

TOWN OF CARLISLE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Independent Auditors' Report



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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Carlisle, Massachusetts

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Carlisle, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

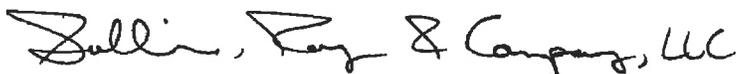
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 14), general fund and community preservation fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 51 through 59) 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Carlisle, Massachusetts' internal control over financial reporting and compliance.



September 13, 2013

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, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$29,557,412 (net position).
- The Town's total net position increased by \$1,031,456, primarily due to actual spending for the fiscal year that was less than budgeted (approximately \$780,000) and school building asset additions (i.e., increases to net position) funded by reimbursements from the Commonwealth (approximately \$1,100,000).
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,679,545, or 14.0% percent, of total general fund revenues and other financing sources of \$26,319,270.
- The Town's total short-term debt decreased by \$12,236,000 during the fiscal year. Short-term debt of \$13,436,000 from the prior year (for school design, a fire truck, a DPW truck, cisterns, and school construction) was rolled into long-term debt. Also, additional short-term notes for school construction and land acquisition were issued for \$800,000 and \$400,000, respectively.
- The Town's total bonded debt outstanding was \$17,706,726 at June 30, 2013. The Town's total bonded debt increased by \$13,681,726 during the fiscal year. \$13,854,000 of long-term debt was issued during the fiscal year (along with a premium of \$551,514) for school construction, vehicles and cisterns. \$40,000 of community septic management program notes were also 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 position** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 26-49.

Required supplementary 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 community preservation fund and certain pension and other post employment benefits information, which can be found on pages 51-59 of this report.

Government-Wide Financial Analysis

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$29,557,412 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>	
	<u>2013</u>	<u>2012</u>
Assets		
Current assets.....	\$ 11,843,237	\$ 13,964,807
Noncurrent assets (excluding capital assets).....	168,644	178,083
Capital assets (net).....	<u>43,730,057</u>	<u>38,796,146</u>
Total assets.....	<u>55,741,938</u>	<u>52,939,036</u>
Liabilities		
Current liabilities (excluding debt).....	2,992,900	3,538,998
Noncurrent liabilities (excluding debt).....	4,284,900	3,413,082
Current debt - short-term notes payable.....	1,200,000	13,436,000
Current debt - long-term bonds payable.....	1,031,061	750,000
Noncurrent debt.....	<u>16,675,665</u>	<u>3,275,000</u>
Total liabilities.....	<u>26,184,526</u>	<u>24,413,080</u>
Net Position		
Invested in capital assets (net of related debt).....	26,123,103	25,242,919
Restricted.....	3,007,088	3,717,055
Unrestricted.....	<u>427,221</u>	<u>(434,018)</u>
Total net position.....	<u>\$ 29,557,412</u>	<u>\$ 28,525,956</u>

A portion of the Town's net position 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 position (\$3,007,088) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$427,221) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Town reports positive balances in all three categories of net position.

Changes in Net Position

The Town's total net position increased by \$1,031,456, compared to an increase of \$4,818,249 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>	
Revenues	2013	2012
<i>Program Revenues:</i>		
Charges for services.....	\$ 1,150,683	\$ 951,643
Operating grants and contributions.....	1,669,713	1,891,616
Capital grants and contributions.....	1,487,716	4,485,954
<i>General Revenues:</i>		
Real estate and personal property taxes.....	21,928,321	21,319,317
Motor vehicle and other excise taxes.....	843,937	809,090
Penalties and interest on taxes.....	49,400	60,354
Payments in lieu of taxes.....	6,729	-
Community preservation surcharges.....	358,142	356,979
Grants and contributions not restricted to specific programs.....	1,663,714	1,641,864
Unrestricted investment income.....	29,049	61,860
Total revenues.....	29,187,404	31,578,677
Expenses		
General government.....	1,747,782	1,426,869
Public safety.....	2,860,579	2,783,181
Education.....	19,619,797	19,256,515
Public works.....	1,703,703	1,656,298
Health and human services.....	950,770	424,355
Culture and recreation.....	943,193	918,903
Debt service - interest.....	330,124	294,307
Total expenses.....	28,155,948	26,760,428
Change in net position.....	1,031,456	4,818,249
Net position - beginning of year.....	28,525,956	23,707,707
Net position - end of year.....	\$ 29,557,412	\$ 28,525,956

The Town's net position increased \$1,031,456. In the prior year, the Town's net position increased \$4,818,249. The primary element of this change is a decrease in capital grants and contributions of approximately \$3,000,000, mostly 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 \$7,879,547, an increase of \$10,820,105 in comparison with the prior year. Unassigned fund balance totaled \$3,107,307. The remainder of governmental fund balance includes the following constraints (as detailed in footnote 12 on page 46) for:

- Nonspendable (\$232,520)
- Restricted (\$3,775,606)
- Committed (\$709,019)
- Assigned (\$55,095)

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 \$3,679,545, while total fund balance was \$4,995,173. 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 14.0% of total general fund revenues and other financing sources, while total fund balance represents 19.0% of that total.

The fund balance of the Town's general fund increased \$1,163,163 during the current fiscal year. Although the Town recognized an approximate \$1,688,000 budgetary surplus (budget vs. actual activity before encumbrances and continuing appropriations), approximately \$920,000 of reserves was utilized during fiscal year 2013.

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 \$257,412 during the current fiscal year. The fund recognized \$359,915 in surcharges, liens and penalties and interest, \$96,122 in intergovernmental revenues and \$1,087 of investment income. Expenditures of \$619,536 were incurred during the fiscal year. Of this amount, \$300,000 was incurred for the Elliot Property and approximately \$155,000 was incurred for debt service.

The school construction project fund (capital project) increased by \$9,778,791 during the current fiscal year. The fund recognized \$12,908,400 in proceeds from the issuance of long-term debt and \$1,089,124 in intergovernmental revenues. Expenditures of \$4,218,733 were incurred during the fiscal year.

General Fund Budgetary Highlights

The original general fund budget of \$24,124,074 was increased by \$306,192 (1.3%) during the fiscal year. The following table summarizes the net increase:

Purpose of Increase	Amount	Funding Source
Land purchase.....	\$ 190,000	Unassigned fund balance
Police department records management system.....	76,105	Unassigned fund balance
Library septic system repair.....	34,000	Unassigned fund balance
Short-term debt interest.....	6,087	Unassigned fund balance
Total increase.....	\$ 306,192	

General Fund Trends

	2013	2012	2011	2010	2009
General Fund - Operating Component:					
Total fund balance.....	\$ 3,871,764	\$ 2,770,959	\$ 2,438,354	\$ 2,371,330	\$ 2,055,894
Less restrictions for:					
Debt service.....	551,514 (a)	-	46,807	70,878	95,073
Less commitments for:					
Subsequent year's expenditures (b).....	390,000	141,000	297,852	294,828	104,625
Continuing appropriations.....	319,019	421,196 (c)	238,124	226,052	234,312
Less assignments for:					
Encumbrances.....	55,095	51,796	54,858	33,472	23,453
Unassigned fund balance.....	2,556,136	2,156,967	1,800,713	1,746,100	1,598,431
General Fund - Stabilization Component:					
Total fund balance (unassigned).....	1,123,409	1,061,051	998,134	935,154	871,150
Total general fund balance.....	4,995,173	3,832,010	3,436,488	3,306,484	2,927,044
Total general fund revenue & other financing sources (ofs).....	\$ 26,319,270	\$ 25,041,207	\$ 24,236,867	\$ 23,471,317	\$ 22,995,726
Total general fund (operating) unassigned fund balance as % of total general fund revenues and ofs.....	9.7%	8.6%	7.4%	7.4%	7.0%
Total general fund (stabilization) unassigned fund balance as % of total general fund revenues and ofs.....	4.3%	4.3%	4.1%	4.0%	3.8%
Total general fund unassigned fund balance as % of total general fund revenues and ofs.....	14.0%	12.9%	11.5%	11.4%	10.8%

(a) The fund balance restriction for debt service represents amounts accumulated for the future repayment of debt.

(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 \$43,730,057 (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 \$4,933,911.

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

- Carlisle K-8 school building construction (\$4,219,000)
- Land acquisition (\$590,000)
- Land conservation restriction (\$560,150)

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

	<i>Governmental Activities</i>	
	<u>2013</u>	<u>2012</u>
Land.....	\$ 9,718,798	\$ 9,128,798
Intangible assets.....	560,150	-
Construction in progress.....	-	15,768,595
Land improvements.....	30,545	36,672
Buildings.....	27,003,314	7,300,480
Machinery and equipment.....	1,558,103	1,652,973
Infrastructure.....	<u>4,859,147</u>	<u>4,908,628</u>
Total capital assets.....	<u>\$ 43,730,057</u>	<u>\$ 38,796,146</u>

Additional information on the Town's capital assets can be found in Note 6 on pages 38 and 39 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$17,706,726, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2013</u>	<u>2012</u>
General obligation bonds.....	\$ 17,129,000	\$ 3,895,000
Massachusetts Water Pollution Abatement Trust (MWPAT) notes.....	<u>40,000</u>	<u>130,000</u>
Sub-total.....	17,169,000	4,025,000
Add: unamortized premium.....	<u>537,726</u>	<u>-</u>
Total bonds and notes and unamortized premiums.....	<u>\$ 17,706,726</u>	<u>\$ 4,025,000</u>

The Town's total bonded debt increased \$13,681,726 during the current fiscal year. Long-term debt of \$13,894,000 was issued during the fiscal year (along with a premium of \$551,514) for school construction, vehicles, cisterns and MWPAT septic management. The Town received an Aa1 rating from Moody's Investor Service for its most recent issuance of long-term debt on November 15, 2012. This bond rating was an increase from the Town's previous issuance of long-term debt on March 15, 2010, which received an Aa2 rating from Moody's.

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 15, 2013 by the Commissioner of Revenue, the current debt limit is \$68,303,085, 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 10 on pages 41-43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Town's fiscal year 2014 budget:

- Overall anticipated fiscal year 2014 revenues and fund transfers are expected to show an increase of 6.54% over fiscal year 2013. Revenues from property taxes are expected to increase by 6.78%, which includes an increase in the excluded debt levy of \$1,054,888, primarily to support the debt for the new school building projects in Carlisle and at the Concord-Carlisle Regional High School (discussed further below). For fiscal year 2014, State aid to cities and towns, local schools and regional school districts is expected to increase slightly as compared to the prior fiscal year. The Massachusetts Department of Revenue has published the fiscal year 2014 Cherry Sheet, showing that Carlisle should expect to receive a net of \$1,162,974 in state aid. This compares to \$1,161,216 estimated on the Cherry Sheet for fiscal 2013, an increase of \$1,758 (0.16%). Local receipts are expected to remain constant. To supplement the fiscal year 2014 budget items, the Town voted to use \$465,000 of Free Cash (\$390,000 to reduce taxes and \$75,000 for a 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, 2013 was \$2,610,571 (\$2,577,531 at July 1, 2012).
- Fiscal year 2014 department appropriations provide for an increase of 3.80% as compared to fiscal year 2013. 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 2014 budget provides for \$384,930 of continuing investment in the Town's assets, infrastructure, and on-going appropriations. 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 \$384,930 from within the base property tax levy.

- The fiscal year 2014 budget provides for payment of the budgetary assessment required by both the Concord-Carlisle Regional School District (CCRSD) and the Minuteman Regional School District (MMRSD) 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 2013 for CCRSD was 28.23%, requiring an appropriation for operations and debt service of \$6,026,104 (\$5,926,146 for operations and \$99,958 for debt service). The assessment ratio for the fiscal year 2014 at CCRSD decreased to 27.15%, resulting in an assessment for operations and debt service of \$6,314,403 (\$5,736,057 for operations and \$578,346 for debt service), approved by town meeting. The total appropriation has therefore increased .79% from fiscal 2013 to fiscal 2014 (-3.21% for operations and 478.59% for debt service). The assessment ratio at CCRSD in the next few years is expected to decrease gradually as Carlisle sends a lower proportion of students to CCRSD, which will result in the Town bearing a smaller portion of the overall CCRSD budget for operations and debt service. Despite this, future assessments will require higher annual debt service costs, as the Region continues to borrow funds in support of the building project at the high school (discussed further below). The MMRSD assessment for fiscal year 2014 increased by \$55,922 (29.40%) as compared to fiscal 2013, to an assessment of \$246,153. The number of students attending MMRSD increased from 7 attending in fiscal 2013 to 9 attending in fiscal 2014.
- To meet the total appropriations for the fiscal year 2014, no Proposition 2 ½ override was necessary. The total fiscal year 2014 budget, that is to be raised from taxes or provided through State aid, local receipts, etc., is expected to be \$26,124,482, an increase of 6.54% over fiscal year 2013.
- 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, 2012 amounted to \$16,205,301. The current estimate of new growth for the twelve months ended June 30, 2013 is estimated to be approximately \$15,000,000, and the current projection for new growth for the twelve months ending June 30, 2014 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, as 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 issues long term General Obligation bonds totaling \$13,108,600 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 2013. Following completion of the project, the town may 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 began in the spring of 2013, at which time the District issued General Obligation bonds for a portion of the project costs. The District will be required to make annual principal and interest payments on the outstanding bonds, beginning in fiscal 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 2014, Carlisle's assessment ratio is 27.15%, 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 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 POSITION

JUNE 30, 2013

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents.....	\$ 6,933,743
Restricted cash and cash equivalents.....	3,453,431
Restricted investments.....	777,593
Receivables, net of allowance for uncollectible amounts:	
Real estate and personal property taxes.....	72,211
Tax liens.....	12,024
Motor vehicle excise taxes.....	22,549
Community preservation surcharges.....	1,894
Intergovernmental.....	565,079
Loans.....	4,713
Total current assets.....	<u>11,843,237</u>
Noncurrent assets:	
Receivables, net of allowance for uncollectible amounts:	
Real estate tax deferrals.....	53,043
Loans.....	40,987
Tax foreclosures.....	74,614
Capital assets not being depreciated.....	10,278,948
Capital assets, net of accumulated depreciation.....	<u>33,451,109</u>
Total noncurrent assets.....	<u>43,898,701</u>
Total assets.....	<u>55,741,938</u>
LIABILITIES	
Current liabilities:	
Warrants payable.....	1,223,050
Accrued payroll.....	920,901
Tax refunds payable.....	430,619
Other liabilities.....	188,463
Accrued interest.....	140,692
Compensated absences.....	89,175
Short-term notes payable.....	1,200,000
Long-term bonds and notes payable.....	<u>1,031,061</u>
Total current liabilities.....	<u>5,223,961</u>
Noncurrent liabilities:	
Net OPEB obligation.....	4,129,164
Compensated absences.....	155,736
Long-term bonds and notes payable.....	<u>16,675,665</u>
Total noncurrent liabilities.....	<u>20,960,565</u>
Total liabilities.....	<u>26,184,526</u>
NET POSITION	
Invested in capital assets, net of related debt.....	26,123,103
Restricted for:	
Community preservation.....	808,312
Affordable housing.....	206,090
Loans.....	45,700
Permanent funds:	
Expendable.....	472,919
Nonexpendable.....	186,820
Other specific purposes.....	1,287,247
Unrestricted.....	<u>427,221</u>
Total net position.....	<u>\$ 29,557,412</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 1,747,782	\$ 136,265	\$ 79,417	\$ 189,000	\$ (1,343,100)
Public safety.....	2,860,579	403,664	59,718	-	(2,397,197)
Education.....	19,619,797	269,128	1,433,800	1,089,124	(16,827,745)
Public works.....	1,703,703	73,707	8,377	202,382	(1,419,237)
Health and human services.....	950,770	123,905	53,324	7,210	(766,331)
Culture and recreation.....	943,193	144,014	35,077	-	(764,102)
Debt service - interest.....	330,124	-	-	-	(330,124)
Total governmental activities....	\$ 28,155,948	\$ 1,150,683	\$ 1,669,713	\$ 1,487,716	(23,847,836)
General revenues:					
					21,928,321
					843,937
					49,400
					6,729
					358,142
					1,663,714
					29,049
					24,879,292
					1,031,456
					28,525,956
					\$ 29,557,412

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>School Construction Project</u>
Cash and cash equivalents.....	\$ 6,382,229	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	72,211	-	-
Real estate tax deferrals.....	53,043	-	-
Tax liens.....	12,024	-	-
Motor vehicle and other excise taxes.....	22,549	-	-
Community preservation surcharges.....	-	1,894	-
Intergovernmental.....	-	-	321,701
Loans.....	-	-	-
Tax foreclosures.....	74,614	-	-
Restricted assets:			
Cash and cash equivalents.....	551,514	809,420	856,481
Investments.....	-	-	-
TOTAL ASSETS.....	\$ 7,168,184	\$ 811,314	\$ 1,178,182
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 488,335	\$ 1,005	\$ 456,593
Accrued payroll.....	898,187	1,997	-
Tax refunds payable.....	430,619	-	-
Other liabilities.....	188,463	-	-
Deferred revenue.....	165,309	1,894	-
Accrued short-term interest.....	2,098	-	-
Short-term notes payable.....	-	-	800,000
TOTAL LIABILITIES.....	2,173,011	4,896	1,256,593
FUND BALANCES:			
Nonspendable.....	-	-	-
Restricted.....	551,514	806,418	-
Committed.....	709,019	-	-
Assigned.....	55,095	-	-
Unassigned.....	3,679,545	-	(78,411)
TOTAL FUND BALANCES.....	4,995,173	806,418	(78,411)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,168,184	\$ 811,314	\$ 1,178,182

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,382,229
-	72,211
-	53,043
-	12,024
-	22,549
-	1,894
243,378	565,079
45,700	45,700
-	74,614
1,787,530	4,004,945
777,593	777,593
<u>\$ 2,854,201</u>	<u>\$ 12,011,881</u>

\$ 277,117	\$ 1,223,050
20,717	920,901
-	430,619
-	188,463
-	167,203
-	2,098
400,000	1,200,000
<u>697,834</u>	<u>4,132,334</u>
232,520	232,520
2,417,674	3,775,606
-	709,019
-	55,095
(493,827)	3,107,307
<u>2,156,367</u>	<u>7,879,547</u>
<u>\$ 2,854,201</u>	<u>\$ 12,011,881</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Community Preservation	School Construction Project
REVENUES			
Real estate and personal property taxes.....	\$ 21,973,287	\$ -	\$ -
Motor vehicle excise taxes.....	835,184	-	-
Tax liens.....	21,081	316	-
Payments in lieu of taxes.....	6,729	-	-
Community preservation surcharges.....	-	359,004	-
Charges for services.....	-	-	-
Intergovernmental.....	2,432,574	96,122	1,089,124
Special assessments/septic loans.....	-	-	-
Penalties and interest on taxes.....	45,823	595	-
Licenses and permits.....	142,330	-	-
Fines and forfeitures.....	11,730	-	-
Departmental.....	168,860	-	-
Contributions.....	-	-	-
Investment income.....	29,049	1,087	-
TOTAL REVENUES.....	25,666,647	457,124	1,089,124
EXPENDITURES			
Current:			
General government.....	1,210,543	464,576	-
Public safety.....	2,081,435	-	-
Education.....	15,866,143	-	4,218,733
Public works.....	1,196,841	-	-
Health and human services.....	250,522	-	-
Culture and recreation.....	696,407	-	-
Pension benefits.....	1,821,812	-	-
Employee benefits.....	852,434	-	-
Property and liability insurance.....	140,894	-	-
State and county charges.....	59,854	-	-
Debt service:			
Principal.....	531,109	149,000	-
Interest.....	233,713	5,960	-
TOTAL EXPENDITURES.....	24,941,707	619,536	4,218,733
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	724,940	(162,412)	(3,129,609)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	101,109	-	-
Proceeds of bonds and notes.....	-	-	12,908,400
Premium from issuance of bonds and notes.....	551,514	-	-
Transfers out.....	(214,400)	(95,000)	-
TOTAL OTHER FINANCING SOURCES (USES).....	438,223	(95,000)	12,908,400
NET CHANGE IN FUND BALANCES.....	1,163,163	(257,412)	9,778,791
FUND BALANCES AT BEGINNING OF YEAR.....	3,832,010	1,063,830	(9,857,202)
FUND BALANCES AT END OF YEAR.....	\$ 4,995,173	\$ 806,418	\$ (78,411)

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 21,973,287
-	835,184
-	21,397
-	6,729
-	359,004
201,909	201,909
601,103	4,218,923
39,937	39,937
2,982	49,400
-	142,330
-	11,730
619,299	788,159
353,963	353,963
24,790	54,926
<u>1,843,983</u>	<u>29,056,878</u>
858,768	2,533,887
131,869	2,213,304
864,804	20,949,680
236,588	1,433,429
605,877	856,399
134,514	830,921
-	1,821,812
-	852,434
-	140,894
-	59,854
69,891	750,000
-	239,673
<u>2,902,311</u>	<u>32,682,287</u>
<u>(1,058,328)</u>	<u>(3,625,409)</u>
310,019	411,128
985,600	13,894,000
-	551,514
<u>(101,728)</u>	<u>(411,128)</u>
<u>1,193,891</u>	<u>14,445,514</u>
135,563	10,820,105
<u>2,020,804</u>	<u>(2,940,558)</u>
<u>\$ 2,156,367</u>	<u>\$ 7,879,547</u>

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

JUNE 30, 2013

Total governmental fund balances (page 19).....	\$	7,879,547
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		43,730,057
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		167,203
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(138,594)
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, net of unamortized premiums.....		(17,706,726)
Compensated absences.....		(244,911)
Net OPEB obligation.....		(4,129,164)
Net position of governmental activities (page 16).....	\$	<u>29,557,412</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, 2013

Net change in fund balances - total governmental funds (page 21).....	\$	10,820,105
<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.....		5,909,761
Depreciation.....		(1,164,850)
<p>Contributed capital assets are reported in the statement of activities as capital grants and contributions but are not reported in the governmental funds.....</p>		
		189,000
<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.) and the recognition of expenses/expenditures for various types of accounts receivable (i.e., notes) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(58,475)
<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 position. 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 proceeds.....		(13,894,000)
Deferred premiums from issuance of bonds and notes.....		(551,514)
Bond maturities.....		750,000
Amortization of bond premiums.....		13,788
<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>		
		(104,239)
<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.....		(92,270)
Net OPEB obligation.....		(785,850)
		(878,120)
Changes in net position of governmental activities (page 17).....	\$	1,031,456

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

ASSETS	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents.....	\$ 310,159	\$ 50,781
Receivables, net of allowance for uncollectible amounts:		
Departmental and other.....	<u>-</u>	<u>18,160</u>
Total assets.....	<u>310,159</u>	<u>68,941</u>
 LIABILITIES		
Warrants payable.....	500	4,430
Accrued payroll.....	-	2,717
Liabilities due depositors.....	<u>-</u>	<u>61,794</u>
Total liabilities.....	<u>500</u>	<u>68,941</u>
 NET POSITION		
Held in trust for other purposes.....	\$ <u>309,659</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ 2,355
Net investment income:	
Interest.....	<u>11,575</u>
TOTAL ADDITIONS.....	13,930
DEDUCTIONS	
Scholarships awarded.....	<u>8,900</u>
CHANGE IN NET POSITION.....	5,030
NET POSITION AT BEGINNING OF YEAR.....	<u>304,629</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 309,659</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, 2013 the Town's assessment was \$6,026,103. 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, 2013, the Town's assessment was \$190,231. 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 position 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. Implementation of New Accounting Principles

For the year ending June 30, 2013, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

The implementation of GASB Statement No.’s 60, 61 and 62 had no reporting impact for the Town.

D. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

E. 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.

F. 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, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st 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 1st, November 1st, February 1st and May 1st 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.

G. 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
- Notes

As of June 30, 2013, 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 (or other means) 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.

H. 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.

I. 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.

J. 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

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.

K. 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 position.

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.

L. 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 position.

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.

*M. 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).

*N. Net Position and Fund Balances*Government-Wide Financial Statements (Net Position)

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

Net position has 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.

O. Long-term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. 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.

P. 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).

Q. *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.

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

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

S. *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.

T. *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 and community preservation fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$24,124,074 in appropriations and other amounts to be raised. During fiscal year 2013, appropriations were increased by \$306,192. The original fiscal year 2013 approved budget for the community preservation fund authorized \$353,960 in appropriations. During fiscal year 2013, appropriations were increased by \$95,000.

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, 2013, the following fund deficits exist:

Fund	Amount	Funding Source
School construction capital projects fund (major fund).....	\$ 78,411	Intergovernmental revenues/long-term debt
Land purchase capital projects fund.....	400,000	Long-term debt
Green community grant.....	67,698	State grant
911 grants.....	26,129	State grant

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, 2013, \$7,896,119 of the Town's bank balance of \$11,808,189 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 109,619	\$ 109,619
Fixed income mutual funds.....	317,255	317,255
External investment pools.....	1,484,159	1,484,159
Total debt securities.....	1,911,033	\$ 1,911,033
<u>Other Investments:</u>		
Equity mutual funds.....	460,338	
Total investments.....	\$ 2,371,371	

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, 2013, 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, 2013, the credit quality ratings of the Town's investment in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *
Money market mutual funds.....	\$ 109,619	\$ 109,619
Fixed income mutual funds.....	317,255	317,255
External investment pools.....	1,484,159	1,484,159
Total.....	\$ 1,911,033	\$ 1,911,033

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

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2013, 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.....	\$ 82,007	\$ (9,796)	\$ 72,211
Real estate tax deferrals.....	53,043	-	53,043
Tax liens.....	60,383	(48,359)	12,024
Motor vehicle and other excise taxes.....	64,394	(41,845)	22,549
Community preservation surcharges.....	1,894	-	1,894
Departmental and other.....	18,160	-	18,160
Notes.....	93,076	(93,076)	-
Intergovernmental.....	565,079	-	565,079
Loans.....	45,700	-	45,700
	<u>\$ 983,736</u>	<u>\$ (193,076)</u>	<u>\$ 790,660</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>Receivables:</u>			
Real estate and personal property taxes.....	\$ 3,079	\$ -	\$ 3,079
Real estate tax deferrals.....	53,043	-	53,043
Tax and utility liens.....	12,024	-	12,024
Motor vehicle and other excise taxes.....	22,549	-	22,549
Community preservation surcharges.....	-	1,894	1,894
Tax foreclosures.....	74,614	-	74,614
	<u>\$ 165,309</u>	<u>\$ 1,894</u>	<u>\$ 167,203</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, 2013, approximately \$19,391,000 of expenditures have been accrued on the project and \$6,229,000 in MSBA grants has been accrued. A \$321,701 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, 2013.

NOTE 5 - LONG-TERM NOTES RECEIVABLE

During fiscal year 2013, the Town issued a \$425,000 long-term note to an affordable housing developer. The note is interest free and matures on January 5, 2044. The present value of the note (based on an effective interest rate of 5%) totals \$93,076, and has been fully reserved as uncollectible at June 30, 2013.

During the one-year period prior to the maturity date, the borrower may request that the Town extend the maturity date for a period of up to the original term of the note. If any portion of the note is not paid when due, unpaid amounts will bear interest until paid at the lesser of: (1) the annual rate which is five percent (5%) per annum above the Prime Rate as published by the *Wall Street Journal* and (2) the maximum rate of interest which may be lawfully charged or collected on account of such unpaid amounts in accordance with applicable law.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,128,798	\$ 590,000	\$ -	\$ 9,718,798
Intangible assets.....	-	560,150	-	560,150
Construction in progress.....	15,768,595	-	(15,768,595)	-
Total capital assets not being depreciated.....	<u>24,897,393</u>	<u>1,150,150</u>	<u>(15,768,595)</u>	<u>10,278,948</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	746,835	-	-	746,835
Buildings and improvements.....	13,701,429	20,271,350	-	33,972,779
Machinery and equipment.....	4,975,027	204,855	-	5,179,882
Infrastructure.....	28,016,537	241,001	-	28,257,538
Total capital assets being depreciated.....	<u>47,439,828</u>	<u>20,717,206</u>	<u>-</u>	<u>68,157,034</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(710,163)	(6,127)	-	(716,290)
Buildings and improvements.....	(6,400,949)	(568,516)	-	(6,969,465)
Machinery and equipment.....	(3,322,054)	(299,725)	-	(3,621,779)
Infrastructure.....	(23,107,909)	(290,482)	-	(23,398,391)
Total accumulated depreciation.....	<u>(33,541,075)</u>	<u>(1,164,850)</u>	<u>-</u>	<u>(34,705,925)</u>
Total capital assets being depreciated, net.....	<u>13,898,753</u>	<u>19,552,356</u>	<u>-</u>	<u>33,451,109</u>
Total governmental activities capital assets, net.....	<u>\$ 38,796,146</u>	<u>\$ 20,702,506</u>	<u>\$ (15,768,595)</u>	<u>\$ 43,730,057</u>

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

Governmental Activities:

General government.....	\$ 51,399
Public safety.....	238,611
Education.....	496,496
Public works.....	352,091
Health and human services.....	5,313
Culture and recreation.....	<u>20,940</u>

Total depreciation expense - governmental activities..... \$ 1,164,850

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 214,400	\$ 214,400 (1)
Community Preservation.....	-	95,000	95,000 (2)
Nonmajor Governmental Funds.....	<u>101,109</u>	<u>619</u>	<u>101,728 (3)</u>
	<u>\$ 101,109</u>	<u>\$ 310,019</u>	<u>\$ 411,128</u>

- (1) Represents budgeted transfers from the general fund to the Goff-Moseley land purchase (\$190,000), school feasibility/schematic design (\$11,800), roll-off truck (\$8,600) and cistern (\$4,000) capital project funds
- (2) Represents budgeted transfers from the community preservation major fund to the affordable housing special revenue fund
- (3) Represents budgeted transfers from the ambulance special revenue fund (\$41,000) and Title V betterment special revenue fund (\$60,109) to the general fund. Also represents various miscellaneous transfers between nonmajor governmental funds.

NOTE 8 - 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, 2013, are as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013
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)	-
BAN School Project.....		3/6/13	3/6/14	0.55%	-	800,000	-	800,000
BAN Land Acquisition.....		3/6/13	3/6/14	0.55%	-	400,000	-	400,000
Total.....					\$ 13,436,000	\$ 1,200,000	\$ (13,436,000)	\$ 1,200,000

NOTE 9 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term liabilities during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Bonds and notes payable.....	\$ 4,025,000	\$ 13,894,000	\$ (750,000)	\$ 17,169,000	\$ 1,009,000
Unamortized premium.....	-	551,514	(13,788)	537,726	22,061
Bonds and notes payable, gross.....	4,025,000	14,445,514	(763,788)	17,706,726	1,031,061
Net OPEB obligation.....	3,343,314	893,637	(107,787)	4,129,164	-
Compensated absences.....	152,641	92,270	-	244,911	89,175
Total.....	\$ 7,520,955	\$ 15,431,421	\$ (871,575)	\$ 22,080,801	\$ 1,120,236

Bonds and notes payable are liquidated by the general fund, community preservation fund and Title V special revenue fund. Net OPEB obligations and compensated absences are generally liquidated by the general fund.

NOTE 10 - LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2012	Additions	Deductions	Outstanding at June 30, 2013
Wastewater.....	4.0 - 5.5	\$ 838,000	\$ -	\$ (58,000)	\$ 780,000
Wastewater.....	4.0 - 5.5	768,000	-	(53,000)	715,000
Land acquisition.....	4.0 - 5.5	149,000	-	(149,000)	-
Building construction - school - refunding.....	2.0 - 3.0	83,000	-	(13,000)	70,000
Building construction - town hall - refunding.....	2.0 - 3.0	5,000	-	(5,000)	-
Athletic facility - refunding.....	2.0 - 3.0	39,000	-	(39,000)	-
Land acquisition - conservation - refunding.....	2.0 - 3.0	769,000	-	(118,000)	651,000
Building addition - library - refunding.....	2.0 - 3.0	524,000	-	(80,000)	444,000
Fire truck.....	2.0 - 3.0	351,000	-	(51,000)	300,000
School boiler.....	2.0 - 3.0	217,000	-	(31,000)	186,000
Cisterns.....	2.0 - 3.0	152,000	-	(23,000)	129,000
Community Septic Management Program.....	0.0	130,000	-	(130,000)	-
School project.....	2.0 - 4.0	-	12,908,400	-	12,908,400
Fire truck.....	2.0 - 4.0	-	410,000	-	410,000
School design.....	2.0 - 4.0	-	200,200	-	200,200
DPW roll-off truck.....	2.0 - 4.0	-	145,400	-	145,400
Dump truck.....	2.0 - 4.0	-	134,000	-	134,000
Cisterns.....	2.0 - 4.0	-	56,000	-	56,000
Community Septic Management Program.....	0.0	-	40,000	-	40,000
Sub-total.....		4,025,000	13,894,000	(750,000)	17,169,000
Add: unamortized premium.....		-	551,514	(13,788)	537,726
Total.....		\$ 4,025,000	\$ 14,445,514	\$ (763,788)	\$ 17,706,726

During fiscal year 2013, the Town issued \$13,854,000 of long-term debt for school construction, vehicles and cisterns. The Town also issued MWPAT community septic management program notes in the amount of \$40,000 during the fiscal year.

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

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,009,000	\$ 755,907	\$ 1,764,907
2015.....	1,000,000	512,496	1,512,496
2016.....	1,035,000	483,674	1,518,674
2017.....	985,000	452,672	1,437,672
2018.....	975,000	423,445	1,398,445
2019.....	960,000	390,268	1,350,268
2020.....	680,000	354,716	1,034,716
2021.....	680,000	327,516	1,007,516
2022.....	680,000	300,316	980,316
2023.....	680,000	275,799	955,799
2024.....	680,000	254,103	934,103
2025.....	680,000	232,411	912,411
2026.....	680,000	210,573	890,573
2027.....	565,000	188,737	753,737
2028.....	565,000	171,787	736,787
2029.....	565,000	154,837	719,837
2030.....	565,000	137,887	702,887
2031.....	550,000	121,192	671,192
2032.....	530,000	104,962	634,962
2033.....	530,000	89,062	619,062
2034.....	515,000	73,387	588,387
2035.....	515,000	57,615	572,615
2036.....	515,000	41,522	556,522
2037.....	515,000	25,107	540,107
2038.....	515,000	8,369	523,369
Total.....	\$ <u>17,169,000</u>	\$ <u>6,148,360</u>	\$ <u>23,317,360</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, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
School Construction Project.....	\$ 7,346,600 *
Land Acquisition.....	400,000 *
Schematic Design - School Project.....	249,800
MWPAT.....	160,000
Cisterns.....	<u>4,000</u>
Total.....	\$ <u>8,160,400</u>

* Short-term debt of \$800,000 and \$400,000 has been issued and is outstanding at June 30, 2013 for the school construction project and land acquisition, respectively

Overlapping Debt

The following table identifies the Town’s overlapping debt at June 30, 2013:

	<u>Outstanding Overlapping Debt</u>	<u>Overlapping Town Share (%)</u>	<u>Overlapping Town Share (\$)</u>
Concord-Carlisle Regional School District.....	\$ 31,558,150	28.23%	\$ 8,908,866

NOTE 11 - 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 identifies 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.....	\$ 935,394
Interest on net OPEB obligation.....	100,411
Adjustment to annual required contribution.....	<u>(142,168)</u>
Annual OPEB cost.....	893,637
Contributions made.....	<u>(107,787)</u>
Increase in net OPEB obligation.....	785,850
Net OPEB obligation at beginning of year.....	<u>3,343,314</u>
Net OPEB obligation at end of year.....	<u>\$ 4,129,164</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, 2011.....	\$ 839,500	11.8%	\$ 2,604,299
June 30, 2012.....	855,189	13.6%	3,343,314
June 30, 2013.....	893,637	12.1%	4,129,164

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:

Governmental Activities:	
General government.....	\$ 82,981
Public safety.....	151,541
Education.....	578,764
Public works.....	63,766
Health and human services.....	13,554
Culture and recreation.....	<u>3,031</u>
Total AOPEBC - governmental activities.....	<u>\$ 893,637</u>

NOTE 12 - 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
Nonspendable:					
Loans.....	\$ -	\$ -	\$ -	\$ 45,700	\$ 45,700
Permanent fund principal.....	-	-	-	186,820	186,820
Sub-total - Nonspendable.....	-	-	-	232,520	232,520
Restricted for:					
Community preservation.....	-	806,418	-	-	806,418
Affordable housing.....	-	-	-	206,090	206,090
Debt service.....	551,514	-	-	-	551,514
School lunch.....	-	-	-	52,495	52,495
Capital.....	-	-	-	403,291	403,291
General government.....	-	-	-	232,432	232,432
Public safety.....	-	-	-	428,713	428,713
Education.....	-	-	-	354,325	354,325
Public works.....	-	-	-	269,230	269,230
Health and human services.....	-	-	-	67,195	67,195
Culture and recreation.....	-	-	-	403,903	403,903
Sub-total - Restricted.....	551,514	806,418	-	2,417,674	3,775,606
Committed to:					
Subsequent year's expenditures.....	390,000	-	-	-	390,000
Continuing appropriations.....	319,019	-	-	-	319,019
Sub-total - Committed.....	709,019	-	-	-	709,019
Assigned to:					
Encumbrances.....	55,095	-	-	-	55,095
Unassigned.....	3,679,545	-	(78,411)	(493,827)	3,107,307
	<u>\$ 4,995,173</u>	<u>\$ 806,418</u>	<u>\$ (78,411)</u>	<u>\$ 2,156,367</u>	<u>\$ 7,879,547</u>

NOTE 13 - 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, 2013 totals \$1,123,409 and is reported as unassigned fund balance in the general fund.

NOTE 14 - 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 15 - 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, 2013, 2012, and 2011 were \$639,728, \$660,453, and \$594,740, respectively, which equaled its required contribution for each fiscal year.

NOTE 16 - 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 \$1,169,468 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 17 – 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 2013 were \$70/ton and totaled approximately \$142,000. Future tipping fees payable under the contract are as follows:

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

NOTE 18 – 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

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 19 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- 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.
- Statement No. 69, Government Combinations and Disposals of Government Operations, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, 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.

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Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 21,619,619	\$ -	\$ 21,619,619
Motor vehicle and other excise taxes.....	-	801,000	-	801,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	6,000	-	6,000
Intergovernmental	-	1,205,010	-	1,205,010
Penalties and interest on taxes.....	-	50,000	-	50,000
Licenses and permits.....	-	110,000	-	110,000
Fines and forfeitures.....	-	9,500	-	9,500
Departmental and other.....	-	101,000	-	101,000
Investment income.....	-	25,000	-	25,000
TOTAL REVENUES.....	-	23,927,129	-	23,927,129
EXPENDITURES				
Current:				
General government.....	144,677	1,248,638	3,565	1,396,880
Public safety.....	95,237	2,165,600	(16,675)	2,244,162
Education.....	95,079	15,842,876	-	15,937,955
Public works.....	96,789	1,080,862	58,455	1,236,106
Health and human services.....	6,748	246,131	20,653	273,532
Culture and recreation.....	24,169	680,162	35,574	739,905
Pension benefits.....	-	652,344	-	652,344
Employee benefits.....	10,293	1,068,240	-	1,078,533
Property and liability insurance.....	-	160,000	-	160,000
State and county charges.....	-	51,322	8,532	59,854
Debt service:				
Principal.....	-	537,000	-	537,000
Interest.....	-	291,499	6,088	297,587
TOTAL EXPENDITURES.....	472,992	24,024,674	116,192	24,613,858
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(472,992)	(97,545)	(116,192)	(686,729)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	55,945	-	55,945
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(99,400)	(190,000)	(289,400)
TOTAL OTHER FINANCING SOURCES (USES)...	-	(43,455)	(190,000)	(233,455)
NET CHANGE IN FUND BALANCE.....	(472,992)	(141,000)	(306,192)	(920,184)
FUND BALANCE AT BEGINNING OF YEAR.....	3,467,484	3,467,484	3,467,484	3,467,484
FUND BALANCE AT END OF YEAR.....	\$ 2,994,492	\$ 3,326,484	\$ 3,161,292	\$ 2,547,300

See notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	21,702,287	\$ -	\$ 21,702,287	\$ 82,668
	835,184	-	835,184	34,184
	21,081	-	21,081	21,081
	6,729	-	6,729	729
	1,263,106	-	1,263,106	58,096
	45,823	-	45,823	(4,177)
	142,330	-	142,330	32,330
	11,730	-	11,730	2,230
	168,860	-	168,860	67,860
	26,746	-	26,746	1,746
	<u>24,223,876</u>	<u>-</u>	<u>24,223,876</u>	<u>296,747</u>
	1,210,543	96,448	1,306,991	89,889
	2,081,435	139,940	2,221,375	22,787
	15,866,143	61,686	15,927,829	10,126
	1,196,841	4,652	1,201,493	34,613
	250,522	16,305	266,827	6,705
	696,407	42,285	738,692	1,213
	652,344	-	652,344	-
	852,434	12,798	865,232	213,301
	140,894	-	140,894	19,106
	59,854	-	59,854	-
	531,109	-	531,109	5,891
	295,652	-	295,652	1,935
	<u>23,834,178</u>	<u>374,114</u>	<u>24,208,292</u>	<u>405,566</u>
	<u>389,698</u>	<u>(374,114)</u>	<u>15,584</u>	<u>702,313</u>
	116,054	-	116,054	60,109
	551,514	-	551,514	551,514
	(289,400)	-	(289,400)	-
	<u>378,168</u>	<u>-</u>	<u>378,168</u>	<u>611,623</u>
	767,866	(374,114)	393,752	1,313,936
	<u>3,467,484</u>	<u>3,467,484</u>	<u>3,467,484</u>	<u>-</u>
\$	<u>4,235,350</u>	<u>3,093,370</u>	<u>3,861,236</u>	<u>1,313,936</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges.....	\$ -	\$ 356,878	\$ -	\$ 356,878
Tax liens.....	-	-	-	-
Penalties and interest on taxes.....	-	-	-	-
Intergovernmental	-	96,122	-	96,122
Investment income.....	-	2,000	-	2,000
TOTAL REVENUES.....	-	455,000	-	455,000
EXPENDITURES				
Current:				
Administrative.....	-	2,000	-	2,000
Acquisitions and projects.....	434,256	197,000	-	631,256
Debt service:				
Principal.....	-	149,000	-	149,000
Interest.....	-	5,960	-	5,960
TOTAL EXPENDITURES.....	434,256	353,960	-	788,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(434,256)	101,040	-	(333,216)
OTHER FINANCING SOURCES (USES)				
Transfers out.....	-	-	(95,000)	(95,000)
NET CHANGE IN FUND BALANCE.....	(434,256)	101,040	(95,000)	(428,216)
FUND BALANCE AT BEGINNING OF YEAR...	1,063,830	1,063,830	1,063,830	1,063,830
FUND BALANCE AT END OF YEAR.....	\$ 629,574	\$ 1,164,870	\$ 968,830	\$ 635,614

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>
\$ 359,004	\$ -	\$ 359,004	\$ 2,126
316	-	316	316
595	-	595	595
96,122	-	96,122	-
1,087	-	1,087	(913)
<u>457,124</u>	<u>-</u>	<u>457,124</u>	<u>2,124</u>
1,500	-	1,500	500
463,076	115,883	578,959	52,297
149,000	-	149,000	-
5,960	-	5,960	-
<u>619,536</u>	<u>115,883</u>	<u>735,419</u>	<u>52,797</u>
<u>(162,412)</u>	<u>(115,883)</u>	<u>(278,295)</u>	<u>54,921</u>
<u>(95,000)</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>
<u>(257,412)</u>	<u>(115,883)</u>	<u>(373,295)</u>	<u>54,921</u>
<u>1,063,830</u>	<u>1,063,830</u>	<u>1,063,830</u>	<u>-</u>
<u>\$ 806,418</u>	<u>\$ 947,947</u>	<u>\$ 690,535</u>	<u>\$ 54,921</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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Entry Age (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>
01/01/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 393,100,995	282.8%
01/01/10	819,987,914	1,743,581,707	923,593,793	47.0%	384,933,571	239.9%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

<u>Year Ended December 31</u>	<u>Annually Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed (%)</u>
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
2012	83,308,220	100

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

TOWN SHARE OF SYSTEM ARC

<u>Year Ended June 30</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>Town ARC as a Percentage of System ARC (%)</u>
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%
2013	639,728	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, 2013, 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.....	\$ 24,223,876	\$ 24,208,292	\$ 378,168
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	2,303	-	60,055
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	(8,321)	-	-
Net change in recording tax refunds payable.....	279,321	-	-
To record MTRS on-behalf payments.....	1,169,468	1,169,468	-
Net change in recording short-term interest accrual.....	-	(61,939)	-
To record encumbrances and continuing appropriations.....	-	(374,114)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 25,666,647</u>	<u>\$ 24,941,707</u>	<u>\$ 438,223</u>

CPA Fund

	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 735,419
<u>Adjustments</u>	
To record encumbrances and continuing appropriations.....	<u>(115,883)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 619,536</u>

NOTE B - PENSION PLAN

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

Valuation date:	January 1, 2012
Actuarial cost method:	Entry age normal
Amortization method:	Prior year's total contribution increased by 6.5% for fiscal year 2014 through 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments
Remaining amortization period:	7 years remaining for 2002 ERI liability; 8 years remaining for 2003 ERI liability, 10 years remaining for 2010 ERI liability and 23 years remaining for 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:	8.00%
Projected salary increases:	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments:	3.00% of first \$14,000 of retirement income