	12,600,000	-	12,600,000
BAN Fire Truck.....		11/18/11	11/16/12	1.25%	-	410,000	-	410,000
BAN DPW Roll-off Truck.....		11/18/11	11/16/12	1.25%	-	154,000	-	154,000
BAN Cisterns.....		11/18/11	11/16/12	1.25%	-	60,000	-	60,000
Total.....					\$ 9,965,000	\$ 13,436,000	\$ (9,965,000)	\$ 13,436,000

**NOTE 8 - LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term liabilities during the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Bonds and notes payable.....	\$ 4,890,000	\$ -	\$ (865,000)	\$ 4,025,000	\$ 750,000
Net OPEB obligation.....	2,604,299	855,189	(116,174)	3,343,314	-
Compensated absences.....	150,086	2,555	-	152,641	82,873
Total.....	<u>\$ 7,644,385</u>	<u>\$ 857,744</u>	<u>\$ (981,174)</u>	<u>\$ 7,520,955</u>	<u>\$ 832,873</u>

Bonds and notes payable are liquidated by the general fund and community preservation fund. Net OPEB obligations and compensated absences are generally liquidated by the general fund.

**NOTE 9 - LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

***Bonds and Notes Payable - Governmental Funds***

Project	Interest Rate (%)	Outstanding at June 30, 2011	Additions	Deductions	Outstanding at June 30, 2012
Building remodeling - school.....	3.5 - 5.5	\$ 20,000	\$ -	\$ (20,000)	\$ -
Equipment - fire department.....	3.5 - 5.5	80,000	-	(80,000)	-
Wastewater.....	4.0 - 5.5	896,000	-	(58,000)	838,000
Wastewater.....	4.0 - 5.5	821,000	-	(53,000)	768,000
Land acquisition.....	4.0 - 5.5	338,000	-	(189,000)	149,000
Building construction - town hall - refunding.....	2.0 - 3.0	98,000	-	(98,000)	-
Building construction - school - refunding.....	2.0 - 3.0	96,000	-	(13,000)	83,000
Building construction - town hall - refunding.....	2.0 - 3.0	10,000	-	(5,000)	5,000
Athletic facility - refunding.....	2.0 - 3.0	78,000	-	(39,000)	39,000
Land acquisition - conservation - refunding.....	2.0 - 3.0	888,000	-	(119,000)	769,000
Building addition - library - refunding.....	2.0 - 3.0	605,000	-	(81,000)	524,000
Fire truck.....	2.0 - 3.0	405,000	-	(54,000)	351,000
School boiler.....	2.0 - 3.0	249,000	-	(32,000)	217,000
Cisterns.....	2.0 - 3.0	176,000	-	(24,000)	152,000
Community Septic Management Program.....	0.0	130,000	-	-	130,000
Total.....		<u>\$ 4,890,000</u>	<u>\$ -</u>	<u>\$ (865,000)</u>	<u>\$ 4,025,000</u>

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....\$	750,000	\$ 128,507	\$ 878,507
2014.....	425,000	107,307	532,307
2015.....	425,000	96,507	521,507
2016.....	420,000	84,935	504,935
2017.....	410,000	71,183	481,183
2018.....	400,000	59,206	459,206
2019.....	390,000	46,056	436,056
2020.....	115,000	33,204	148,204
2021.....	115,000	28,604	143,604
2022.....	115,000	24,004	139,004
2023.....	115,000	19,262	134,262
2024.....	115,000	14,516	129,516
2025.....	115,000	9,774	124,774
2026.....	115,000	4,886	119,886
Total.....\$	<u>4,025,000</u>	<u>\$ 727,951</u>	<u>\$ 4,752,951</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
School Construction Project.....	\$ 19,455,000 *
Schematic Design - School Project....	450,000 *
Fire Truck.....	410,000 *
MWPAT.....	270,000
DPW Roll-off Truck.....	154,000 *
DPW Sander/Dump Truck.....	134,000
Cisterns.....	60,000 *
Total.....	<u>\$ 20,933,000</u>

\* Short-term debt of \$12,600,000, \$212,000, \$410,000, \$154,000 and \$60,000 has been issued and is outstanding at June 30, 2012 for the school construction project, school schematic design, fire truck, DPW roll-off truck, and cisterns, respectively

Overlapping Debt

The following table identifies the Town's overlapping debt at June 30, 2012:

	<u>Outstanding Overlapping Debt</u>	<u>Overlapping Town Share (%)</u>	<u>Overlapping Town Share (\$)</u>
Concord-Carlisle Regional School District.....	\$ 643,036	29.61%	\$ 190,403

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** - The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

Active employees.....	160
Retirees and surviving spouses.....	<u>46</u>
Total.....	<u>206</u>

**Funding Policy** - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

**Annual OPEB Cost and Net OPEB Obligation** - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 885,148
Interest on net OPEB obligation.....	78,130
Adjustment to annual required contribution.....	<u>(108,089)</u>
Annual OPEB cost.....	855,189
Contributions made.....	<u>(116,174)</u>
Increase in net OPEB obligation.....	739,015
Net OPEB obligation at beginning of year.....	<u>2,604,299</u>
Net OPEB obligation at end of year.....	<u>\$ 3,343,314</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010.....	\$ 796,211	16.1%	\$ 1,863,844
June 30, 2011.....	839,500	11.8%	2,604,299
June 30, 2012.....	855,189	13.6%	3,343,314

**Funded Status and Funding Progress** - The funded status of the Plan at July 1, 2011, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/11	\$ -	\$ 7,900,998	\$ 7,900,998	0.0%	\$ 9,834,071	80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years
Interest discount rate:	3.00%
Healthcare/Medical cost trend rate:	10.0% decreasing 1.0% for 5 years to an ultimate level of 5.0% per year
Projected salary increases:	3.50% annually

**Allocation of AOPEBC** - AOPEBC costs were allocated to the Town's functions as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 79,411
Public safety.....	145,021
Education.....	553,862
Public works.....	61,023
Health and human services.....	12,971
Culture and recreation.....	<u>2,901</u>
Total AOPEBC - governmental activities.....	<u>\$ 855,189</u>

**NOTE 11 - FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	School Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Loans.....	\$ -	\$ -	\$ -	\$ 62,878	\$ 62,878
Permanent fund principal.....	-	-	-	186,820	186,820
Sub-total - Nonspendable.....	-	-	-	249,698	249,698
<b>Restricted for:</b>					
Community preservation.....	-	1,063,830	-	-	1,063,830
Affordable housing.....	-	-	-	549,808	549,808
School lunch.....	-	-	-	66,935	66,935
Capital.....	-	-	-	191,105	191,105
General government.....	-	-	-	332,072	332,072
Public safety.....	-	-	-	309,038	309,038
Education.....	-	-	-	323,234	323,234
Public works.....	-	-	-	244,208	244,208
Health and human services.....	-	-	-	129,886	129,886
Culture and recreation.....	-	-	-	382,712	382,712
Sub-total - Restricted.....	-	1,063,830	-	2,528,998	3,592,828
<b>Committed to:</b>					
Subsequent year's expenditures.....	141,000	-	-	-	141,000
Continuing appropriations.....	421,196	-	-	-	421,196
Sub-total - Committed.....	562,196	-	-	-	562,196
<b>Assigned to:</b>					
Encumbrances.....	51,796	-	-	-	51,796
<b>Unassigned.....</b>	<b>3,218,018</b>	<b>-</b>	<b>(9,857,202)</b>	<b>(757,892)</b>	<b>(7,397,076)</b>
	<u>\$ 3,832,010</u>	<u>\$ 1,063,830</u>	<u>\$ (9,857,202)</u>	<u>\$ 2,020,804</u>	<u>\$ (2,940,558)</u>

**NOTE 12 - STABILIZATION FUNDS**

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town meeting. Investment income is retained by the fund.

The balance of the stabilization fund at June 30, 2012 totals \$1,061,051 and is reported as unassigned fund balance in the general fund.

**NOTE 13 - RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town participates in a premium-based health care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years. The Town also participates in a premium-based workers' compensation plan.

**NOTE 14 - PENSION PLAN**

*Plan Description* - The Town contributes to the Middlesex Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Middlesex Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts 01865.

*Funding Policy* - Chapter 32 of MGL governs the contributions of plan members and the Town. 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 system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$660,453, \$594,740, and \$569,130, respectively, which equaled its required contribution for each fiscal year.

**NOTE 15 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$1,140,455 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 16 - COMMITMENTS**

The Town contracts with Wheelabrator, Inc. to dispose solid waste and make certain payments (i.e., tipping fees) for such disposal at Wheelabrator, Inc.'s facility. The tipping fees payable under the contract for fiscal year 2012 were \$68/ton. The Town's cost under the agreement totaled approximately \$148,000 for the fiscal year ended June 30, 2012. Future tipping fees payable under the contract are as follows:

<u>Fiscal Year</u>	<u>Tipping Fee (per Ton)</u>
2013	\$ 70.00
2014	72.00
2015	74.00

**NOTE 17 - CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2012.

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 18 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

These pronouncements will be implemented by their respective implementation dates.

## *Required Supplementary Information*

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 21,465,783	\$ -	\$ 21,465,783
Motor vehicle and other excise taxes.....	-	765,000	-	765,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	6,000	-	6,000
Intergovernmental.....	-	1,168,361	-	1,168,361
Penalties and interest on taxes.....	-	49,000	-	49,000
Licenses and permits.....	-	104,000	-	104,000
Fines and forfeitures.....	-	9,200	-	9,200
Departmental and other.....	-	103,500	-	103,500
Investment income.....	-	39,000	-	39,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>23,709,844</b>	<b>-</b>	<b>23,709,844</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	119,706	1,200,727	48,892	1,369,325
Public safety.....	87,184	2,017,747	21,868	2,126,799
Education.....	52,103	15,877,392	8,750	15,938,245
Public works.....	1,795	1,092,233	119,056	1,213,084
Health and human services.....	9,448	213,083	(494)	222,037
Culture and recreation.....	-	665,522	67	665,589
Pension benefits.....	-	660,453	-	660,453
Employee benefits.....	22,747	1,156,000	1,900	1,180,647
Property and liability insurance.....	-	160,000	(16,248)	143,752
State and county charges.....	-	49,131	369	49,500
Debt service:				
Principal.....	-	676,000	-	676,000
Interest.....	-	226,160	-	226,160
<b>TOTAL EXPENDITURES.....</b>	<b>292,983</b>	<b>23,994,448</b>	<b>184,160</b>	<b>24,471,591</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(292,983)</b>	<b>(284,604)</b>	<b>(184,160)</b>	<b>(761,747)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	-	14,945	36,160	51,105
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(75,000)	-	(75,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(60,055)</b>	<b>36,160</b>	<b>(23,895)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(292,983)</b>	<b>(344,659)</b>	<b>(148,000)</b>	<b>(785,642)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>2,902,817</b>	<b>2,902,817</b>	<b>2,902,817</b>	<b>2,902,817</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 2,609,834</b>	<b>\$ 2,558,158</b>	<b>\$ 2,754,817</b>	<b>\$ 2,117,175</b>

See notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	21,421,430	\$ -	\$ 21,421,430	\$ (44,353)
	801,599	-	801,599	36,599
	44,700	-	44,700	44,700
	-	-	-	(6,000)
	1,224,470	-	1,224,470	56,109
	56,265	-	56,265	7,265
	113,337	-	113,337	9,337
	9,768	-	9,768	568
	111,454	-	111,454	7,954
	58,998	-	58,998	19,998
	<u>23,842,021</u>	<u>-</u>	<u>23,842,021</u>	<u>132,177</u>
	1,032,023	144,677	1,176,700	192,625
	2,026,768	95,237	2,122,005	4,794
	15,840,907	95,079	15,935,986	2,259
	1,072,628	96,789	1,169,417	43,667
	211,906	6,748	218,654	3,383
	641,420	24,169	665,589	-
	622,975	-	622,975	37,478
	926,695	10,293	936,988	243,659
	117,553	-	117,553	26,199
	49,500	-	49,500	-
	676,000	-	676,000	-
	222,818	-	222,818	3,342
	<u>23,441,193</u>	<u>472,992</u>	<u>23,914,185</u>	<u>557,406</u>
	<u>400,828</u>	<u>(472,992)</u>	<u>(72,164)</u>	<u>689,583</u>
	135,547	-	135,547	84,442
	103,292	-	103,292	103,292
	(75,000)	-	(75,000)	-
	<u>163,839</u>	<u>-</u>	<u>163,839</u>	<u>187,734</u>
	564,667	(472,992)	91,675	877,317
	<u>2,902,817</u>	<u>2,902,817</u>	<u>2,902,817</u>	<u>-</u>
\$	<u>3,467,484</u>	<u>2,429,825</u>	<u>2,994,492</u>	<u>877,317</u>

**COMMUNITY PRESERVATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Community preservation surcharges.....	\$ -	\$ 352,390	\$ -	\$ 352,390
Tax liens.....	-	-	-	-
Penalties and interest on taxes.....	-	-	-	-
Intergovernmental .....	-	93,610	-	93,610
Investment income.....	-	5,000	-	5,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>451,000</b>	<b>-</b>	<b>451,000</b>
<b>EXPENDITURES</b>				
Current:				
Administrative.....	-	2,000	-	2,000
Acquisitions and projects.....	704,372	102,500	-	806,872
Debt service:				
Principal.....	-	189,000	-	189,000
Interest.....	-	15,410	-	15,410
<b>TOTAL EXPENDITURES.....</b>	<b>704,372</b>	<b>308,910</b>	<b>-</b>	<b>1,013,282</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(704,372)</b>	<b>142,090</b>	<b>-</b>	<b>(562,282)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR...</b>	<b>492,165</b>	<b>492,165</b>	<b>492,165</b>	<b>492,165</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ (212,207)</b>	<b>\$ 634,255</b>	<b>\$ 492,165</b>	<b>\$ (70,117)</b>

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 357,164	\$ -	\$ 357,164	\$ 4,774
685	-	685	685
773	-	773	773
93,610	-	93,610	-
<u>1,510</u>	<u>-</u>	<u>1,510</u>	<u>(3,490)</u>
<u>453,742</u>	<u>-</u>	<u>453,742</u>	<u>2,742</u>
1,500	-	1,500	500
368,065	434,256	802,321	4,551
189,000	-	189,000	-
<u>15,410</u>	<u>-</u>	<u>15,410</u>	<u>-</u>
<u>573,975</u>	<u>434,256</u>	<u>1,008,231</u>	<u>5,051</u>
(120,233)	(434,256)	(554,489)	7,793
<u>492,165</u>	<u>492,165</u>	<u>492,165</u>	<u>-</u>
<u>\$ 371,932</u>	<u>\$ 57,909</u>	<u>\$ (62,324)</u>	<u>\$ 7,793</u>

## PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

### SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 819,987,914	\$ 1,742,380,855	\$ 922,392,941	47.1%	\$ 384,598,692	239.8%
01/01/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
01/01/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2006	\$ 57,553,642	100
2007	64,053,064	100
2008	71,233,749	100
2009	74,126,190	100
2010	76,270,263	100
2011	79,640,599	100

The following schedule provides information related to the Town's portion of the System's ARC:

### TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2007	\$ 422,271	100	0.7%
2008	472,764	100	0.7%
2009	522,882	100	0.7%
2010	569,130	100	0.8%
2011	594,740	100	0.8%
2012	660,453	100	0.8%

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULE**

The following schedule provides information related to the Town's other postemployment benefits plan:

**SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
03/01/08	\$ -	\$ 6,833,708	\$ 6,833,708	0.0%	\$ 9,034,961	76%
07/01/09	-	7,956,352	7,956,352	0.0%	9,197,150	87%
07/01/11	-	7,900,998	7,900,998	0.0%	9,834,071	80%

**NOTE A - BUDGETARY - GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA) for the fiscal year ended June 30, 2012, is presented below:

**General Fund**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 23,842,021	\$ 23,914,185	\$ 163,839
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	2,862	-	60,055
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	39,376	-	-
Net change in recording tax refunds payable.....	(207,401)	-	-
To record MTRS on-behalf payments.....	1,140,455	1,140,455	-
Net change in recording short-term interest accrual.....	-	64,037	-
To record encumbrances and continuing appropriations.....	-	(472,992)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 24,817,313</u>	<u>\$ 24,645,685</u>	<u>\$ 223,894</u>

**CPA Fund**

	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 1,008,231
<u>Adjustments</u>	
To record encumbrances and continuing appropriations.....	<u>(434,256)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 573,975</u>

**NOTE B - PENSION PLAN**

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2010
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar for the 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability
Remaining amortization period:	9 years remaining for 2002 ERI liability; 10 years remaining for 2003 ERI liability, and 25 years remaining unfunded liability.
Asset valuation method:	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.125%
Projected salary increases:	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments:	3.00% of first \$12,000 of retirement income, increasing to \$13,000 on July 1, 2011 and to \$14,000 on July 1, 2012