

TOWN OF CONCORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Concord, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of and for the year ended June 30, 2014, (except for the Concord Contributory Retirement System and Municipal Light Plant, which are as of and for the year ending December 31, 2013) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business- type activities, each major fund, and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of June 30, 2014, (except for the Concord Contributory Retirement System and Municipal Light Plant, which are as of and for the year ending December 31, 2013) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 82 through 93 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Melanson Heath

March 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Concord, we offer readers this narrative overview and analysis of the financial activities of the Town of Concord for the fiscal year ended June 30, 2014. Unless otherwise noted, **all amounts reported in this analysis are expressed in thousands.**

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all 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 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, debt service interest, and intergovernmental. The business-type activities include water, sewer, electric, and swim activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, electric, and swim operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water, sewer, electric, and swim facility operations, all of which are considered to be major funds.

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

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$244,830 (i.e., net position), a change of \$11,545 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$50,659, a change of \$4,079 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,314, a change of \$1,594 in comparison to the prior year.
- Total bonds payable as of June 30, 2014 was \$70,599 a change of \$(385) in comparison to the prior year. Governmental bonds payable of \$48,467 decreased by \$(2,303). Business-type bonds payable of \$22,132 increased by \$1,918.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 58,368	\$ 54,699	\$ 43,974	\$ 37,145	\$ 102,342	\$ 91,844
Deferred outflows	-	-	-	56	-	56
Capital assets	<u>154,813</u>	<u>155,013</u>	<u>86,334</u>	<u>85,991</u>	<u>241,147</u>	<u>241,004</u>
Total assets and deferred outflows	213,181	209,712	130,308	123,192	343,489	332,904
Long-term liabilities outstanding	60,185	62,820	19,042	21,003	79,227	83,823
Other liabilities	5,461	5,757	12,803	8,871	18,264	14,628
Deferred inflows	<u>285</u>	<u>263</u>	<u>883</u>	<u>910</u>	<u>1,168</u>	<u>1,173</u>
Total liabilities and deferred inflows	65,931	68,840	32,728	30,784	98,659	99,624
Net position:						
Net investment in capital assets	109,256	106,167	69,274	66,338	178,530	172,505
Restricted	22,201	24,142	6,097	5,366	28,298	29,508
Unrestricted	<u>15,793</u>	<u>10,563</u>	<u>22,209</u>	<u>20,704</u>	<u>38,002</u>	<u>31,267</u>
Total net position	<u>\$ 147,250</u>	<u>\$ 140,872</u>	<u>\$ 97,580</u>	<u>\$ 92,408</u>	<u>\$ 244,830</u>	<u>\$ 233,280</u>

CHANGE IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,042	\$ 6,283	\$ 35,997	\$ 38,044	\$ 43,039	\$ 44,327
Operating grants and contributions	9,451	9,101	-	-	9,451	9,101
Capital grants and contributions	737	160	-	-	737	160
General revenues:						
Property taxes	74,951	71,877	-	-	74,951	71,877
Excises	3,664	3,522	-	-	3,664	3,522
Penalties and interest on taxes	438	275	-	-	438	275
Grants and contributions not restricted to specific programs	2,006	1,608	-	-	2,006	1,608
Investment income	1,998	1,571	65	74	2,063	1,645
Other	1,833	1,170	2,100	854	3,933	2,024
Total revenues	<u>102,120</u>	<u>95,567</u>	<u>38,162</u>	<u>38,972</u>	<u>140,282</u>	<u>134,539</u>
Expenses:						
General government	8,599	9,391	-	-	8,599	9,391
Public safety	12,270	12,048	-	-	12,270	12,048
Education	60,479	57,046	-	-	60,479	57,046
Public works	8,347	8,945	-	-	8,347	8,945
Health and human services	817	742	-	-	817	742
Culture and recreation	5,173	5,020	-	-	5,173	5,020
Interest on long-term debt	1,733	1,753	-	-	1,733	1,753
Intergovernmental	433	440	-	-	433	440
Water services	-	-	2,861	2,740	2,861	2,740
Sewer operations	-	-	3,264	3,125	3,264	3,125
Electric operations	-	-	23,276	26,451	23,276	26,451
Swim operations	-	-	2,228	2,091	2,228	2,091
Total expenses	<u>97,851</u>	<u>95,385</u>	<u>31,629</u>	<u>34,407</u>	<u>129,480</u>	<u>129,792</u>
Change in net position before transfers	4,269	182	6,533	4,565	10,802	4,747
Transfers in (out)	<u>2,109</u>	<u>1,896</u>	<u>(1,365)</u>	<u>(1,231)</u>	<u>744</u>	<u>665</u>
Change in net position	6,378	2,078	5,168	3,334	11,546	5,412
Net position - beginning of year	<u>140,872</u>	<u>138,794</u>	<u>92,408</u>	<u>89,074</u>	<u>233,280</u>	<u>227,868</u>
Net position - end of year	<u>\$ 147,250</u>	<u>\$ 140,872</u>	<u>\$ 97,576</u>	<u>\$ 92,408</u>	<u>\$ 244,826</u>	<u>\$ 233,280</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$244,830, a change of \$11,545 from the prior year.

The largest portion of net position \$178,530 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This is a change of \$6,026 over the prior year. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$28,298, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$22,579
- Expendable and nonexpendable trust fund assets, \$5,719

The remaining balance of unrestricted net position, \$38,002, may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$15,793 is in governmental activities funds, a change of 5,230 from the prior year.
- \$22,209 is in business-type activities funds, a change of \$(36) from the prior year.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$6,378. Key elements of this change are as follows:

General fund revenues and enterprise fund indirect cost transfers in exceeding expenditures	\$ 675
Pension reserve fund change in market value	919
Trust fund accounts change in market value	586
Debt service principal payments exceeding depreciation expense	1,037
Decrease in net OPEB obligation	198
Current year revenue used for the acquisition of capital assets	2,306
Other	<u>657</u>
Total change in net position	<u>\$ 6,378</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$5,172. This change can be attributed to the enterprise funds having program revenues greater than expenses, combined with the Town's informal policy of partially funding capital expenditures through opera-

tions in an effort to manage the Town's debt burden. Key elements of this change are as follows:

	Revenues and Transfers In	Expenditures and Transfers Out	Change in Net Position
Water Fund	\$ 4,669	\$ 3,512	\$ 1,157
Sewer Fund	6,085 (1)	3,477	2,608
Electric Fund	25,878	24,566	1,312
Swim Fund	<u>2,459</u>	<u>2,364</u>	<u>95</u>
Total	\$ <u>39,091</u>	\$ <u>33,919</u>	\$ <u>5,172</u>

(1) Revenues include \$2,943 received from the CoMag incentive.

The unrestricted net position for each of the Enterprise funds changed as follows:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Water Fund	\$ 7,332	\$ 6,354	\$ 978
Sewer Fund	3,323	1,006	2,317
Electric Fund	8,157	10,262	(2,105)
Swim Fund	<u>3,397</u>	<u>3,081</u>	<u>316</u>
Total	\$ <u>22,209</u>	\$ <u>20,703</u>	\$ <u>1,506</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$50,659, a change of \$4,079 in comparison to the prior year. Key elements of this change are as follows:

Governmental fund highlights

General fund revenues and enterprise fund indirect cost transfers in exceeding expenditures	\$ 675
Pension reserve fund change in market value	919
Trust fund accounts change in market value	586
Capital project funds bond proceeds exceeding expenditures	1,237
Other	<u>662</u>
Total	<u>\$ 4,079</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,314, while total fund balance was \$28,368. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Unassigned fund balance	\$ 12,314	\$ 10,720	\$ 1,594
Total fund balance ⁽¹⁾	28,368	27,506	862

Unassigned fund balance as of % of total General Fund expenditures	13.4%	12.3%	1.1%
Total fund balance as of % of total General Fund expenditures	30.9%	32.2%	-1.3%

⁽¹⁾ Includes Stabilization accounts.

The total fund balance of the general fund changed by \$862 during the current fiscal year. Key factors in this change are as follows:

<u>General Fund Highlights</u>	<u>General Fund Components</u>			<u>Total General Fund</u>
	<u>Operating</u>	<u>Stabilization</u>	<u>Insurance Reserve</u>	
Use of free cash	\$ (1,600)	\$ 750	\$ -	\$ (850)
Use of fund balance restricted for debt service	(410)	-	-	(410)
Use of School debt stabilization account	735	(735)	-	-
Use of High School debt stabilization account	230	(230)	-	-
Revenues greater than budget	2,399	-	-	2,399
Expenditures less than budget	221	-	-	221
Expenditures of prior year encumbrances less than current year encumbrances	(219)	-	-	(219)
Other	<u>(391)</u>	<u>12</u>	<u>100</u>	<u>(279)</u>
Total	<u>\$ 965</u>	<u>\$ (203)</u>	<u>\$ 100</u>	<u>\$ 862</u>

Included in the total general fund balance is the Town's stabilization funds and Insurance Reserve fund with the following balances:

	<u>7/1/13</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Transfers In</u>	<u>6/30/14</u>
High School debt stabilization	\$ 2,754	\$ 5	\$ (230)	\$ 750	\$ 3,279
School debt stabilization	733	4	(735)	-	2
Emergency response stabilization	1,002	2	-	-	1,004
School capital stabilization	960	1	-	-	961
Other stabilization	79	-	-	-	79
Insurance reserve fund	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>101</u>	<u>1,663</u>
Total	<u>\$ 7,090</u>	<u>\$ 12</u>	<u>\$ (965)</u>	<u>\$ 851</u>	<u>\$ 6,988</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$22,209. Total net position of the enterprise funds at the end of the year amounted to \$97,580, a change of \$5,172 in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final reflect budgeted interfund charges through which other funds (primarily the business-type enterprise funds) reimburse the General Fund for services provided for \$2,332. In addition, the Town transferred \$750 of free cash to the High School Debt Stabilization account.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$241,147 (net of accumulated depreciation), a change of 143 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, construction in progress, and infrastructure.

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

Governmental activities:

- \$ 1,915 Various road improvements
- \$ 1,421 Various building improvements
- \$ 874 Land purchase
- \$ 843 Truck and equipment purchases

Business-type activities:

- \$ 443 Water related infrastructure
- \$ 129 Sewer related infrastructure
- \$ 2,277 CMLP related infrastructure

A comparison of capital asset activity to the three prior years is as follows:

	<u>Capital Asset Additions</u>	<u>Disposals and Reclassifications</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation on Disposals</u>	<u>Net Activity</u>
<u>Governmental activities</u>					
Fiscal year 2014	\$ 7,798	\$ (2,744)	\$ (5,254)	\$ -	\$ (200)
Fiscal year 2013	6,143	(1,425)	(5,339)	-	(621)
Fiscal year 2012	6,226	(2,075)	(5,215)	-	(1,064)
<u>Business-type activities</u>					
<i>Water</i>					
Fiscal year 2014	1,028	(586)	(785)	-	(343)
Fiscal year 2013	1,064	(47)	(778)	-	239
Fiscal year 2012	1,803	(3)	(758)	-	1,042
<i>Sewer</i>					
Fiscal year 2014	129	-	(1,484)	-	(1,355)
Fiscal year 2013	178	(5)	(1,642)	-	(1,469)
Fiscal year 2012	861	(29)	(1,745)	2	(911)
<i>Light</i>					
Fiscal year 2014	8,842	(6,563)	(1,593)	1,577	2,263
Fiscal year 2013	4,167	(2,919)	(1,475)	(73)	(300)
Fiscal year 2012	4,032	(336)	(1,445)	257	2,508
<i>Swim</i>					
Fiscal year 2014	108	-	(330)	-	(222)
Fiscal year 2013	223	-	(317)	-	(94)
Fiscal year 2012	81	-	(296)	-	(215)

Capital Assets net of Accumulated depreciation	@ 6/30/14	@ 6/30/13	Change
Governmental activities	\$ 154,813	\$ 155,013	\$ (200)
Business activities			
Water	19,423	19,766	(343)
Sewer	20,557	21,912	(1,355)
Electric	38,308	36,045	2,263
Swim	8,046	8,268	(222)
Subtotal	<u>86,334</u>	<u>85,991</u>	<u>343</u>
Grand Total	\$ <u>241,147</u>	\$ <u>241,004</u>	\$ <u>143</u>

Long-term debt. As of June 30, 2014, total bonded debt outstanding was \$70,599, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

Change in credit rating. During the fiscal year, the Town's Aaa credit rating remained unchanged by Moody's.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The adopted FY15 General Fund budget of \$ 90,044 is a 4.4% increase over the prior year. It is anticipated that 85.8% of the resources to fund the General Fund budget will be generated by property taxes. Additional funding includes money from state aid (4.6%), local receipts (6.7%), stabilization fund (0.8%), Massachusetts School Building Authority Grant (0.5%), investment earnings (0.1%), transfers from the Light Fund (0.6%), and allocation from the unreserved fund balance (0.9%).

The property tax levy for FY15 (\$77,341) represents a 4.3% increase over the prior year. This rise reflects a decrease of 1.1 % in the property tax rate from \$14.45 per thousand to \$14.29 per thousand and an increase of 5.4 % in taxable assessed value from \$5.130 billion to \$5.412 billion. The assessment date for valuing the Town's FY15 real estate and personal property is January 1, 2014. The table below presents a comparison between FY14 and FY15.

	<u>FY14</u>	<u>FY15</u>	<u>% Change</u>
Taxable Assessed Value	\$ 5,130,493	\$ 5,412,298	5.4%
Tax Rate (per \$1,000)	\$ 14.45	\$ 14.29	-1.1%
Property Tax Levy	\$ 74,135	\$ 77,341	4.3%

It should be noted that increases in the property tax levy for municipalities in Massachusetts are governed by statutory regulations referred to as Proposition 2½. The total property tax levy is constrained by a ceiling which cannot be more

than 2½ percent of the previous year's levy limit plus any new growth resulting from the construction or renovations of residential, commercial, or industrial buildings. The Town has made an effort to remain well under this ceiling or levy limit. Excess levy capacity, the difference between the property tax levy and the levy limit, totaled \$3,545 in FY14 and \$3,642 in FY15.

PENSION FUNDING STATUS

The Concord Retirement Board's most recent valuation of its pension liability is as of January 1, 2014. During the last several years, the investment return of the Concord Retirement Fund, managed by the Concord Retirement Board, has produced strong growth. The Town's Pension Reserve Fund, which is available to support future pension contribution requirements, has also grown substantially due to investment results and net additions to the fund.

- Market Value of Pension Plan Assets (AVA) and Town Pension Reserve Fund:

	<u>1/1/2010</u>	<u>1/1/2012</u>	<u>1/1/2014</u>	<u>Percent Change</u>	
				<u>2 Years</u>	<u>4 Years</u>
Retirement System (MVA)	\$ 82,223	\$ 94,704	\$ 122,155	28.99%	48.57%
Pension Reserve fund	\$ 4,400	\$ 5,786	\$ 8,915	54.08%	102.61%

SOURCE: *Retirement System Assets - Biennial Actuarial Valuation Reports, most recent dated January 1, 2014*

Pension Reserve Fund Assets - Town Accountant

- Plan Valuation and Funding:

Actuarial Data

	<u>1/1/2010</u>	<u>1/1/2012</u>	<u>1/1/2014</u>
Actuarial value of Assets (AVA)	\$ 90,445	\$ 94,996	\$ 115,340
Actuarial Accrued Liability (AAL)	\$106,054	\$ 123,798	\$ 142,405
Unfunded Accrued Liability (UAL)	\$ 15,609	\$ 28,802	\$ 27,065
Funding Level - (AVA/AAL)%	85.28%	76.73%	80.99%
Assumed earnings rate	7.75%	7.50%	7.50%
Ratio, Market to Actuarial Asset Value	0.909	0.996	1.059

Funding Plan

	<u>1/1/2010</u>	<u>1/1/2012</u>	<u>1/1/2014</u>
Amortization Rate Increase	1%	2%	2%
Funding Schedule Term	2021 11 Years	2030 18 Years	2030 16 Years
Asset Smoothing Policy (recognition of gains and losses)	4 Years	4 Years	4 Years (one year prior to valuation date, three years forward)

The Concord Retirement Board's current funding policy is to maintain the funding schedule limit at no further than 2030, with an amortization rate on the Unfunded Liability of no greater than 2% and charges made to the participation employers based on the actuarially determined annual required contribution.

The Town's current policy in meeting its share of the Annual Required Contribution (ARC) payment is: (1) increasing the General Fund appropriation at a 3% annual growth rate, (2) utilizing the Town Pension Reserve Fund for supplemental funding of the required General Fund share of the annual employer cost as necessary, and (3) allocating and fully funding the ARC allocated to the Town's enterprise operations (currently approximately 15.5% of the total employer ARC)

OPEB FUNDING STATUS

The Town's most recent actuarial valuation of its non-pension, post-employment benefit liability is as of June 30, 2014. Comparison to the January 1, 2012 valuation is as follows:

	<u>Jan. 1, 2012</u>	<u>June 30, 2014</u>
Actuarial accrued liability	\$ 29,985,597	\$ 33,452,285
Assumed investment rate		
Enterprises	7.5%	7.5%
General Government	6.5%	7.5%
Unfunded actuarial accrued liability	\$ 28,100,356	\$ 26,875,239
Annual required contribution	\$ 3,178,557 (FY2012)	\$ 2,816,627 (FY2014)

The Town intends to undertake an actuarial valuation at least biennially.

The Town commenced as of FY10 to fully fund the Net OPEB Obligation (NOO) of its Business-type activities (Light, Water, Sewer, and Swim & Fitness Center), about 8.4% of its total Actuarial Accrued Liability of \$33,452,285 at June 30, 2014. In addition to premium and implicit subsidy payments, a cash contribution to the OPEB Trust Fund from unspent funds in the General Fund Group Insurance appropriation account commenced in FY11, a transfer of \$700,000 was made in FY11 from the Insurance Reserve Fund to the OPEB Trust by Town Meeting vote, and a specific General Fund budget allocation commenced with the FY12 budget. Actual and planned General Fund budget appropriations are:

OPEB TRUST FUND/GENERAL FUND ALLOCATIONS

		<u>OPEB Appropriation</u>	<u>Unexpended Group Insurance</u>	<u>Transfer from Other Reserves</u>	<u>Total</u>
Actual:	FY11	\$ -	\$ 400,000	\$ 700,000	\$ 1,100,000
	FY12	\$ 150,000	\$ 350,000	\$ -	\$ 500,000
	FY13	\$ 400,000	\$ 400,000	\$ -	\$ 800,000
	FY14	\$ 650,000	\$ 1,050,000	\$ -	\$ 1,700,000
Budgeted:	FY15	\$ 900,000	\$ 800,000	\$ -	
Planned:	FY16	\$ 1,150,000	\$ 625,000	\$ -	

The Town's funding plan is to increase the OPEB appropriation by \$250,000 each year, projecting to reach full funding of the General Fund NOO by FY2017. The Funding Schedule is based on a 30-year closed term commencing FY2009. Liabilities are calculated using a 7.5% discount rate.

The following table provides a summary of FY14 funding and the change in the net OPEB obligation for the general and each enterprise fund.

	<u>TOTAL</u>	<u>Allocated by Fund</u>				
		<u>General</u>	<u>Enterprise Funds</u>	<u>Water</u>	<u>Sewer</u>	<u>Swim</u>
			<u>Light (*)</u>			
AAL at 6-30-13	31,317,573	28,734,766	1,774,576	458,944	114,739	234,548
Assets at 6-30-13	3,978,132	2,640,319	681,611	345,234	86,312	224,656
UAAL	27,339,441	26,094,447	1,092,965	113,710	28,427	9,892
% funded	12.70%	9.19%	38.41%	75.22%	75.22%	95.78%
Service (Normal) Cost	1,115,052	996,824	55,787	26,526	6,632	29,283
Amortization of UAAL	1,701,575	1,624,088	68,025	7,077	1,769	616
ARC	2,816,627	2,620,912	123,812	33,603	8,401	29,899
Interest on NOO	574,961	589,600	-8,951	-3,938	-984	-766
ARC adjustment	-477,132	-489,280	7,428	3,268	817	635
OPEB Cost	2,914,456	2,721,232	122,289	32,933	8,234	29,768
PAYGO	1,314,220	1,219,087	79,580	10,619	2,655	2,279
NET OPEB COST	1,600,236	1,502,145	42,709	22,314	5,579	27,489
Cash contributed FY14	1,768,237	1,700,000	10,478	16,402	4,849	36,508
Change in NOO FY14	-168,001	-197,855	32,231	5,912	730	-9,019
NOO beginning (7-1-13)	7,666,151	7,861,339	-119,351	-52,501	-13,125	-10,210
NOO ending (6-30-14)	7,498,150	7,663,484	-87,120	-46,589	-12,395	-19,229
Assets at 6-30-14	6,577,046	4,934,868	808,315	422,369	106,471	305,023
AAL at 6-30-14	33,452,287	30,650,940	1,882,092	510,468	127,617	281,170
% funded at 6-30-14	19.66%	16.10%	42.95%	82.74%	83.43%	108.48%
UAAL at 6-30-14	26,875,239	25,716,070	1,073,777	87,396	21,849	-23,853

(*) Light Fund compiled on June 30 fiscal year basis for this schedule.

BUSINESS-TYPE ACTIVITIES

The Town's business-type activities include the Water, Sewer, Light, and Swim Enterprises. All are the Enterprises, except the Sewer Enterprise are expected to report positive net income for during fiscal year 2015. The Sewer Fund is budgeted to report a negative net income of approximately \$100, which will be covered by the \$3,300 unrestricted fund balance as of June 30, 2014. Going forward, the Sewer Fund is expected to report negative net income until FY2020 as a result of a substantial investment beginning in 2007 for the rehabilitation of the Wastewater Treatment Plant and the consequent major increase in depreciation expense. Rate adjustments are planned to continue over a multi-year period to ensure the long-term fiscal health of the Sewer Enterprise.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Concord's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Chief Financial Officer
Town of Concord, Massachusetts
22 Monument Square
Concord, Massachusetts 01742

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TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

(Except for the Electric Enterprise Fund, which is as of December 31, 2013)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 39,116,798	\$ 27,040,577	\$ 66,157,375
Investments	16,694,416	-	16,694,416
Receivables, net of allowance for uncollectibles:			
Property taxes	681,014	-	681,014
Excises	79,151	-	79,151
User fees	-	5,572,082	5,572,082
Betterments	-	63,000	63,000
Departmental and other	411,698	-	411,698
Intergovernmental	641,611	-	641,611
Inventory	-	982,511	982,511
Prepaid expenses	-	3,375,854	3,375,854
Other assets	14,871	218,391	233,262
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	728,640	-	728,640
Betterments	-	823,206	823,206
Restricted cash	-	5,700,465	5,700,465
Net OPEB asset	-	197,565	197,565
Capital assets being depreciated, net	103,332,490	78,933,194	182,265,684
Capital assets not being depreciated	<u>51,480,751</u>	<u>7,401,142</u>	<u>58,881,893</u>
TOTAL ASSETS	213,181,440	130,307,987	343,489,427
LIABILITIES			
Current:			
Warrants payable	2,435,759	4,614,194	7,049,953
Accrued liabilities	2,549,692	519,424	3,069,116
Customer deposits	-	324,868	324,868
Provision for rate stabilization	-	3,075,697	3,075,697
Notes payable	107,457	3,935,000	4,042,457
Other current liabilities	368,757	334,083	702,840
Current portion of long-term liabilities:			
Bonds payable	6,323,144	1,796,353	8,119,497
Accrued employee benefits	387,472	28,913	416,385
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	42,144,053	16,892,532	59,036,585
Accrued employee benefits, net of current portion	3,487,250	324,354	3,811,604
Estimated landfill closure and postclosure care costs, net of current portion	170,000	-	170,000
Net OPEB obligation	<u>7,663,484</u>	<u>-</u>	<u>7,663,484</u>
TOTAL LIABILITIES	65,647,068	31,845,418	97,492,486
DEFERRED INFLOWS OF RESOURCES	<u>284,705</u>	<u>882,623</u>	<u>1,167,328</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,931,773	32,728,041	98,659,814
NET POSITION			
Net investment in capital assets	109,255,510	69,273,602	178,529,112
Restricted for:			
Grants and other statutory restrictions	16,482,210	6,097,111	22,579,321
Permanent funds:			
Nonexpendable	5,613,555	-	5,613,555
Expendable	105,733	-	105,733
Unrestricted	<u>15,792,659</u>	<u>22,209,233</u>	<u>38,001,892</u>
TOTAL NET POSITION	<u>\$ 147,249,667</u>	<u>\$ 97,579,946</u>	<u>\$ 244,829,613</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(Except for the Electric Enterprise Fund, which is for the year ended December 31, 2013)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 8,599,429	\$ 678,726	\$ 554,718	\$ -
Public safety	12,269,514	2,339,235	74,672	-
Education	60,479,426	572,792	8,623,083	-
Public works	8,347,235	1,552,351	125,453	736,587
Health and human services	817,470	13,113	51,469	-
Culture and recreation	5,173,470	1,886,241	21,240	-
Debt service interest	1,732,788	-	-	-
Intergovernmental	432,414	-	-	-
Total Governmental Activities	97,851,746	7,042,458	9,450,635	736,587
Business-Type Activities:				
Water services	2,861,140	4,654,206	-	-
Sewer services	3,263,977	3,048,386	-	-
Electric services	23,276,147	25,844,375	-	-
Swim Services	2,227,881	2,450,179	-	-
Total Business-Type Activities	31,629,145	35,997,146	-	-
Total	\$ 129,480,891	\$ 43,039,604	\$ 9,450,635	\$ 736,587

General Revenues and Transfers:

Property taxes
 Excises
 Penalties, interest and other taxes
 Grants and contributions not restricted to specific programs
 Investment income
 Other income (expenses)
 Transfers, net

Total general revenues and transfers

Change in Net Position

Net Position:

Beginning of year

End of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (7,365,985)	\$ -	\$ (7,365,985)
(9,855,607)	-	(9,855,607)
(51,283,551)	-	(51,283,551)
(5,932,844)	-	(5,932,844)
(752,888)	-	(752,888)
(3,265,989)	-	(3,265,989)
(1,732,788)	-	(1,732,788)
<u>(432,414)</u>	<u>-</u>	<u>(432,414)</u>
(80,622,066)	-	(80,622,066)
-	1,793,066	1,793,066
-	(215,591)	(215,591)
-	2,568,228	2,568,228
<u>-</u>	<u>222,298</u>	<u>222,298</u>
-	<u>4,368,001</u>	<u>4,368,001</u>
(80,622,066)	4,368,001	(76,254,065)
74,951,202	-	74,951,202
3,664,054	-	3,664,054
437,946	-	437,946
2,006,422	-	2,006,422
1,997,613	64,637	2,062,250
1,833,517	2,100,013	3,933,530
<u>2,109,466</u>	<u>(1,364,919)</u>	<u>744,547</u>
<u>87,000,220</u>	<u>799,731</u>	<u>87,799,951</u>
6,378,154	5,167,732	11,545,886
<u>140,871,513</u>	<u>92,408,089</u>	<u>233,279,602</u>
<u>\$ 147,249,667</u>	<u>\$ 97,575,821</u>	<u>\$ 244,825,488</u>

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 28,018,798	\$ 11,098,000	\$ 39,116,798
Investments	4,956,879	11,737,537	16,694,416
Receivables:			
Property taxes	1,766,300	15,002	1,781,302
Excises	104,354	-	104,354
Departmental	-	411,698	411,698
Intergovernmental	136,892	504,719	641,611
Accrued interest and other	14,871	-	14,871
	<u>34,998,094</u>	<u>23,766,956</u>	<u>58,765,050</u>
TOTAL ASSETS	\$ 34,998,094	\$ 23,766,956	\$ 58,765,050
LIABILITIES			
Warrants payable	\$ 1,905,516	\$ 530,243	\$ 2,435,759
Accrued liabilities	2,669,271	130,543	2,799,814
Notes payable	-	107,457	107,457
Other liabilities	368,757	-	368,757
	<u>4,943,544</u>	<u>768,243</u>	<u>5,711,787</u>
TOTAL LIABILITIES	4,943,544	768,243	5,711,787
DEFERRED INFLOWS OF RESOURCES	1,686,943	707,215	2,394,158
FUND BALANCES			
Nonspendable	-	5,613,555	5,613,555
Restricted	4,657,702	16,677,943	21,335,645
Committed	6,987,412	-	6,987,412
Assigned	4,408,403	-	4,408,403
Unassigned	12,314,090	-	12,314,090
	<u>28,367,607</u>	<u>22,291,498</u>	<u>50,659,105</u>
TOTAL FUND BALANCES	28,367,607	22,291,498	50,659,105
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 34,998,094	\$ 23,766,956	\$ 58,765,050

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total governmental fund balances	\$ 50,659,105
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	154,813,241
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,712,602
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(554,924)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(59,380,357)</u>
Net position of governmental activities	<u>\$ 147,249,667</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 74,039,974	\$ 975,621	\$ 75,015,595
Excise taxes	3,741,866	-	3,741,866
Penalties, interest and other taxes	437,946	-	437,946
Departmental	1,463,133	4,208,370	5,671,503
Licenses and permits	1,260,434	-	1,260,434
Fines and forfeitures	148,074	-	148,074
Intergovernmental	8,855,221	3,302,854	12,158,075
Investment income	88,394	1,909,219	1,997,613
Contributions	-	583,711	583,711
Other	187,590	746,609	934,199
Total Revenues	<u>90,222,632</u>	<u>11,726,384</u>	<u>101,949,016</u>
Expenditures:			
Current:			
General government	5,305,023	3,269,797	8,574,820
Public safety	8,342,142	1,136,930	9,479,072
Education	53,012,749	3,151,932	56,164,681
Public works	4,446,560	2,784,959	7,231,519
Health and human services	436,658	88,558	525,216
Culture and recreation	2,146,752	1,705,714	3,852,466
Employee benefits	9,665,003	365,940	10,030,943
Debt service	7,869,891	143,101	8,012,992
Intergovernmental	432,414	-	432,414
Total Expenditures	<u>91,657,192</u>	<u>12,646,931</u>	<u>104,304,123</u>
Excess (deficiency) of revenues over expenditures	(1,434,560)	(920,547)	(2,355,107)
Other Financing Sources (Uses):			
Proceeds of bonds	-	3,985,000	3,985,000
Premiums on bonds	339,823	-	339,823
Transfers in	2,147,158	534,304	2,681,462
Transfers out	(189,927)	(382,069)	(571,996)
Total Other Financing Sources (Uses)	<u>2,297,054</u>	<u>4,137,235</u>	<u>6,434,289</u>
Changes in fund balances	862,494	3,216,688	4,079,182
Fund Balances, at Beginning of Year	<u>27,505,113</u>	<u>19,074,810</u>	<u>46,579,923</u>
Fund Balances, at End of Year	<u>\$ 28,367,607</u>	<u>\$ 22,291,498</u>	<u>\$ 50,659,105</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - Total governmental funds	\$ 4,079,182						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">5,053,553</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(5,253,673)</td> </tr> </table> 		Capital outlay purchases	5,053,553	Depreciation	(5,253,673)		
Capital outlay purchases	5,053,553						
Depreciation	(5,253,673)						
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(144,190)</td> </tr> </table> 			(144,190)				
	(144,190)						
<ul style="list-style-type: none"> The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Issuance of debt</td> <td style="text-align: right;">(3,985,000)</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">6,288,101</td> </tr> </table> 		Issuance of debt	(3,985,000)	Repayments of debt	6,288,101		
Issuance of debt	(3,985,000)						
Repayments of debt	6,288,101						
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">(7,897)</td> </tr> </table> 			(7,897)				
	(7,897)						
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td style="padding-left: 40px;">Change in unfunded compensated absences</td> <td style="text-align: right;">140,223</td> </tr> <tr> <td style="padding-left: 40px;">Change in landfill liability</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="padding-left: 40px;">Change in OPEB liability</td> <td style="text-align: right;"><u>197,855</u></td> </tr> </table> 		Change in unfunded compensated absences	140,223	Change in landfill liability	10,000	Change in OPEB liability	<u>197,855</u>
Change in unfunded compensated absences	140,223						
Change in landfill liability	10,000						
Change in OPEB liability	<u>197,855</u>						
Change in net position of governmental activities	<u>\$ 6,378,154</u>						

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Taxes	\$ 73,595,753	\$ 73,595,753	\$ 73,595,753	\$ -
Excise taxes	3,225,000	3,225,000	3,741,866	516,866
Penalties, interest and other taxes	145,000	145,000	437,946	292,946
Departmental	1,168,400	1,168,400	1,463,133	294,733
Licenses and permits	830,000	830,000	1,260,434	430,434
Fines and forfeitures	90,000	90,000	148,074	58,074
Intergovernmental	3,820,470	3,820,470	4,164,259	343,789
Investment income	125,000	125,000	76,475	(48,525)
Other	48,660	48,660	527,413	478,753
Transfers in	447,800	2,779,611	2,811,743	32,132
Total Revenues and Transfers	83,496,083	85,827,894	88,227,096	2,399,202
Expenditures:				
General government	5,040,242	5,642,551	5,406,362	236,189
Public safety	7,937,713	8,239,207	8,203,729	35,478
Education	48,275,635	48,275,635	48,185,681	89,954
Public works	3,284,559	3,870,004	3,839,403	30,601
Snow and ice	540,000	540,000	825,363	(285,363)
Health and human services	467,382	489,728	489,176	552
Culture and recreation	2,104,117	2,181,546	2,162,875	18,671
Employee benefits	9,475,000	9,482,788	9,442,740	40,048
Debt service	7,059,457	7,794,457	7,749,403	45,054
Intergovernmental	442,063	442,063	432,414	9,649
Transfers out	750,000	750,000	750,000	-
Total Expenditures and Transfers	85,376,168	87,707,979	87,487,146	220,833
Excess (deficiency) of revenues and other sources over expenditures	(1,880,085)	(1,880,085)	739,950	2,620,035
Other Financing Sources/(Uses):				
Use of fund balance:				
For stabilization funding	750,000	750,000	750,000	-
For debt service	1,259,878	1,259,878	-	(1,259,878)
Raise prior year deficits	(129,793)	(129,793)	(129,793)	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,360,157	\$ 1,360,157

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

(DECEMBER 31, 2013 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
ASSETS					
Current:					
Cash and short-term investments	\$ 6,769,113	\$ 8,108,218	\$ 7,677,903	\$ 4,485,343	\$ 27,040,577
User fees, net of allowance for uncollectibles	777,463	362,593	4,432,026	-	5,572,082
Betterment receivables	-	63,000	-	-	63,000
Inventory	103,741	-	878,770	-	982,511
Prepaid expenses	-	-	3,375,854	-	3,375,854
Other assets	-	-	213,839	4,552	218,391
Total current assets	7,650,317	8,533,811	16,578,392	4,489,895	37,252,415
Noncurrent:					
Betterment receivables, net of current portion	-	823,206	-	-	823,206
Restricted cash	-	-	5,700,465	-	5,700,465
Net OPEB asset	46,589	12,395	119,351	19,230	197,565
Capital assets being depreciated, net	16,107,170	20,456,958	34,417,343	7,951,723	78,933,194
Capital assets not being depreciated	3,316,248	100,000	3,890,365	94,529	7,401,142
Total noncurrent assets	19,470,007	21,392,559	44,127,524	8,065,482	93,055,572
TOTAL ASSETS	27,120,324	29,926,370	60,705,916	12,555,377	130,307,987
LIABILITIES					
Current:					
Warrants payable	121,652	97,474	4,232,027	163,041	4,614,194
Accrued liabilities	116,072	226,426	176,833	93	519,424
Customer deposits	-	-	324,868	-	324,868
Provision for rate stabilization	-	-	3,075,697	-	3,075,697
Notes payable	-	-	3,935,000	-	3,935,000
Other current liabilities	-	-	334,083	-	334,083
Current portion of long-term liabilities:					
Bonds payable	520,000	816,353	460,000	-	1,796,353
Accrued employee benefits	12,691	3,173	6,415	6,634	28,913
Total current liabilities	770,415	1,143,426	12,544,923	169,768	14,628,532
Noncurrent:					
Bonds payable, net of current portion	3,745,000	9,655,217	3,492,315	-	16,892,532
Accrued employee benefits, net of current portion	114,217	28,554	121,876	59,707	324,354
Total noncurrent liabilities	3,859,217	9,683,771	3,614,191	59,707	17,216,886
DEFERRED INFLOWS OF RESOURCES	-	-	-	882,623	882,623
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,629,632	10,827,197	16,159,114	1,112,098	32,728,041
NET POSITION					
Net investment in capital assets	15,158,418	11,616,224	34,452,708	8,046,252	69,273,602
Restricted - betterments	-	1,633,802	-	-	1,633,802
Restricted - capital improvements	-	2,525,765	1,937,544	-	4,463,309
Unrestricted	7,332,274	3,323,382	8,156,550	3,397,027	22,209,233
TOTAL NET POSITION	\$ 22,490,692	\$ 19,099,173	\$ 44,546,802	\$ 11,443,279	\$ 97,579,946

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

(DECEMBER 31, 2013 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Operating Revenues:					
Charges for services	\$ 4,654,206	\$ 3,048,386	\$ 25,844,375	\$ 2,450,179	\$ 35,997,146
Total Operating Revenues	4,654,206	3,048,386	25,844,375	2,450,179	35,997,146
Operating Expenses:					
Personnel services	1,056,504	374,397	-	1,175,918	2,606,819
Non-personnel services	863,601	1,194,455	-	721,676	2,779,732
Depreciation	784,890	1,483,997	-	330,287	2,599,174
Electric operations	-	-	23,142,707	-	23,142,707
Total Operating Expenses	2,704,995	3,052,849	23,142,707	2,227,881	31,128,432
Operating Income (Loss)	1,949,211	(4,463)	2,701,668	222,298	4,868,714
Nonoperating Revenues (Expenses):					
Investment income	14,393	14,316	26,753	9,175	64,637
Interest expense	(156,145)	(211,128)	(133,440)	-	(500,713)
Other nonoperating income, net	-	2,943,125	7,195	-	2,950,320
Other nonoperating expense, net	(4,125)	-	(842,057)	-	(846,182)
Total Nonoperating Revenues (Expenses), Net	(145,877)	2,746,313	(941,549)	9,175	1,668,062
Income Before Transfers	1,803,334	2,741,850	1,760,119	231,473	6,536,776
Transfers in	-	79,512	-	-	79,512
Transfers out - overhead allocations	(646,905)	(213,512)	(447,800)	(136,214)	(1,444,431)
Change in Net Position	1,156,429	2,607,850	1,312,319	95,259	5,171,857
Net Position at Beginning of Year	21,334,263	16,491,323	43,234,483	11,348,020	92,408,089
Net Position at End of Year	\$ 22,490,692	\$ 19,099,173	\$ 44,546,802	\$ 11,443,279	\$ 97,579,946

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(DECEMBER 31, 2013 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 4,705,819	\$ 3,220,438	\$ 24,619,772	\$ 2,422,349	\$ 34,968,378
Payments to vendors and employees	<u>(2,044,083)</u>	<u>(1,472,656)</u>	<u>(20,703,462)</u>	<u>(1,839,014)</u>	<u>(26,059,215)</u>
Net Cash Provided By Operating Activities	2,661,736	1,747,782	3,916,310	583,335	8,909,163
Cash Flows From Noncapital Financing Activities:					
Non-governmental grants	-	2,943,125	-	-	2,943,125
Transfers in	-	79,512	-	-	79,512
Transfers out	<u>(646,905)</u>	<u>(213,512)</u>	<u>(447,800)</u>	<u>(136,214)</u>	<u>(1,444,431)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	(646,905)	2,809,125	(447,800)	(136,214)	1,578,206
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets, net of disposals	(442,709)	(128,582)	(4,716,565)	(109,029)	(5,396,885)
Proceeds from issuance of bonds and notes	-	-	3,935,000	-	3,935,000
Principal payments on bonds and notes	(520,000)	(802,168)	(760,000)	-	(2,082,168)
Interest expense	(156,145)	(211,128)	(133,440)	-	(500,713)
Other	<u>-</u>	<u>-</u>	<u>(43,067)</u>	<u>-</u>	<u>(43,067)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,118,854)	(1,141,878)	(1,718,072)	(109,029)	(4,087,833)
Cash Flows From Investing Activities:					
Investment income	14,393	14,316	26,753	9,175	64,637
Sales of investment shares	<u>-</u>	<u>-</u>	<u>(356,646)</u>	<u>-</u>	<u>(356,646)</u>
Net Cash Provided By (Used for) Investing Activities	<u>14,393</u>	<u>14,316</u>	<u>(329,893)</u>	<u>9,175</u>	<u>(292,009)</u>
Net Change in Cash and Short-Term Investments	910,370	3,429,345	1,420,545	347,267	6,107,527
Cash and Short-Term Investments, Beginning of Year	<u>5,858,743</u>	<u>4,678,873</u>	<u>6,257,358</u>	<u>4,138,076</u>	<u>20,933,050</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,769,113</u>	<u>\$ 8,108,218</u>	<u>\$ 7,677,903</u>	<u>\$ 4,485,343</u>	<u>\$ 27,040,577</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 1,949,211	\$ (4,463)	\$ 2,701,668	\$ 222,298	\$ 4,868,714
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	784,890	1,483,997	1,592,828	330,287	4,192,002
Changes in assets and liabilities:					
User fees receivables	51,613	172,052	(346,685)	-	(123,020)
Inventory	(10,641)	-	(55,140)	-	(65,781)
Prepaid expenses	-	-	(112,559)	-	(112,559)
OPEB asset	5,912	730	-	(13,571)	(6,929)
Warrants payable	(189,565)	(30,086)	-	68,788	(150,863)
Accrued liabilities	64,745	123,129	1,005,525	93	1,193,492
Other liabilities	5,571	2,423	15,632	3,270	26,896
Deferred inflow	-	-	-	(27,830)	(27,830)
Provisions	<u>-</u>	<u>-</u>	<u>(884,959)</u>	<u>-</u>	<u>(884,959)</u>
Net Cash Provided By Operating Activities	<u>\$ 2,661,736</u>	<u>\$ 1,747,782</u>	<u>\$ 3,916,310</u>	<u>\$ 583,335</u>	<u>\$ 8,909,163</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	Pension Trust Fund (As of <u>December 31, 2013</u>)	Private Purpose Trust <u>Funds</u>	OPEB Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,754,683	\$ -	\$ -	\$ 212,953
Investments	119,188,098	1,258,761	6,577,045	-
Accounts receivable	214,961	-	-	-
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,920</u>
Total Assets	122,157,742	1,258,761	6,577,045	306,873
<u>LIABILITIES AND NET POSITION</u>				
Accounts payable	2,378	-	-	25,927
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,946</u>
Total Liabilities	<u>2,378</u>	<u>-</u>	<u>-</u>	<u>306,873</u>
<u>NET POSITION</u>				
Total net position held in trust for pension, OPEB, and other purposes	<u>\$ 122,155,364</u>	<u>\$ 1,258,761</u>	<u>\$ 6,577,045</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (For the Year Ended <u>December 31, 2013</u>)	Private Purpose <u>Trust Funds</u>	OPEB <u>Trust Fund</u>
Additions:			
Contributions:			
Employers	\$ 3,943,818	\$ -	\$ 1,768,237
Other systems and Commonwealth of Massachusetts	264,147	-	-
Plan members	2,896,668	-	-
Total contributions	<u>7,104,633</u>	<u>-</u>	<u>1,768,237</u>
Investment Gain:			
Increase in fair value of investments	16,394,971	153,788	830,676
Less: management fees	(530,367)	-	-
Net investment gain	<u>15,864,604</u>	<u>153,788</u>	<u>830,676</u>
Total additions	22,969,237	153,788	2,598,913
Deductions:			
Benefit payments to plan members and beneficiaries	6,127,350	-	-
Refunds to plan members	27,969	-	-
Administrative expenses	191,518	-	-
Other	280,049	34,170	-
Total deductions	<u>6,626,886</u>	<u>34,170</u>	<u>-</u>
Net increase	16,342,351	119,618	2,598,913
Net position:			
Beginning of year	<u>105,813,013</u>	<u>1,139,143</u>	<u>3,978,132</u>
End of year	<u>\$ 122,155,364</u>	<u>\$ 1,258,761</u>	<u>\$ 6,577,045</u>

The accompanying notes are an integral part of these financial statements.

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TOWN OF CONCORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Concord (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectman. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

The Concord Contributory Retirement System was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 22 Monument Square, Concord, Massachusetts 01742.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Water Enterprise Fund
- Sewer Enterprise Fund
- Electric Enterprise Fund
- Swim Enterprise Fund

The *Pension Trust Fund* accounts for the activities of the Employees Contributory Retirement System, which includes individuals employed by the Town, Concord Carlisle Regional School District and the Concord Housing Authority. The fund accumulates resources for pension benefit payments to qualified employees.

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

The *OPEB Trust Fund* is used to account for reserves set aside by the Town to fund future OPEB costs.

The *Agency Fund* is used to account for student activity funds and employee details. Agency funds report only assets and liabilities, and thus have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary

funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments." The interest earnings attributable to each fund type are included under investment income.

In the prior year, the governmental funds considered investments in Federal securities to be cash; in the current year, the governmental funds considered investments in Federal securities with maturities of three months or less to be cash.

For purpose of the Statement of Cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of approximately \$3,545,295.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expendi-

tures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Machinery, equipment and furnishings	5 - 10
Infrastructure	20 - 75

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended. In the case of the General fund, the restricted funds represent MSBA grant revenues restricted for debt service. The Town intends on using these reserves to fund debt service as follows:

2014	\$ 409,878
2015	409,878
2016	409,878
2017	<u>3,428,068</u>
Total	<u>\$ 4,657,702</u>

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting). In the General fund, this represents the amounts committed for the following purposes:

<u>Purpose</u>	<u>Amount</u>
General stabilization	\$ 75,543
Other town stabilization	2,266
School capital stabilization	961,329
School debt stabilization	1,908
High school debt stabilization	3,279,669
Emergency response stabilization	1,004,094
Insurance reserve	<u>1,662,603</u>
Total	<u>\$ 6,987,412</u>

- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances totaling \$3,558,403 have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year of \$850,000.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting:

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 90,222,632	\$ 91,657,192
Other financing sources/uses (GAAP Basis)	<u>2,486,981</u>	<u>189,927</u>
Subtotal (GAAP Basis)	92,709,613	91,847,119
Adjust tax revenue to accrual basis	(444,221)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,777,414)
Add end-of-year appropriation carryforwards from expenditures	-	3,558,403
To record raising of prior year deficits	-	129,793
To record the use of free cash for stabilization	750,000	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,690,962)	(4,690,962)
To reflect non-budgeted activity	<u>652,666</u>	<u>550,000</u>
Budgetary Basis	<u>\$ 88,977,096</u>	<u>\$ 87,616,939</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company."

The Town and System do not have a deposit policy for custodial credit risk.

As of June 30, 2014 and December 31, 2013, \$371,332 and \$0 of the Town's and System's bank balances of \$68,778,472 and \$2,882,664, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the System's total exposed balance, \$2,213,647 was invested in MMDT.

4. Investments

Statutes authorize the Investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investments of funds of savings banks under the laws of the Commonwealth.

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end Aa</u>
Corporate equities	\$ 8,698	N/A	\$ 8,698	\$ -
Long-term C.D.'s	5,015	N/A	5,015	-
Bond mutual funds	2,343		-	2,343
Mutual funds	<u>8,474</u>	N/A	<u>8,474</u>	<u>-</u>
Total investments	\$ <u>24,530</u>		\$ <u>22,187</u>	\$ <u>2,343</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disburse-

ments, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Average Rating as of Year-end</u>	
				<u>Aaa</u>	<u>Baa1</u>
U.S. Treasury bonds/notes	\$ 6,398		\$ -	\$ 6,398	\$ -
State investment pool*	49,655	N/A	49,655	-	-
Corporate bonds	12,948		-	-	12,948
Pooled investments	23,412	N/A	23,412	-	-
Corporate equities	19,192	N/A	19,192	-	-
Mortgage-backed securities	<u>7,583</u>		<u>-</u>	<u>7,583</u>	<u>-</u>
Total investments	\$ <u>119,188</u>		\$ <u>92,259</u>	\$ <u>13,981</u>	\$ <u>12,948</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and System do not have policies for custodial credit risk.

The System has a custodial credit risk exposure of \$119,188,098 because the related securities are uninsured, unregistered and held by the System's brokerage firm, which is also the counterparty to these securities. The System manages this risk with SIPC, Excess SIPC and because the assets are held in separately identifiable trust accounts. Of the System's total exposure, \$49,654,910 is invested in the State Investment Pool.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of total investments are as follows (in thousands):

Vantagepoint Milestone 202 Mutual Fund	\$ 6,577
Middlesex Savings Long-term C.D.	\$ 1,003
Middlesex Savings Long-term C.D.	\$ 2,005
Middlesex Savings Long-term C.D.	\$ 1,005
Middlesex Savings Long-term C.D.	\$ 1,002

The System does not have an investment in one issue greater than 5% of total investments, with the exception of the PRIT Fund and U.S. Treasury Securities.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town and System's investment policy is to follow state statutes, which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating</u>	<u>Average Duration (in years)</u>
Bond mutual funds	\$ 2,343	AA	4

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Duration (in years)</u>
U.S. Treasury bonds/notes	\$ 6,398	11
Mortgage-backed securities	7,583	19
Corporate bonds	<u>12,948</u>	10
Total	\$ <u><u>26,929</u></u>	

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The policy of the Town and System is to not invest in foreign currencies.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 461	
2013	12	
2012	11	
2011	11	
2010	12	
2009	13	
Prior	<u>165</u>	685
Personal Property		
2014	3	
2013	2	
2012	2	
2011	3	
2010	2	
2009	1	
Prior	<u>1</u>	14
Tax Liens, municipal liens, and supplementals		808
Deferred Taxes		259
CPA Real Estate		<u>15</u>
Total		\$ <u><u>1,781</u></u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 372
Excise taxes	25

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

8. Interfund Transfers In and (Out)

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general

fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers from the enterprise funds to the general fund are made to cover indirect costs of enterprise funds not incurred in but paid by the general fund.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers in the fund financial statements. Although the total of interfund transfers balance throughout the year, the Electric Light Plant Enterprise Fund is presented at December 31, 2013, not June 30, 2014. Therefore, a timing difference of \$744,547 exists in the accompanying Statement of Activities and Statements of Revenues, Expenditures and Changes in Fund Net Position. The following is an analysis of interfund transfers made in fiscal year 2014.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,147,158	\$ 189,927
Nonmajor Governmental Funds:		
Parking	-	61,858
Cemetery	-	116,697
Receipts reserved for appropriation	-	11,482
Recreation	-	45,887
Other revolving	-	2,150
Land Acquisition	10,000	-
State grants	-	15,000
Solid Waste	-	128,995
Pension reserve fund	524,304	-
Major Enterprise Funds:		
Water fund	-	646,905
Sewer fund	79,512	213,512
Electric fund	-	447,800
Swim fund	-	136,214
Total	<u>\$ 2,760,974</u>	<u>\$ 2,016,427</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 107,543	\$ 1,421	\$ -	\$ 108,964
Machinery, equipment, and furnishings	17,237	942	-	18,179
Infrastructure	28,233	3,507	-	31,740
	<u>153,013</u>	<u>5,870</u>	<u>-</u>	<u>158,883</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(23,070)	(3,013)	-	(26,083)
Machinery, equipment, and furnishings	(13,378)	(1,058)	-	(14,436)
Infrastructure	(13,849)	(1,183)	-	(15,032)
	<u>(50,297)</u>	<u>(5,254)</u>	<u>-</u>	<u>(55,551)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	102,716	616	-	103,332
Capital assets, not being depreciated:				
Land	49,260	874	-	50,134
Construction in progress	3,037	1,054	(2,744)	1,347
	<u>52,297</u>	<u>1,928</u>	<u>(2,744)</u>	<u>51,481</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 155,013</u>	<u>\$ 2,544</u>	<u>\$ (2,744)</u>	<u>\$ 154,813</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,553	\$ 82	\$ -	\$ 9,635
Machinery, equipment, and furnishings	5,148	32	-	5,180
Infrastructure	51,964	1,012	-	52,976
Light plant	53,778	4,901	(2,439)	56,240
	<u>120,443</u>	<u>6,027</u>	<u>(2,439)</u>	<u>124,031</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(1,549)	(256)	-	(1,805)
Machinery, equipment, and furnishings	(3,157)	(313)	-	(3,470)
Infrastructure	(15,110)	(2,030)	-	(17,140)
Light plant	(22,667)	(1,593)	1,577	(22,683)
	<u>(42,483)</u>	<u>(4,192)</u>	<u>1,577</u>	<u>(45,098)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	77,960	1,835	(862)	78,933
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plan construction in progress	4,075	3,940	(4,124)	3,891
Construction in progress	586	140	(586)	140
	<u>8,031</u>	<u>4,080</u>	<u>(4,710)</u>	<u>7,401</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 85,991</u>	<u>\$ 5,915</u>	<u>\$ (5,572)</u>	<u>\$ 86,334</u>

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

Governmental Activities:

General government	\$ 415
Public safety	552
Education	2,353
Public works	1,554
Health and human services	82
Culture and recreation	<u>298</u>

Total depreciation expense - governmental activities \$ 5,254

Business-Type Activities:

Water	\$ 785
Sewer	1,484
Electric	1,593
Swim facility	<u>330</u>

Total depreciation expense - business-type activities \$ 4,192

10. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law.

11. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2014 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental	\$ 500,000	\$ 2,122,457	\$ (2,515,000)	\$ 107,457
Business-Type	<u>-</u>	<u>2,635,000</u>	<u>(2,635,000)</u>	<u>-</u>
Total	<u>\$ 500,000</u>	<u>\$ 4,757,457</u>	<u>\$ (5,150,000)</u>	<u>\$ 107,457</u>

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The bonds as listed below include transactions for the Electric Light Fund through June 30, 2014, which are not reflected in the Statement(s) of Net Position. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/14</u>
Library Equipment	2015	3.00	\$ 65,000
Road Improvements	2015	3.25 - 3.88	55,000
Willard School	2015	2.00 - 3.00	75,000
Sidewalk Improvements	2015	2.00 - 3.00	50,000
Library Equipment	2015	5.00	15,000
Recreation improvements	2015	5.00	25,000
Building Renovation	2016	1.50 - 3.75	145,000
Building Renovation (School)	2016	1.50 - 3.75	70,000
Building Renovation	2016	3.25 - 3.88	200,000
Building Renovation	2016	1.50 - 3.75	225,000
Land Acquisition	2016	3.00	50,000
Recreation Facilities	2016	3.00	100,000
Road Improvements	2016	3.50 - 3.70	150,000
Road Improvements	2016	2.00 - 4.25	180,000
School Building	2016	3.50 - 3.70	95,000
School Remodeling	2016	2.00 - 4.25	100,000
School Remodeling	2016	2.00 - 4.25	200,000
School Remodeling	2017	2.00 - 2.50	240,000
Road Improvements	2017	2.00 - 2.50	260,000
Building Renovations	2018	2.00 - 4.00	450,000
Land Acquisition	2018	2.00 - 4.00	400,000
Road Improvements	2018	2.00 - 4.00	350,000
General Obligation Bonds	2018	3.00 - 3.75	920,000
School Building Improvements	2018	3.00	400,000
Willard School Design	2018	3.00 - 3.75	730,000
Land Acquisition	2018	2.00	385,000
Fire Equipment (Ladder Truck)	2019	3.00	500,000
Road Improvements	2019	3.00	500,000
Title V Loans	2019	3.50 - 3.70	351,585
Police/Fire radio systems	2019	3.00 - 5.00	450,000
Title V Loans	2020	0.00	76,022
Police/Fire Station Improvements	2020	2.00	600,000
School Remodeling	2020	2.00	545,000

(continued)

(continued)

	Serial	Interest	Amount
<u>Governmental Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/14</u>
Town House Renovations	2020	3.00 - 5.00	625,000
Road Improvements	2021	2.00	810,000
Land Acquisition	2021	3.00 - 5.00	500,000
Alcott School	2022	3.75 - 5.00	1,240,000
Title V Loans	2022	0.00	267,347
Title V Loans	2023	0.00	292,243
School Building Renovations	2023	3.00 - 5.00	675,000
Roads	2023	3.00 - 5.00	900,000
Public School Renovations	2023	3.00 - 5.00	795,000
School	2025	2.50 - 4.25	3,850,000
Thoreau School	2025	3.75 - 5.00	6,105,000
Thoreau School	2025	3.75 - 5.00	4,520,000
Willard School	2028	2.00 - 4.25	8,750,000
Willard School Remodeling	2029	2.00 - 4.25	<u>10,180,000</u>
Total Governmental Activities:			<u>\$ 48,467,197</u>

	Serial	Interest	Amount
<u>Business-Type Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/14</u>
Electric	2015	3.63 - 3.75	\$ 55,000
Electric	2017	4.00 - 5.00	240,000
Water	2016	3.50 - 5.00	200,000
Water	2016	2.00	350,000
Telcom	2018	3.50 - 5.00	100,000
Water	2018	3.00 - 3.75	300,000
Sewer	2016	3.50 - 5.00	200,000
Electric	2026	2.00 - 4.00	3,100,000
Water	2026	2.00 - 4.00	1,140,000
Sewer MWPAT	2026	2.00	2,723,003
Sewer MWPAT	2027	2.00	7,548,567
Light Plant Expansion	2027	2.00 - 5.00	3,900,000
Water	2027	3.75 - 5.00	<u>2,275,000</u>
Total Business-Type Activities:			<u>\$ 22,131,570</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,323,144	\$ 1,666,275	\$ 7,989,419
2016	5,728,190	1,469,719	7,197,909
2017	5,058,234	1,279,031	6,337,265
2018	4,678,278	1,122,794	5,801,072
2019	3,888,322	973,250	4,861,572
2020 -2024	15,256,030	3,033,799	18,289,829
2025 -2029	<u>7,534,999</u>	<u>716,560</u>	<u>8,251,559</u>
Total	<u>\$ 48,467,197</u>	<u>\$ 10,261,428</u>	<u>\$ 58,728,625</u>

The general fund has been designated as the sole source to repay the governmental-type obligation debt outstanding as of June 30, 2014:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,121,353	\$ 617,918	\$ 2,739,271
2016	2,080,824	558,087	2,638,911
2017	1,820,588	485,741	2,306,329
2018	1,805,650	435,280	2,240,930
2019	1,721,017	381,836	2,102,853
2020 -2024	8,216,674	1,183,060	9,399,734
2025 -2029	<u>4,365,464</u>	<u>186,282</u>	<u>4,551,746</u>
Total	<u>\$ 22,131,570</u>	<u>\$ 3,848,204</u>	<u>\$ 25,979,774</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2014 are as follows:

<u>Purpose</u>	<u>Amount</u>
Light Plant Expansion	\$ 500,000
Septic Betterment (Title 5)	1,675,285
Land Acquisition - WR Grace	1,200,000
Road Improvements	1,300,000
Telecommunications Services	900,000
Land Acquisition and Improvements	700,000
School Building Improvements	450,000
Keyes Road Renovations	600,000
Harvey Wheeler Building Improvements	340,000
West Concord Infrastructure Improvements	100,000
Land Acquisition - Barrett's Mill Road	25,000
Police/Fire Station Improvements	85,000
Town House Exterior Renovations	200,000
Rideout Field Site Improvement	75,000
Laws Brook Road and Rideout Fields	75,000
Public Works Facility Design	<u>150,000</u>
Total	<u>\$ 8,375,285</u>

D. Overlapping Debt

The Town is a member community of other governmental agencies which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies, and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages as of June 30, 2014:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRSB	\$ 32,425,000	72.85%	\$ 23,621,613

This liability is appropriately not reported in the accompanying financial statements.

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/13</u>	Additions	Reductions	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 50,770	\$ 3,985	\$ (6,288)	\$ 48,467	\$ (6,323)	\$ 42,144
Other:						
Accrued employee benefits	3,999	550	(675)	3,874	(387)	3,487
Landfill closure	190	-	(10)	180	(10)	170
Net OPEB obligation	<u>7,861</u>	<u>2,721</u>	<u>(2,919)</u>	<u>7,663</u>	<u>-</u>	<u>7,663</u>
Governmental Activities	<u>62,820</u>	<u>7,256</u>	<u>(9,892)</u>	<u>60,184</u>	<u>(6,720)</u>	<u>53,464</u>
<u>Business-Type Activities</u>						
Bonds payable ⁽¹⁾	20,214	4,000	(2,082)	22,132	(2,121)	20,011
Other:						
Accrued employee benefits	329	61	(37)	353	(29)	324
Net OPEB obligation	<u>-</u>	<u>193</u>	<u>(193)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities	<u>20,543</u>	<u>4,254</u>	<u>(2,312)</u>	<u>22,485</u>	<u>(2,150)</u>	<u>20,335</u>
Grand Total	<u>\$ 83,363</u>	<u>\$ 11,510</u>	<u>\$ (12,204)</u>	<u>\$ 82,669</u>	<u>\$ (8,870)</u>	<u>\$ 73,799</u>

⁽¹⁾ This footnote is presented with bonds payables as of and for the year ended June 30, 2014. Pages 6, 19, and 27 report the Electric Fund bonds payable as of December 31, 2013.

13. Landfill Closure and Postclosure Care Costs

The Town stopped accepting waste and permanently capped its landfill in fiscal 2003. State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Since the Town's landfill has stopped accepting waste, the Town reports these closure and postclosure care costs as a liability in the government-wide financial statements.

The \$180,000 reported as landfill closure and postclosure care liability at June 30, 2014 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2014 (in thousands):

	Entity-wide Basis		Fund Basis	
	Governmental	Business-type	Governmental	Proprietary
	<u>Activities</u>	<u>Activities</u>	<u>Funds</u>	<u>Funds</u>
Unavailable property tax revenue	\$ -	\$ -	\$ 1,701	\$ -
Unavailable Solid Waste fund revenues	285	-	285	-
Unavailable Title 5 revenues	-	-	408	-
Unavailable Swim fund revenues	-	883	-	883

15. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

16. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. By Charter, the Town Manager is authorized to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2014:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 5,613,555	\$ 5,613,555
Total Nonspendable	-	5,613,555	5,613,555
Restricted			
School debt service	4,657,702	-	4,657,702
Community Preservation	-	1,236,226	1,236,226
Parking	-	160,231	160,231
Cemetery	-	369,806	369,806
Receipts Reserved for Appropriation	-	607,523	607,523
53 G Review	-	17,302	17,302
Miscellaneous Grants and Contributions	-	75,189	75,189
School Lunch	-	121,806	121,806
Gifts	-	1,425,734	1,425,734
Recreation	-	602,341	602,341
Other Revolving	-	497,140	497,140
Federal Grants	-	30,482	30,482
State Grants	-	84,590	84,590
Solid Waste	-	184,189	184,189
Pension Reserve Fund	-	8,915,051	8,915,051
Sawyer Gift Fund	-	214,874	214,874
Capital project funds	-	2,029,726	2,029,726
Expendable permanent funds	-	105,733	105,733
Total Restricted	4,657,702	16,677,943	21,335,645
Committed			
School capital	961,329	-	961,329
School debt	1,908	-	1,908
High school debt	3,279,669	-	3,279,669
Emergency response	1,004,094	-	1,004,094
Insurance	1,662,603	-	1,662,603
Other	77,809	-	77,809
Total Committed	6,987,412	-	6,987,412
Assigned			
For encumbrances			
General government	1,358,951	-	1,358,951
Public safety	131,279	-	131,279
Education	338,044	-	338,044
Public works	1,090,747	-	1,090,747
Health and human services	143,641	-	143,641
Culture and recreation	236,272	-	236,272
Employee benefits	259,469	-	259,469
For next year's expenditures	850,000	-	850,000
Total Assigned	4,408,403	-	4,408,403
Unassigned	12,314,090	-	12,314,090
Total Fund Balance	\$ 28,367,607	\$ 22,291,498	\$ 50,659,105

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

18. Subsequent Events

Subsequent to June 30, 2014, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MWPAT note	\$ 197,457	0.00%	01/07/15	01/15/25

19. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The Town provides post-employment health and life insurance benefits for retired employees through the Minuteman-Nashoba Health Group. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2014, the actuarial valuation date, approximately 464 retirees and 639 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Department and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

Medicare eligible retirees contribute 50% of the cost of the medical and prescription drug plan. Early retirees and non-Medicare eligible retirees age 65 or greater remain eligible for coverage under active employee plans and contribute at active employee rates ranging from 37% to 48%. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Town contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Asset/Obligation

The Town's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2014.

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Swim Fund	Total
Annual Required Contribution (ARC)	\$ 2,620,912	\$ 33,603	\$ 8,401	\$ 123,812	\$ 29,899	\$ 2,816,627
Interest on net OPEB obligation	589,600	(3,938)	(984)	(8,951)	(766)	574,961
Adjustment to ARC	(489,280)	3,268	817	7,428	635	(477,132)
Annual OPEB cost	2,721,232	32,933	8,234	122,289	29,768	2,914,456
Contributions made	(1,219,087)	(10,619)	(2,655)	(79,580)	(2,279)	(1,314,220)
Additional funding to trust	(1,700,000)	(16,402)	(4,849)	(10,478)	(36,508)	(1,768,237)
Change in net OPEB obligation	(197,855)	5,912	730	32,231	(9,019)	(168,001)
Net OPEB obligation / (asset) - 7/01/2013	7,861,339	(52,501)	(13,125)	(119,351)	(10,211)	7,666,151
Net OPEB obligation / (asset) - 6/30/2014	\$ 7,663,484	\$ (46,589)	\$ (12,395)	\$ (87,120)	\$ (19,230)	\$ 7,498,150

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, net of the OPEB asset, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,914,456	105.76%	\$ 7,498,150
2013	\$ 3,421,244	64.48%	\$ 7,666,151
2012	\$ 3,237,615	64.06%	\$ 6,451,050
2011	\$ 4,310,122	73.24%	\$ 5,287,579
2010	\$ 4,053,093	51.30%	\$ 4,134,335

The Town's net OPEB obligation as of June 30, 2014 is recorded as a component of the "noncurrent liabilities" line item. The Town's net OPEB asset as of June 30, 2014 is recorded as a component of the "noncurrent assets" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 33,452,285
Actuarial value of plan assets	<u>6,577,045</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 26,875,240</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>19.7%</u>
Covered payroll (active plan members)	<u>\$ 44,152,000</u>
UAAL as a percentage of covered payroll	<u>60.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 to 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the 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 Town 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.

In the June 30, 2014 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a partially funded 7.50% investment rate of return and an initial annual healthcare cost trend rate range of 8.00% to 9.00% which decreases to a 5.00% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3.25% per year for a period of 26 years.

20. Contributory Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees’ retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Concord Contributory Retirement System (CCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the CCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the CCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The CCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth’s Public Employee Retirement Administration Commission. Membership of the plan consisted of the following at December 31, 2013:

Retirees and beneficiaries receiving benefits	270
Terminated plan members entitled to but not yet receiving benefits	108
Active plan members	<u>502</u>
Total	<u>880</u>
Number of participating employers	3

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Additionally, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year calculated on a per pay period basis. Employers are required to contribute at actuarially determined amounts as accepted by the Public Employee Retirement Administration Commission (PERAC). The Plan's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 3,943,818	100%
2013	\$ 3,430,345	100%
2012	\$ 3,352,832	100%
2011	\$ 3,226,582	100%
2010	\$ 3,011,632	100%
2009	\$ 2,952,658	100%
2008	\$ 2,896,357	100%
2007	\$ 2,992,219	100%
2006	\$ 2,934,229	100%
2005	\$ 2,818,185	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Concord Contributory Retirement System's most recent valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/14	\$115,340	\$142,405	\$27,065	81%	\$27,514	98%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$27.1 million was calculated. The actuarial assumptions included (a) 7.50% investment rate of return and (b) a projected salary increase of 4.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (7.50%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2013, the unfunded actuarially accrued liability is being amortized using an approximate level percent of payroll.

E. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings

into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$4,690,962 to the MTRS on behalf of the Town. This is included in the employee benefit expenditures and intergovernmental revenues in the general fund.

21. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Implementation of New GASB Standards

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense of the Town's actuarially accrued liability.

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT PLANT
(Electric Enterprise Fund)
NOTES TO THE FINANCIAL STATEMENTS

**Town of Concord, Massachusetts
Concord Municipal Light Plant
(Electric Enterprise Fund)**

Notes Accompanying the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies

A. Reporting Entity

These financial statements present only the Town of Concord Municipal Light Plant ("the Plant"), an enterprise fund of the Town of Concord, Massachusetts. These financial statements are not intended to and do not, present fairly the financial position of the Town of Concord, Massachusetts and the results of its operations and cash flows, in conformity with accounting principles generally accepted in the United States of America.

B. Business Activity

The Plant purchases electricity which it distributes to consumers within the Town of Concord, Massachusetts. The Plant operates under the provisions of Chapter 164 of the Massachusetts General Laws, with a Municipal Light Board appointed by the Town Manager. The Town Manager appoints the CMLP Director who has full charge of the day-to-day operations and management of the Plant, under the general direction of the Town Manager.

C. Regulation and Basis of Presentation

Under Massachusetts General Laws, the Plant's electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general authority over the Plant, the Plant's rates are not subject to DPU approval. The Plant's policy is to prepare its financial statements in conformity with generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital

assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Concentrations

The Plant operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation enacted by the Commonwealth of Massachusetts in 1998 introduced competition and provided consumers with additional power supply choices while assuring continued reliable service. However, municipal electric utilities are not currently subject to this legislation.

E. Revenues

Revenues are based on rates established by the Plant and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

A key component of operating revenues is the Purchased Power & Fuel Cost Adjustment (PP&FCA). This adjustment allows the Plant to recover fluctuating power supply and fuel costs from customers by increasing or decreasing their energy charges per kilowatt hour by the amount that actual power supply and fuel costs exceed their standard base rate.

F. Cash and Short-term Investments

For the purpose of the Statements of Cash Flows, the Plant considers all restricted and unrestricted cash on deposit with the Town Treasurer as cash and short-term investments. For the purposes of the Statements of Net Position, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

G. Inventory

Plant supplies inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and are stated at average cost. Meters and transformers are capitalized when purchased.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Plant's unrestricted net position.

Massachusetts General Laws require utility plant in service to be depreciated at an annual rate of three percent. Temporary increases in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, and are subject to DPU notification and review.

I. Compensated Absences

The employment benefit plan, consistent with the Town's policy, provides that employees are entitled to a minimum of ten days' vacation per year up to twenty-five days per year depending on years of service and employment classification. Employees are allowed to accumulate monthly and carry forward to the following month their unused vacation days for a year subject to a cap equal to the employees annual rate of accrual plus five days.

J. Long-term Obligations

The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the Proprietary Fund Statement of Net Position.

K. Equity

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Plant or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and

expenses during the fiscal year. Actual results could vary from estimates that were used.

M. Rate of Return

The Plant's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. In 2013, the Plant's earnings did not exceed this threshold.

2. Cash and Short-Term Investments

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Plant's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town of Concord is responsible for implementing policies for deposit custodial credit risk.

The Town does not have a deposit policy for custodial credit risk.

Because all of the Plant's cash is in the custody of the Town's Treasurer, all bank accounts are maintained in the name of the Town. At December 31, 2013, bank balances of \$13,402,851 were exposed to custodial credit risk as uninsured or uncollateralized.

3. Receivables

Receivables consist of the following at December 31, 2013:

Customer Accounts:		
Billed	\$ 2,396,304	
Less allowances:		
Uncollectible accounts	<u>(30,000)</u>	
Total billed		2,366,304
Unbilled, net		<u>1,925,253</u>
Total customer accounts		4,291,557
Other Accounts:		
Merchandise sales	94,570	
Liens and other	<u>45,899</u>	
Total other accounts		<u>140,469</u>
Total net receivables		<u>\$ 4,432,026</u>

4. Prepaid Expenses

Prepaid expenses consist of advance payments for purchased power.

Purchase power	\$ 2,978,997
NYPA prepayment fund	68,987
Pension	201,613
Insurance and other	<u>126,257</u>
Total	<u>\$ 3,375,854</u>

5. Inventory

Inventory comprises supplies and materials at December 31, 2013 and is valued using the average cost method.

6. Restricted Cash and Investments

Restricted cash and investments consist of the following at December 31, 2013:

	<u>Cash</u>
Depreciation fund	\$ 1,937,544
Worker's compensation insurance fund	180,573
Underground fund	754,599
Smart Grid fund	95,782
Rate stabilization fund	258,580
Customer deposits fund	324,868
Customer advances for construction fund	155,409
Emergency repairs fund	1,130,000
Bond fund 1993-2013	45,833
Bond fund 2006-2015	87,500
Bond fund 2007-2017	200,000
Light plan expansions fund (article 28)	502,268
Bond interest fund	<u>27,509</u>
Total	<u>\$ 5,700,465</u>

The Plant maintains the following restricted cash and investment accounts:

- Depreciation fund - The Plant reserves 3.0% of depreciable utility plant assets each year to fund current and future capital improvements.
- Worker's compensation insurance fund – The Plant maintains a self-insurance fund for payment of workers compensation claims and for injury and damage claims.
- Underground fund – This fund was established in 1987 for the purpose of placing existing overhead lines underground. Currently a 1.5% charge on all electric bills is used to replenish this fund.
- Smart Grid fund – This fund was approved in Article 20 of the 2009 annual town meeting, by issuing anticipation notes that were retired by long-term serial bonds May 17, 2011. The funds were used for the purposes of designing, purchasing, and installing a Smart Grid system.
- Rate stabilization fund - This account is used to stabilize customer rates and reflects the accumulated difference between estimated and actual purchase power costs.
- Customer deposits fund – This represents residential and commercial customer service deposits that are held in escrow.
- Customer advances for construction fund – This represents customer deposits held for special construction projects.
- Emergency repairs fund – This fund was established to be used in the event of a major equipment failure.
- Bond funds – These funds consist of current bond principal and interest payable being set aside monthly for interest and bond

payments due within twelve months per the Massachusetts Department of Public Utilities.

- Light plant expansions fund – This fund was approved in Article 28 of the 2012 annual town meeting. Bond anticipation notes were issued on June 27, 2013 and December 19, 2013, for expanding the 219 sub-station, the plant warehouse, and the broadband projects.
- Bond interest fund – This fund consists of current bond interest payable being set aside monthly for bond interest payments due within twelve months per the Massachusetts Department of Public Utilities.

7. Investment in Associated Companies

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Plant has made advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Plant is carrying its investment at cost, reduced by shares repurchased. As of December 31, 2013, the market value of these investments cannot be readily determined.

The Light Plant also purchased a five percent interest in Energy New England, LLC for \$150,000 in 2007. Energy New England is an energy and energy services cooperative established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. Energy New England functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The balance, reflected at cost, was \$150,000 as of December 31, 2013.

Investment in associated companies consists of the following, at December 31, 2013:

Hydro-Quebec	\$ 9,821
Energy New England, LLC	<u>150,000</u>
Total	<u>\$ 159,821</u>

8. Capital Assets

The following is a summary of fiscal year 2013 capital asset activity (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 7,741	\$ 800	\$ (122)	\$ 8,419
Equipment and furnishings	11,359	3,693	(2,240)	12,812
Infrastructure	31,908	408	(77)	32,239
Intangible	2,086	-	-	2,086
	<u>53,094</u>	<u>4,901</u>	<u>(2,439)</u>	<u>55,556</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Structures and improvements	(2,930)	(232)	41	(3,121)
Equipment and furnishings	(5,091)	(477)	1,501	(4,067)
Infrastructure	(13,087)	(873)	35	(13,925)
Intangible	(699)	(10)	-	(709)
	<u>(21,807)</u>	<u>(1,592)</u>	<u>1,577</u>	<u>(21,822)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	31,287	3,309	(862)	33,734
Capital assets, not being depreciated:				
Land	684	-	-	684
Construction in progress	4,075	3,940	(4,125)	3,890
	<u>4,759</u>	<u>3,940</u>	<u>(4,125)</u>	<u>4,574</u>
Total capital assets, not being depreciated				
Capital assets, net	<u>\$ 36,046</u>	<u>\$ 7,249</u>	<u>\$ (4,987)</u>	<u>\$ 38,308</u>

9. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2013:

Accrued payroll	\$ 123,143
Accrued sales tax	28,586
Accrued bond interest	<u>25,104</u>
Total	<u>\$ 176,833</u>

10. Customer Deposits

This balance represents deposits received from residential and commercial customers that are held in escrow. Earned interest is applied to customer accounts at year-end or when the deposit is applied to their closed accounts.

11. Anticipation Notes Payable

For the purpose of financing various capital improvement projects of the Plant, the Town had the following notes outstanding at December 31, 2013:

	Coupon Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>12/31/13</u>
Light Plant expansions	1.00%	06/27/13	07/16/14	\$ 1,200,000
Light Plant expansions	0.75%	12/19/13	06/16/14	2,635,000
Broadband expansion	0.75%	12/19/13	06/16/14	<u>100,000</u>
Total				\$ <u><u>3,935,000</u></u>

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New <u>Issues</u>	<u>Maturities</u>	Balance End of Year
Light Plant expansions	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
Light Plant expansions	-	2,635,000	-	2,635,000
Broadband expansion	-	<u>100,000</u>	-	<u>100,000</u>
Total	\$ <u>-</u>	\$ <u><u>3,935,000</u></u>	\$ <u>-</u>	\$ <u><u>3,935,000</u></u>

12. Long-term Debt

A. General Obligation Bonds

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

Business-Type Activities:	Serial Maturities <u>Through</u>	Coupon Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>12/31/13</u>
Infrastructure improvements	03/01/15	3.60%-3.625%	\$ 110,000
Infrastructure improvements	03/01/17	4.00%-5.00%	345,000
Smart grid	05/15/26	2.00%-4.00%	<u>3,400,000</u>
Total			\$ <u><u>3,855,000</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 460,000	\$ 113,985	\$ 573,985
2015	460,000	101,798	561,798
2016	405,000	88,575	493,575
2017	330,000	76,350	406,350
2018	300,000	65,250	365,250
2019-2023	1,300,000	189,750	1,489,750
2024-2028	<u>600,000</u>	<u>30,875</u>	<u>630,875</u>
	<u>\$ 3,855,000</u>	<u>\$ 666,583</u>	<u>\$ 4,521,583</u>

C. Changes in General Long-term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Total Balance 1/1/13	Additions	Reductions	Total Balance 12/31/13	Less Current Portion	Equals Long-term Portion 12/31/13
Business-Type Activities						
General obligation bonds	\$ 4,615,000	\$ -	\$ (760,000)	\$ 3,855,000	\$ (460,000)	\$ 3,395,000
Compensated absence	119,700	8,591	-	128,291	(6,415)	121,876
Unamortized premium	<u>104,510</u>	<u>-</u>	<u>(7,195)</u>	<u>97,315</u>	<u>-</u>	<u>97,315</u>
Total	<u>\$ 4,839,210</u>	<u>\$ 8,591</u>	<u>\$ (767,195)</u>	<u>\$ 4,080,606</u>	<u>\$ (466,415)</u>	<u>\$ 3,614,191</u>

13. Restricted Net Position

The proprietary fund financial statements report restricted net position when external constraints are placed on net position. Specifically, restricted net position represents depreciation fund reserves, which are restricted for future capital costs.

14. Commitments and Contingencies

Outstanding Legal Issues – There are several pending legal issues in which the Plant is involved. The Plant's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

15. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statements of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 16, the Plant provides post-employment health and life insurance benefits for retired employees through the Town of Concord's plan with Minuteman-Nashoba Health Group. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2012, the actuarial valuation date, approximately 22 retirees and 62 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Plant provides post-employment medical and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Plant and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

Medicare eligible retirees contribute 50% of the cost of the medical and prescription drug plan. Early retirees and non-Medicare eligible retirees age 65 or greater remain eligible for coverage under active employee plans and contribute at active employee rates ranging from 37% to 48%. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Plant contributes the remainder of the medical and life insurance plan costs on an actuarial funding plan.

D. Annual OPEB Costs and Net OPEB Obligation

The Plant's 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the

unfunded actuarial liability over a period of thirty years. The following table shows the components of the Plant's annual OPEB cost for the year ending December 31, 2013, the amount actually contributed to the plan, and the change in the Plant's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

Annual Required Contribution (ARC)	\$ 118,921
Interest on net OPEB obligation	<u>(8,951)</u>
Annual OPEB cost	109,970
Premiums and implicit subsidy paid	(95,649)
Projected benefit payments	<u>(14,321)</u>
Increase in net OPEB obligation	-
Net OPEB obligation (asset) - beginning of year	(119,351)
Contributions to OPEB Trust	<u>-</u>
Net OPEB obligation (asset) - end of year	<u>\$ (119,351)</u>

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation Asset
2013	\$109,970	100.00%	\$(119,351)
2012	\$114,616	385.00%	\$(119,351)
2011	\$246,278	100.00%	\$ -

The Plant's net OPEB asset as of December 31, 2013 is recorded as a component of "assets" line item in the Statement of Net Position.

E. Funded Status and Funding Progress

The OPEB Trust fund assets are held by the Town Treasurer in a single fund, with a share of assets attributed to the Plant. The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,573,051
Actuarial value of plan assets	<u>640,436</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,213,487</u>
Funded ratio (actuarial value of plan assets/AAL)	40.7%
Covered payroll (active plan members)	\$ 2,427,000
UAAL as a percentage of covered payroll	38.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 to 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.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Plant and the 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 Plant 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.

In the January 1, 2012 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return and an initial annual health care cost trend rate range of 5.0% to 9.0% which decreases to a 5.0% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3.25% per year for a period of 27 years.

16. Pension Plan

The Plant follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a

publicly available financial report which can be obtained through the Town of Concord Contributory Retirement System at Town House, Concord, Massachusetts.

A. Plan Description

The Plant contributes to the Town of Concord Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Town of Concord. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. The Plant is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Plant are governed by Chapter 32 of the Massachusetts General Laws. The Plant's contributions to the System for the years ended December 31, 2013, 2012, and 2011 were \$392,747, \$318,010, and \$289,795, respectively, which were equal to its annual required contributions for each of these years.

17. Participation in Massachusetts Municipal Wholesale Electric Company

The Town of Concord, acting through its Light Plant, is a participant in the New York Power Administration Niagara Project (NYPA) which is administered through the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance electric facilities.

The Power Purchase Agreement with MMWEC for NYPA requires that each Project Participant pay its pro rata share of MMWEC's costs related to the Project in addition to its share of capacity, energy, transmission and working capital funding.

CMLP is a 2.090% entitlement holder in the Massachusetts allocation of the NYPA firm and peaking energy. The contracts are for the life of the units and the 2013 average energy price for the NYPA is \$0.03251/kWh.

18. Risk Management

The Plant 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 Plant carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three years.

19. Implementation of New GASB Standards

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Plant is required to implement in 2015. Management's current assessment is that this pronouncement will require the Plant to recognize as a liability/expense the Plant's applicable percentage of the Concord Contributory Retirement System net pension liability.

**TOWN OF CONCORD, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2014

(Unaudited)

(Amounts Expressed in thousands)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/14	\$ 115,340	\$ 142,405	\$ 27,065	81.0%	\$ 27,514	98.4%
01/01/12	\$ 94,996	\$ 123,798	\$ 28,802	76.7%	\$ 25,221	114.2%
01/01/10	\$ 90,445	\$ 106,054	\$ 15,609	85.3%	\$ 24,097	64.8%
01/01/08	\$ 90,963	\$ 94,681	\$ 3,718	96.1%	\$ 21,295	17.5%
01/01/06	\$ 75,974	\$ 83,989	\$ 8,015	90.5%	\$ 18,925	42.4%
01/01/04	\$ 63,067	\$ 76,564	\$ 13,497	82.4%	\$ 17,996	75.0%
01/01/02	\$ 56,748	\$ 67,763	\$ 11,015	83.7%	\$ 16,776	65.7%
01/01/00	\$ 56,251	\$ 59,720	\$ 3,469	94.2%	\$ 14,807	23.4%
01/01/98	\$ 43,221	\$ 51,392	\$ 8,171	84.1%	\$ 13,676	59.7%
01/01/96	\$ 33,678	\$ 42,701	\$ 9,023	78.9%	\$ 11,930	75.6%
01/01/94	\$ 27,603	\$ 38,207	\$ 10,604	72.2%	\$ 11,314	93.7%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/14	\$ 6,577	\$ 33,452	\$ 26,875	19.7%	\$ 44,152	60.9%
01/01/12	\$ 1,885	\$ 29,985	\$ 28,100	6.3%	\$ 41,453	67.8%
01/01/09	\$ -	\$ 46,353	\$ 46,353	0.0%	\$ 33,707	129.9%

See Independent Auditors' Report.

TOWN OF CONCORD, MA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds			Receipts Reserved for Appropriation
	Community Preservation	Parking	Cemetery	
ASSETS				
Cash and short-term investments	\$ 1,244,394	\$ 198,910	\$ 350,996	\$ 729,682
Investments	-	-	-	-
Receivables				
Property taxes	15,002	-	-	-
Departmental	-	-	-	407,508
Intergovernmental	-	-	18,810	-
TOTAL ASSETS	\$ 1,259,396	\$ 198,910	\$ 369,806	\$ 1,137,190
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Warrants payable	\$ 8,169	\$ 38,679	\$ -	\$ 14,701
Accrued liabilities	-	-	-	-
Notes payable	-	-	-	107,457
TOTAL LIABILITIES	8,169	38,679	-	122,158
DEFERRED INFLOWS OF RESOURCES	15,001	-	-	407,509
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted	1,236,226	160,231	369,806	607,523
TOTAL FUND BALANCES	1,236,226	160,231	369,806	607,523
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,259,396	\$ 198,910	\$ 369,806	\$ 1,137,190

See Independent Auditors' Report.

Special Revenue Funds					
<u>53 G</u> <u>Review</u>	<u>Miscellaneous</u> <u>Grants and</u> <u>Contributions</u>	<u>School</u> <u>Lunch</u>	<u>Gifts</u>	<u>Recreation</u>	<u>Other</u> <u>Revolving</u>
\$ 20,347	\$ 75,189	\$ 126,679	\$ 1,474,251	\$ 705,013	\$ 530,352
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,812	-	-	-
<u>\$ 20,347</u>	<u>\$ 75,189</u>	<u>\$ 136,491</u>	<u>\$ 1,474,251</u>	<u>\$ 705,013</u>	<u>\$ 530,352</u>
\$ 3,045	\$ -	\$ 9,068	\$ 38,021	\$ 102,672	\$ 26,951
-	-	5,617	10,496	-	6,263
-	-	-	-	-	-
<u>3,045</u>	<u>-</u>	<u>14,685</u>	<u>48,517</u>	<u>102,672</u>	<u>33,214</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>17,302</u>	<u>75,189</u>	<u>121,806</u>	<u>1,425,734</u>	<u>602,341</u>	<u>497,138</u>
<u>17,302</u>	<u>75,189</u>	<u>121,806</u>	<u>1,425,734</u>	<u>602,341</u>	<u>497,138</u>
<u>\$ 20,347</u>	<u>\$ 75,189</u>	<u>\$ 136,491</u>	<u>\$ 1,474,251</u>	<u>\$ 705,013</u>	<u>\$ 530,352</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>
ASSETS				
Cash and short-term investments	\$ 2	\$ (96,967)	\$ (115,956)	\$ (54,880)
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Departmental	-	-	-	-
Intergovernmental	-	152,195	231,414	92,488
TOTAL ASSETS	<u>\$ 2</u>	<u>\$ 55,228</u>	<u>\$ 115,458</u>	<u>\$ 37,608</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ 8,043	\$ 37,608
Accrued liabilities	-	24,746	22,825	-
Notes payable	-	-	-	-
TOTAL LIABILITIES	-	24,746	30,868	37,608
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted	2	30,482	84,590	-
TOTAL FUND BALANCES	<u>2</u>	<u>30,482</u>	<u>84,590</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2</u>	<u>\$ 55,228</u>	<u>\$ 115,458</u>	<u>\$ 37,608</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>Solid Waste</u>	<u>Pension Reserve Fund</u>	<u>Sawyer Gift Fund</u>	<u>Subtotals</u>
\$ 554,662	\$ 2,791,069	\$ 214,874	\$ 8,748,617
-	6,123,982	-	6,123,982
-	-	-	15,002
-	-	-	407,508
-	-	-	504,719
<u>\$ 554,662</u>	<u>\$ 8,915,051</u>	<u>\$ 214,874</u>	<u>\$ 15,799,828</u>
\$ 85,768	\$ -	\$ -	\$ 372,725
-	-	-	69,947
-	-	-	107,457
<u>85,768</u>	<u>-</u>	<u>-</u>	<u>550,129</u>
284,705	-	-	707,215
-	-	-	-
<u>184,189</u>	<u>8,915,051</u>	<u>214,874</u>	<u>14,542,484</u>
<u>184,189</u>	<u>8,915,051</u>	<u>214,874</u>	<u>14,542,484</u>
<u>\$ 554,662</u>	<u>\$ 8,915,051</u>	<u>\$ 214,874</u>	<u>\$ 15,799,828</u>

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotals</u>
ASSETS		
Cash and short-term investments	\$ 2,247,840	\$ 2,247,840
Investments	-	-
Receivables		
Property taxes	-	-
Departmental	-	-
Intergovernmental	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>2,247,840</u>	\$ <u>2,247,840</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Warrants payable	\$ 157,518	\$ 157,518
Accrued liabilities	60,596	60,596
Notes payable	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	218,114	218,114
DEFERRED INFLOWS OF RESOURCES	-	-
FUND BALANCES		
Non-spendable	-	-
Restricted	<u>2,029,726</u>	<u>2,029,726</u>
TOTAL FUND BALANCES	<u>2,029,726</u>	<u>2,029,726</u>
Total Liabilities and		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>2,247,840</u>	\$ <u>2,247,840</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotals	
\$ -	\$ 101,543	\$ 101,543	\$ 11,098,000
5,613,555	-	5,613,555	11,737,537
-	-	-	15,002
-	4,190	4,190	411,698
-	-	-	504,719
<u>\$ 5,613,555</u>	<u>\$ 105,733</u>	<u>\$ 5,719,288</u>	<u>\$ 23,766,956</u>
\$ -	\$ -	\$ -	\$ 530,243
-	-	-	130,543
-	-	-	107,457
-	-	-	768,243
-	-	-	707,215
5,613,555	-	5,613,555	5,613,555
-	105,733	105,733	16,677,943
<u>5,613,555</u>	<u>105,733</u>	<u>5,719,288</u>	<u>22,291,498</u>
<u>\$ 5,613,555</u>	<u>\$ 105,733</u>	<u>\$ 5,719,288</u>	<u>\$ 23,766,956</u>

TOWN OF CONCORD, MA

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue Funds			
	<u>Community Preservation</u>	<u>Parking</u>	<u>Cemetery</u>	<u>Receipts Reserved for Appropriation</u>
Revenues:				
Property taxes	\$ 975,621	\$ -	\$ -	\$ -
Departmental	-	307,888	124,080	138,114
Intergovernmental	485,112	-	-	10,894
Investment income	2,340	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,463,073	307,888	124,080	149,008
Expenditures:				
Current:				
General government	1,470,788	-	-	-
Public safety	-	273,289	-	-
Education	-	-	-	-
Public works	-	-	-	108,863
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	143,101
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	1,470,788	273,289	-	251,964
Excess (deficiency) of revenues over (under) expenditures	(7,715)	34,599	124,080	(102,956)
Other Financing Sources (Uses):				
Proceeds of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(61,858)	(116,697)	(11,482)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	(61,858)	(116,697)	(11,482)
Changes in fund balances	(7,715)	(27,259)	7,383	(114,438)
Fund balances, at Beginning of Year	<u>1,243,941</u>	<u>187,490</u>	<u>362,423</u>	<u>721,961</u>
Fund balances, at End of Year	<u>\$ 1,236,226</u>	<u>\$ 160,231</u>	<u>\$ 369,806</u>	<u>\$ 607,523</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>53 G Review</u>	<u>Miscellaneous Grants and Contributions</u>	<u>School Lunch</u>	<u>Gifts</u>	<u>Recreation</u>	<u>Other Revolving</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42,770	-	421,985	-	1,839,495	132,636
-	-	86,364	-	-	-
-	-	-	-	-	-
-	-	-	583,711	-	-
-	79,329	-	617,450	-	-
<u>42,770</u>	<u>79,329</u>	<u>508,349</u>	<u>1,201,161</u>	<u>1,839,495</u>	<u>132,636</u>
46,111	98,871	-	292,875	-	48,760
-	-	-	248,398	-	-
-	-	514,995	186,575	-	15,474
-	-	-	67,022	-	72,098
-	-	-	51,230	-	-
-	-	-	90,339	1,615,375	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>46,111</u>	<u>98,871</u>	<u>514,995</u>	<u>936,439</u>	<u>1,615,375</u>	<u>136,332</u>
(3,341)	(19,542)	(6,646)	264,722	224,120	(3,696)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(45,887)	(2,150)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,887)</u>	<u>(2,150)</u>
(3,341)	(19,542)	(6,646)	264,722	178,233	(5,846)
<u>20,643</u>	<u>94,731</u>	<u>128,452</u>	<u>1,161,012</u>	<u>424,108</u>	<u>502,984</u>
<u>\$ 17,302</u>	<u>\$ 75,189</u>	<u>\$ 121,806</u>	<u>\$ 1,425,734</u>	<u>\$ 602,341</u>	<u>\$ 497,138</u>

(continued)

(continued)

	Special Revenue Funds			
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Departmental	-	-	-	4,846
Intergovernmental	-	662,444	1,321,453	736,587
Investment income	2	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>2</u>	<u>662,444</u>	<u>1,321,453</u>	<u>741,433</u>
Expenditures:				
Current:				
General government	11,764	-	23,471	-
Public safety	-	-	83,259	-
Education	-	664,134	1,176,816	-
Public works	-	-	196,065	701,170
Health and human services	-	-	37,328	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>11,764</u>	<u>664,134</u>	<u>1,516,939</u>	<u>701,170</u>
Excess (deficiency) of revenues over (under) expenditures	(11,762)	(1,690)	(195,486)	40,263
Other Financing Sources (Uses):				
Proceeds of bonds	-	-	-	-
Transfers in	10,000	-	-	-
Transfers out	-	-	(15,000)	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
Changes in fund balances	(1,762)	(1,690)	(210,486)	40,263
Fund balances, at Beginning of Year	<u>1,764</u>	<u>32,172</u>	<u>295,076</u>	<u>(40,263)</u>
Fund balances, at End of Year	<u>\$ 2</u>	<u>\$ 30,482</u>	<u>\$ 84,590</u>	<u>\$ -</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>Solid Waste</u>	<u>Pension Reserve Fund</u>	<u>Sawyer Gift Fund</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ 975,621
1,196,556	-	-	4,208,370
-	-	-	3,302,854
-	1,285,301	1,994	1,289,637
-	-	-	583,711
-	-	-	696,779
<u>1,196,556</u>	<u>1,285,301</u>	<u>1,994</u>	<u>11,056,972</u>
-	-	175,000	2,167,640
-	-	-	604,946
-	-	-	2,557,994
1,036,073	-	-	2,181,291
-	-	-	88,558
-	-	-	1,705,714
-	365,940	-	365,940
-	-	-	143,101
<u>1,036,073</u>	<u>365,940</u>	<u>175,000</u>	<u>9,815,184</u>
160,483	919,361	(173,006)	1,241,788
-	-	-	-
-	524,304	-	534,304
(128,995)	-	-	(382,069)
<u>(128,995)</u>	<u>524,304</u>	<u>-</u>	<u>152,235</u>
31,488	1,443,665	(173,006)	1,394,023
<u>152,701</u>	<u>7,471,386</u>	<u>387,880</u>	<u>13,148,461</u>
<u>\$ 184,189</u>	<u>\$ 8,915,051</u>	<u>\$ 214,874</u>	<u>\$ 14,542,484</u>

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotal</u>
Revenues:		
Property taxes	\$ -	\$ -
Departmental	-	-
Intergovernmental	-	-
Investment income	-	-
Contributions	-	-
Other	-	-
	<hr/>	<hr/>
Total Revenues	-	-
Expenditures:		
Current:		
General government	1,102,157	1,102,157
Public safety	531,984	531,984
Education	593,938	593,938
Public works	519,891	519,891
Health and human services	-	-
Culture and recreation	-	-
Employee benefits	-	-
Debt service	-	-
	<hr/>	<hr/>
Total Expenditures	<u>2,747,970</u>	<u>2,747,970</u>
Excess (deficiency) of revenues over (under) expenditures	(2,747,970)	(2,747,970)
Other Financing Sources (Uses):		
Proceeds of bonds	3,985,000	3,985,000
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<u>3,985,000</u>	<u>3,985,000</u>
Changes in fund balances	1,237,030	1,237,030
Fund balances, at Beginning of Year	<u>792,696</u>	<u>792,696</u>
Fund balances, at End of Year	<u>\$ 2,029,726</u>	<u>\$ 2,029,726</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotal	
\$ -	\$ -	\$ -	\$ 975,621
-	-	-	4,208,370
-	-	-	3,302,854
615,267	4,315	619,582	1,909,219
-	-	-	583,711
49,830	-	49,830	746,609
<u>665,097</u>	<u>4,315</u>	<u>669,412</u>	<u>11,726,384</u>
-	-	-	3,269,797
-	-	-	1,136,930
-	-	-	3,151,932
83,777	-	83,777	2,784,959
-	-	-	88,558
-	-	-	1,705,714
-	-	-	365,940
-	-	-	143,101
<u>83,777</u>	<u>-</u>	<u>83,777</u>	<u>12,646,931</u>
581,320	4,315	585,635	(920,547)
-	-	-	3,985,000
-	-	-	534,304
-	-	-	(382,069)
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,137,235</u>
581,320	4,315	585,635	3,216,688
<u>5,032,235</u>	<u>101,418</u>	<u>5,133,653</u>	<u>19,074,810</u>
\$ <u>5,613,555</u>	\$ <u>105,733</u>	\$ <u>5,719,288</u>	\$ <u>22,291,498</u>

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