

TOWN OF CONCORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Concord, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (except for the Concord Municipal Light Plant), and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of and for the year ended June 30, 2013, (except for the Concord Contributory Retirement System and Municipal Light Plant, which are as of and for the year ending December 31, 2012) 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 did not audit the financial statements of the Concord Municipal Light Plant (Electric Enterprise Major Fund), a major enterprise fund, which also represents 46% and 75% of the assets and operating revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the Electric Enterprise Fund and its effects on the business-type activities, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 (1) our adverse audit opinion on the electric enterprise major fund; (2) our qualified opinion on the business-type activities; (3) our unmodified audit opinion on the governmental activities, general fund, water fund, sewer fund, swim fund, and the aggregate remaining fund information.

Opinions

Basis for Adverse Opinion on the Electric Enterprise Major Fund and Qualified Opinion on Business-Type Activities

As described in Note 1 (on page 67), the Electric Enterprise Major Fund financial statements are prepared on the basis of the financial reporting provisions of the Massachusetts Department of Public Utilities, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Massachusetts Department of Public Utilities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 (on page 67) and accounting principles generally accepted in the United States of America, are presumed to be material. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities has not been determined.

Adverse Opinion on the Electric Enterprise Major Fund

In our opinion, based on the report of other auditors, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Electric Enterprise Major Fund and Qualified Opinion on Business-Type Activities paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles general accepted in the United States of America, the financial position of the electric enterprise major fund of the Town of Concord, Massachusetts as of December 31, 2012, and the changes in financial position thereof for the year then ended.

Qualified Opinion on the Business-Type Activities

In our opinion, based on our audit and the report of other auditors, except for the matter described in the Basis for Adverse Opinion on the Electric Enterprise Major Fund and Qualified Opinion on Business-Type Activities paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Town of Concord, Massachusetts as of June 30, 2013 (except for the Concord Municipal Light Plant, which is as of and for the year ending December 31, 2012), and the changes in financial position thereof for the year then ended.

Unmodified Opinions on Governmental Activities, Other Major Funds, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, water fund, sewer fund, swim fund, and the aggregate remaining fund information of the Town of Concord Massachusetts, as of June 30, 2013, (except for the Concord Contributory Retirement System, which is as of and for the year ending December 31, 2012) 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.

Opinion on Regulatory Basis of Accounting

In our opinion, based on the report of other auditors, the Concord Municipal Light Plant financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus of the Town of Concord, Municipal Light Plant, as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, on the basis of the financial reporting provisions of the Massachusetts Department of Public Utilities as described in Note 1 (on page 67).

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 84 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 December 20, 2013 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 + Company P.C.

Andover, Massachusetts
December 20, 2013

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, 2013. 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 service, 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary funds. Proprietary funds are maintained as follows:

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 fund 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 are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by 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 \$233,279 (i.e., net position), a change of \$5,411 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$46,580, a change of \$1,244 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,720, a change of \$436 in comparison to the prior year.
- Total bonds payable as of June 30, 2013 was \$70,984 a change of \$(4,410) in comparison to the prior year. Governmental bonds payable of \$50,770 decreased by \$(2,792). Business-type bonds payable of \$20,214 decreased by \$(1,618).

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</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 54,701	\$ 51,996	\$ 37,145	\$ 38,321	\$ 91,846	\$ 90,317
Deferred outflows	-	-	56	-	56	-
Capital assets	<u>155,013</u>	<u>155,634</u>	<u>85,991</u>	<u>87,616</u>	<u>241,004</u>	<u>243,250</u>
Total assets and deferred outflows	<u>209,714</u>	<u>207,630</u>	<u>123,192</u>	<u>125,937</u>	<u>332,906</u>	<u>333,567</u>
Long-term liabilities outstanding	62,820	64,260	21,003	22,800	83,823	87,060
Other liabilities	5,757	4,576	8,871	12,598	14,628	17,174
Deferred inflows	<u>263</u>	-	<u>910</u>	<u>1,465</u>	<u>1,173</u>	<u>1,465</u>
Total liabilities and deferred inflows	<u>68,840</u>	<u>68,836</u>	<u>30,784</u>	<u>36,863</u>	<u>99,624</u>	<u>105,699</u>
Net position:						
Net investment in capital assets	106,166	104,111	66,338	65,319	172,504	169,430
Restricted	24,142	23,909	3,825	3,884	27,967	27,793
Unrestricted	<u>10,563</u>	<u>10,774</u>	<u>22,245</u>	<u>19,871</u>	<u>32,808</u>	<u>30,645</u>
Total net position	<u>\$ 140,871</u>	<u>\$ 138,794</u>	<u>\$ 92,408</u>	<u>\$ 89,074</u>	<u>\$ 233,279</u>	<u>\$ 227,868</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,283	\$ 6,742	\$ 38,044	\$ 36,793	\$ 44,327	\$ 43,535
Operating grants and contributions	9,101	8,830	-	-	9,101	8,830
Capital grants and contributions	160	650	-	-	160	650
General revenues:						
Property taxes	71,877	68,892	-	-	71,877	68,892
Excises	3,522	3,016	-	-	3,522	3,016
Penalties and interest on taxes	275	861	-	-	275	861
Grants and contributions not restricted to specific programs	1,608	1,681	-	-	1,608	1,681
Investment income	1,571	269	74	96	1,645	365
Other	1,170	2,240	854	12	2,024	2,252
Total revenues	<u>95,567</u>	<u>93,181</u>	<u>38,972</u>	<u>36,901</u>	<u>134,539</u>	<u>130,082</u>
Expenses:						
General government	9,391	8,877	-	-	9,391	8,877
Public safety	12,048	11,796	-	-	12,048	11,796
Education	57,046	55,738	-	-	57,046	55,738
Public works	8,945	7,267	-	-	8,945	7,267
Health and human services	742	723	-	-	742	723
Culture and recreation	5,020	4,624	-	-	5,020	4,624
Interest on long-term debt	1,753	1,861	-	-	1,753	1,861
Intergovernmental	441	428	-	-	441	428
Water services	-	-	2,740	2,733	2,740	2,733
Sewer operations	-	-	3,125	3,264	3,125	3,264
Electric operations	-	-	26,451	25,954	26,451	25,954
Swim operations	-	-	2,091	2,179	2,091	2,179
Total expenses	<u>95,386</u>	<u>91,314</u>	<u>34,407</u>	<u>34,130</u>	<u>129,793</u>	<u>125,444</u>
Change in net position before transfers	181	1,867	4,565	2,771	4,746	4,638
Transfers in (out)	1,896	1,807	(1,231)	(1,164)	665	643
Change in net position	2,077	3,674	3,334	1,607	5,411	5,281
Net position - beginning of year	138,794	135,120	89,074	87,467	227,868	222,587
Net position - end of year	<u>\$ 140,871</u>	<u>\$ 138,794</u>	<u>\$ 92,408</u>	<u>\$ 89,074</u>	<u>\$ 233,279</u>	<u>\$ 227,868</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 \$233,279, a change of \$5,411 from the prior year.

The largest portion of net position \$172,504 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 \$3,074 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, \$27,967, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$22,833; and
- Expendable and nonexpendable trust fund assets, \$5,134.

The remaining balance of unrestricted net position, \$32,808, may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$10,563 is in governmental activities funds, a change of \$(211) from the prior year;
- \$22,245 is in business-type activities funds, a change of \$2,374 from the prior year.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,077. Key elements of this change are as follows:

General fund revenues and enterprise fund indirect cost transfers in exceeding expenditures	\$ 578
Debt service principal payments exceeding depreciation expense	737
Increase in net OPEB obligation	(1,215)
Current year revenue used for the acquisition of capital assets	1,759
Other	<u>218</u>
Total change in net position	<u>\$ 2,077</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$3,334. 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 operations in an effort to manage the Town's debt burden. Key elements of this change are as follows:

- The Water fund had revenues of \$4,580 and expenses and transfers of \$3,332, resulting in a change in net position of \$1,248.
- The Sewer fund had revenues and transfers of \$3,679 and expenses and transfers of \$3,327, resulting in a change in net position of \$352. Revenues included \$1,007 received from the CoMag incentive.
- The Light Fund had revenues of \$28,521 and expenses and transfers of \$27,005, resulting in a change in net position of \$1,516.
- The Swim Fund had revenues and transfers of \$2,439 and expenses and transfers of \$2,221, resulting in a change in net position of \$218.
- The unrestricted net position for each of the Enterprise funds changed as follows:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
Water Fund	\$ 6,354	\$ 5,415	\$ 939
Sewer Fund	1,006	935	71
Light Fund	11,804	10,753	1,051
Swim Fund	<u>3,081</u>	<u>2,768</u>	<u>313</u>
Total	<u>\$ 22,245</u>	<u>\$ 19,871</u>	<u>\$ 2,374</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 \$46,580, a change of \$1,244 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	\$ 578
Pension reserve fund change in market value	1,034
Trust fund accounts change in market value	386
CPA fund expenditures exceeding revenues	(659)
Other	<u>(95)</u>
Total	<u>\$ 1,244</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 \$10,720, while total fund balance was \$27,505. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
Unassigned fund balance	\$ 10,720	\$ 10,284	\$ 436
Total fund balance ⁽¹⁾	27,505	27,007	498

Unassigned fund balance as of % of total General Fund expenditures	12.3%	12.3%	0.0%
Total fund balance as of % of total General Fund expenditures	31.6%	32.2%	-0.6%

⁽¹⁾ Includes Stabilization accounts.

The total fund balance of the general fund changed by \$498 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	\$ (1,995)	\$ 1,235	\$ -	\$ (760)
Use of fund balance restricted for debt service	(410)	-	-	(410)
Use of School debt stabilization account	-	(475)	-	(475)
Revenues greater than budget	883	-	-	883
Expenditures less than budget	1,141	-	-	1,141
Expenditures of prior year encumbrances less than current year encumbrances	139	-	-	139
Other	<u>(78)</u>	<u>23</u>	<u>35</u>	<u>(20)</u>
Total	<u>\$ (320)</u>	<u>\$ 783</u>	<u>\$ 35</u>	<u>\$ 498</u>

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

	<u>6/30/12</u>	<u>Revenue</u>	<u>Expenditures</u>	Transfers <u>In</u>	Transfers <u>Out</u>	<u>6/30/13</u>
High School debt stabilization	\$ 2,000	\$ 4	\$ -	\$ 750	\$ -	\$ 2,754
School debt stabilization	1,199	9	(475)	-	-	733
Emergency response stabilization	1,000	2	-	-	-	1,002
School capital stabilization	953	7	-	-	-	960
Other stabilization	79	-	-	-	-	79
Insurance reserve fund	<u>1,527</u>	<u>(6)</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>1,562</u>
Total	\$ <u>6,758</u>	\$ <u>16</u>	\$ <u>(475)</u>	\$ <u>791</u>	\$ <u>-</u>	\$ <u>7,090</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 \$22,245. Total net position of the enterprise funds at the end of the year amounted to \$92,408, a change of \$3,334 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 \$2,303. 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 \$241,004 (net of accumulated depreciation), a change of \$(2,246) 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:

- \$ 2,455 Various road improvements
- \$ 833 CPS building improvements
- \$ 695 Land purchase
- \$ 376 DPW truck and equipment

Business-type activities:

- \$ 1,018 Water related infrastructure
- \$ 1,249 CMLP related infrastructure

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

	Capital Asset <u>Additions</u>	Disposals and <u>Reclassifications</u>	Depreciation <u>Expense</u>	Accumulated Depreciation on <u>Disposals</u>	Net <u>Activity</u>
<u>Governmental activities</u>					
Fiscal year 2013	\$ 6,143	\$ (1,425)	\$ (5,339)	\$ -	\$ (621)
Fiscal year 2012	6,226	(2,075)	(5,215)	-	(1,064)
Fiscal year 2011	33,522	(27,467)	(4,653)	-	1,402
<u>Business-type activities</u>					
<i>Water</i>					
Fiscal year 2013	1,064	(47)	(778)	-	239
Fiscal year 2012	1,803	(3)	(758)	-	1,042
Fiscal year 2011	732	-	(740)	-	(8)
<i>Sewer</i>					
Fiscal year 2013	178	(5)	(1,642)	-	(1,469)
Fiscal year 2012	861	(29)	(1,745)	2	(911)
Fiscal year 2011	149	-	(1,718)	(2)	(1,571)
<i>Light</i>					
Fiscal year 2013	4,167	(2,919)	(1,475)	(73)	(300)
Fiscal year 2012	4,032	(336)	(1,445)	257	2,508
Fiscal year 2011	2,660	(517)	(1,425)	270	988
<i>Swim</i>					
Fiscal year 2013	223	-	(317)	-	(94)
Fiscal year 2012	81	-	(296)	-	(215)
Fiscal year 2011	38	-	(286)	-	(248)

Capital Assets net of <u>Accumulated depreciation</u>	<u>@ 6/30/13</u>	<u>@ 6/30/12</u>	<u>Change</u>
Governmental activities	\$ 155,013	\$ 155,634	\$ (621)
Business activities			
Water	19,766	19,527	239
Sewer	21,912	23,381	(1,469)
Electric	36,045	36,346	(301)
Swim	8,268	8,362	(94)
Subtotal	<u>85,991</u>	<u>87,616</u>	<u>(1,625)</u>
Grand Total	\$ <u>241,004</u>	\$ <u>243,250</u>	\$ <u>(2,246)</u>

Long-term debt. As of June 30, 2013, total bonded debt outstanding was \$70,984, 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 FY14 General Fund budget of \$86,220 is a 4.8 % increase over the prior year. It is anticipated that 86.0% of the resources to fund the General Fund budget will be generated by property taxes. Additional funding includes money from state aid (4.4%), local receipts (6.4%), debt stabilization fund (1.1%), Massachusetts School Building Authority Grant (0.5%), investment earnings (0.1%), transfers from the Light Fund (0.5%), and allocation from the unreserved fund balance (1.0%).

The property tax levy for FY14 (\$74,123) represents a 4.2 % increase over the prior year. This rise reflects an increase of 2.7 % in the property tax rate from \$14.07 per thousand to \$ 14.45 per thousand and an increase of 1.5 % in taxable assessed value from \$5.054 billion to \$5.130 billion. The assessment date for valuing the Town's FY14 real estate and personal property is January 1, 2013. The table below presents a comparison between FY13 and FY14.

	<u>FY13</u>	<u>FY14</u>	<u>% Change</u>
Taxable Assessed Value	\$ 5,054,970	\$ 5,130,493	1.5%
Tax Rate (per \$1,000)	\$ 14.07	\$ 14.45	2.7%
Property Tax Levy	\$ 71,123	\$ 74,135	4.2%

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 renovation 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 \$2,876 in FY13 and \$3,545 in FY14.

PENSION FUNDING STATUS

The Concord Retirement Board's most recent valuation of its pension liability is as of January 1, 2012. During the last several years, the investment return of the Concord Retirement Fund, managed by the Concord Retirement Board, has shown strong growth. With a market value of \$94,704 as of January 1, 2012, these assets have more than recovered the losses experienced in the 2008-09 market decline. In addition, the Town's Pension Reserve Fund, which is available to support future pension contribution requirements, has shown improved investment performance.

- Market Value of Pension Plan Assets (AVA):

	<u>1/1/2008</u>	<u>1/1/2010</u>	<u>1/1/2012</u>	<u>Change</u>	
				<u>2 Years</u>	<u>4 Years</u>
Retirement System (MVA)	\$ 93,293	\$ 82,223	\$ 94,704	15.20%	1.50%
Pension Reserve fund	\$ 4,797	\$ 4,400	\$ 5,786	31.50%	20.60%

SOURCE: *Retirement System Assets - Biennial Actuarial Valuation Reports, most recent dated January 1, 2012*

Pension Reserve Fund Assets - Town Accountant

- Plan Valuation and Funding:

Actuarial Data

	<u>1/1/2008</u>	<u>1/1/2010</u>	<u>1/1/2012</u>
Actuarial value of Assets (AVA)	\$ 90,963	\$ 90,445	\$ 94,996
Actuarial Accrued Liability (AAL)	\$ 94,681	\$106,054	\$123,798
Unfunded Accrued Liability (UAL)	\$ 3,718	\$ 15,609	\$ 28,802
Funding Level - (AVA/AAL)%	96.07%	85.28%	76.73%
Assumed earnings rate	7.75%	7.75%	7.50%
Market to Actuarial Asset Value	1.026	0.909	0.996

Funding Plan

	<u>1/1/2008</u>	<u>1/1/2010</u>	<u>1/1/2012</u>
Amortization rate of increase	0%	1%	2%
Funding Schedule term	2011	2021	2030
	3 yrs	11 yrs	18 yrs
Asset smoothing policy (recognition of gains and losses)	4 yrs (one year prior to valuation date, three years forward)	4 yrs	4 yrs

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. Any realized earnings over the assumed earnings rate will be applied first to the amortization rate of increase and then to shorten the scheduled term.

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 in the event of future investment earnings short of the assumed earnings rate, and (3) Allocating and fully funding the ARC allocated to the Town's enterprise operations (currently approximately 15.5% of the ARC)

OPEB FUNDING STATUS

The Town's most recent actuarial valuation of its non-pension, post-employment benefit liability is as of January 1, 2012. Comparison to the January 1, 2009 valuation is as follows:

	<u>Jan. 1, 2009</u>	<u>Jan. 1, 2012</u>
Actuarial accrued liability	\$ 43,796,093	\$ 29,985,597
Assumed investment rate	4.25%	7.5% (Enterprises) 6.5% (General Government)
Annual Required Contribution	\$ 3,799,114 (FY2009)	\$ 3,178,557 (FY2012)

The Town intends to undertake an actuarial valuation 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 7% of its total Actuarial Accrued Liability of \$29,985,648 at January 1, 2012. 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
Budgeted:	FY14	\$ 650,000			
Planned:	FY15	\$ 900,000			

The Town's funding plan is to increase this appropriation by \$250,000 each year, projecting to reach full funding of the General Fund NOO by FY2020. The Funding Schedule is based on a 30-year closed term commencing FY2009. Enterprise liabilities are calculated using a 7.5% discount rate. General Fund liabilities are calculated using a 6.5% discount rate.

The decline in the total AAL from January 1, 2010 to January 1, 2012 (from \$46.4 million to \$30.0 million) is due in part to plan design changes implemented June 1, 2012.

Further detail on General Fund and Enterprise Fund group liabilities and the status of the OPEB Trust Fund is shown in the accompanying tables.

Actuarial Valuation as of January 1, 2012

Date	Governmental-type activities				Business-type activities			
	AAL		UAAL		AAL		UAAL	
	Actuarial Accrued Liability	OPEB Trust Fund Assets	Percent Funded	Unfunded Liability	Actuarial Accrued Liability	OPEB Trust Fund Assets	Percent Funded	Unfunded Liability
Jan. 1, 2009	\$ 39,682,695	\$ -	0.0%	\$ 39,682,695	\$ 4,113,398	\$ -	0.0%	\$ 4,113,398
Jan. 1, 2010	41,977,251	-	0.0%	41,977,251	4,375,958	-	0.0%	4,375,958
Jan. 1, 2012	27,897,554	1,074,234	3.9%	26,823,320	2,088,043	811,007	38.8%	1,277,036
<i>projected:</i>								
Jan. 1, 2013	30,129,122	1,736,294 *	5.8%	28,392,828	2,262,545	1,213,903 *	53.7%	1,048,642
		* actual value				* actual value		
				Change in Net OPEB Obligation (NOO)				Change in Net OPEB Obligation (NOO)
Fiscal 2009	\$ 3,446,646	\$ 1,426,896		\$ 2,019,750	\$ 352,467	\$ 118,800		\$ 233,667
Fiscal 2010	3,672,410	1,557,820		2,114,590	376,714	610,380		(233,666)
Fiscal 2011	3,929,059	2,775,835		1,153,224	381,063	381,063		-
Fiscal 2012	3,052,482	1,693,808		1,358,674	185,132	380,320		(195,188)
Fiscal 2013	3,242,971	2,027,870		1,215,101	178,273	178,273		-
cumulative NOO				\$ 7,861,339				\$ (195,187)
<i>projected:</i>								
Fiscal 2014	3,430,570	2,011,257		1,419,313	189,593	189,593		-

FY13 activity and the June 30, 2013 market value (MV) of the OPEB Trust is shown in the following table:

Activity	General		Enterprise	Total
	Fund	Funds	Funds	
Transfer to trust	\$ 800,000	\$ 287,932		\$ 1,087,932
Dividends	45,743	16,725		62,468
Unrealized gains	151,930	(8,704)		143,226
	<u>\$ 997,673</u>	<u>\$ 295,953</u>		<u>\$ 1,293,626</u>
MV @ 6/30/12	1,642,648	1,148,431		2,791,079
MV @ 6/30/13	2,640,319	1,337,813		3,978,132

SEWER FUND

The Town's business-type activities include the Water, Sewer, Light, and Swim Enterprises. All are expected to report positive net income for the current fiscal period. The Sewer Fund is budgeted to report a positive net income due to receipt of a one-time \$2.9 million payment in August 2013. Thereafter, 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:

Finance Director
Town of Concord, Massachusetts
22 Monument Square
Concord, Massachusetts 01742

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TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

(Except for the Electric Enterprise Fund, which is as of December 31, 2012)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 39,774,674	\$ 23,600,799	\$ 63,375,473
Investments	12,059,555	2,672,622	14,732,177
Receivables, net of allowance for uncollectibles:			
Property taxes	760,061	-	760,061
Excises	107,458	-	107,458
User fees	-	5,191,917	5,191,917
Betterments	-	79,000	79,000
Departmental and other	409,494	-	409,494
Intergovernmental	839,481	-	839,481
Inventory	-	93,100	93,100
Materials and supplies	-	823,630	823,630
Prepaid expenses	-	3,284,327	3,284,327
Other assets	13,200	263,592	276,792
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	735,746	-	735,746
Betterments	-	941,009	941,009
Net OPEB asset	-	195,188	195,188
Capital assets being depreciated, net	102,716,094	77,959,974	180,676,068
Capital assets not being depreciated	52,297,267	8,031,306	60,328,573
TOTAL ASSETS	209,713,030	123,136,464	332,849,494
DEFERRED OUTFLOWS OF RESOURCES	-	56,004	56,004
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	209,713,030	123,192,468	332,905,498
LIABILITIES			
Current:			
Warrants payable	2,468,483	3,758,439	6,226,922
Accrued liabilities	2,680,732	332,548	3,013,280
Customer deposits	-	324,124	324,124
Provision for rate stabilization	-	3,765,332	3,765,332
Notes payable	500,000	-	500,000
Other current liabilities	108,226	690,458	798,684
Current portion of long-term liabilities:			
Bonds payable	6,288,101	2,082,168	8,370,269
Accrued employee benefits	399,919	20,958	420,877
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	44,482,197	18,591,570	63,073,767
Accrued employee benefits, net of current portion	3,599,266	308,329	3,907,595
Estimated landfill closure and postclosure care costs, net of current portion	180,000	-	180,000
Net OPEB obligation	7,861,339	-	7,861,339
TOTAL LIABILITIES	68,578,263	29,873,926	98,452,189
DEFERRED INFLOWS OF RESOURCES	263,254	910,453	1,173,707
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	68,841,517	30,784,379	99,625,896
NET POSITION			
Net investment in capital assets	106,166,057	66,337,551	172,503,608
Restricted for:			
Grants and other statutory restrictions	19,008,726	3,826,390	22,835,116
Permanent funds:			
Nonexpendable	5,032,235	-	5,032,235
Expendable	101,418	-	101,418
Unrestricted	10,563,077	22,244,148	32,807,225
TOTAL NET POSITION	\$ 140,871,513	\$ 92,408,089	\$ 233,279,602

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

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(Except for the Electric Enterprise Fund, which is as of December 31, 2012)

	<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	\$ 9,391,021	\$ 610,873	\$ 255,631	\$ -
Public safety	12,047,819	1,929,053	75,773	-
Education	57,046,303	514,649	8,679,920	-
Public works	8,945,193	1,494,413	32,232	159,892
Health and human services	742,479	15,510	36,421	-
Culture and recreation	5,020,450	1,718,319	21,180	-
Debt service interest	1,752,745	-	-	-
Intergovernmental	441,326	-	-	-
Total Governmental Activities	95,387,336	6,282,817	9,101,157	159,892
Business-Type Activities:				
Water services	2,740,499	4,554,423	-	-
Sewer services	3,125,442	2,586,879	-	-
Electric services	26,450,705	28,473,103	-	-
Swim Services	2,091,407	2,429,579	-	-
Total Business-Type Activities	34,408,053	38,043,984	-	-
Total	\$ 129,795,389	\$ 44,326,801	\$ 9,101,157	\$ 159,892

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>
\$ (8,524,517)	\$ -	\$ (8,524,517)
(10,042,993)	-	(10,042,993)
(47,851,734)	-	(47,851,734)
(7,258,656)	-	(7,258,656)
(690,548)	-	(690,548)
(3,280,951)	-	(3,280,951)
(1,752,745)	-	(1,752,745)
<u>(441,326)</u>	<u>-</u>	<u>(441,326)</u>
(79,843,470)	-	(79,843,470)
-	1,813,924	1,813,924
-	(538,563)	(538,563)
-	2,022,398	2,022,398
<u>-</u>	<u>338,172</u>	<u>338,172</u>
-	3,635,931	3,635,931
(79,843,470)	3,635,931	(76,207,539)
71,876,530	-	71,876,530
3,522,350	-	3,522,350
275,379	-	275,379
1,607,845	-	1,607,845
1,570,680	74,042	1,644,722
1,172,130	854,983	2,027,113
<u>1,895,859</u>	<u>(1,230,975)</u>	<u>664,884</u>
<u>81,920,773</u>	<u>(301,950)</u>	<u>81,618,823</u>
2,077,303	3,333,981	5,411,284
<u>138,794,210</u>	<u>89,074,108</u>	<u>227,868,318</u>
<u>\$ 140,871,513</u>	<u>\$ 92,408,089</u>	<u>\$ 233,279,602</u>

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 29,119,635	\$ 10,655,040	\$ 39,774,675
Investments	2,193,375	9,866,180	12,059,555
Receivables:			
Property taxes	1,862,355	14,894	1,877,249
Excises	141,526	-	141,526
Departmental	-	409,493	409,493
Intergovernmental	201,042	638,439	839,481
Accrued interest and other	13,200	-	13,200
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 33,531,133	\$ 21,584,046	\$ 55,115,179
LIABILITIES			
Warrants payable	\$ 1,547,671	\$ 920,811	\$ 2,468,482
Accrued liabilities	2,522,207	400,784	2,922,991
Notes payable	-	500,000	500,000
Other liabilities	108,226	-	108,226
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	4,178,104	1,821,595	5,999,699
DEFERRED INFLOWS OF RESOURCES	1,847,916	687,641	2,535,557
FUND BALANCE			
Nonspendable	-	5,032,235	5,032,235
Restricted	5,067,579	14,082,838	19,150,417
Committed	7,090,078	-	7,090,078
Assigned	4,627,414	-	4,627,414
Unassigned	10,720,042	(40,263)	10,679,779
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	27,505,113	19,074,810	46,579,923
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 33,531,133	\$ 21,584,046	\$ 55,115,179

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, 2013

Total governmental fund balances		\$ 46,579,923
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 		155,013,361
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 		1,856,792
<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. 		(547,027)
<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>(62,031,536)</u>
Net position of governmental activities		<u>\$ 140,871,513</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, 2013

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 70,981,727	\$ 933,192	\$ 71,914,919
Excise taxes	3,482,816	-	3,482,816
Penalties, interest and other taxes	275,379	-	275,379
Departmental	1,296,607	4,042,221	5,338,828
Licenses and permits	886,261	-	886,261
Fines and forfeitures	141,096	-	141,096
Intergovernmental	8,288,720	2,565,733	10,854,453
Investment income (loss)	141,698	1,429,033	1,570,731
Contributions	-	162,252	162,252
Other	137,079	872,795	1,009,874
Total Revenues	<u>85,631,383</u>	<u>10,005,226</u>	<u>95,636,609</u>
Expenditures:			
Current:			
General government	4,817,836	3,413,075	8,230,911
Public safety	7,895,427	517,938	8,413,365
Education	50,671,088	3,440,412	54,111,500
Public works	4,249,453	3,435,168	7,684,621
Health and human services	413,833	64,625	478,458
Culture and recreation	2,071,537	1,658,493	3,730,030
Employee benefits	8,556,638	12,784	8,569,422
Debt service	7,831,905	81,146	7,913,051
Intergovernmental	441,326	-	441,326
Total Expenditures	<u>86,949,043</u>	<u>12,623,641</u>	<u>99,572,684</u>
Excess (Deficiency) of revenues over expenditures	(1,317,660)	(2,618,415)	(3,936,075)
Other Financing Sources (Uses):			
Issuance of bonds	-	3,284,715	3,284,715
Transfers in	1,942,230	503,546	2,445,776
Transfers out	(126,677)	(423,240)	(549,917)
Total Other Financing Sources (Uses)	<u>1,815,553</u>	<u>3,365,021</u>	<u>5,180,574</u>
Changes in fund balances	497,893	746,606	1,244,499
Fund Balances, at Beginning of Year	<u>27,007,220</u>	<u>18,328,204</u>	<u>45,335,424</u>
Fund Balances, at End of Year	<u>\$ 27,505,113</u>	<u>\$ 19,074,810</u>	<u>\$ 46,579,923</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, 2013

Net changes in fund balances - Total governmental funds	\$ 1,244,499																		
<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;">4,718,283</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(5,338,656)</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(67,836)</td> </tr> </table> 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;">(3,284,715)</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">6,076,145</td> </tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">84,161</td> </tr> </table> 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;">(149,477)</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>(1,215,101)</u></td> </tr> </table> 		Capital outlay purchases	4,718,283	Depreciation	(5,338,656)		(67,836)	Issuance of debt	(3,284,715)	Repayments of debt	6,076,145		84,161	Change in unfunded compensated absences	(149,477)	Change in landfill liability	10,000	Change in OPEB liability	<u>(1,215,101)</u>
Capital outlay purchases	4,718,283																		
Depreciation	(5,338,656)																		
	(67,836)																		
Issuance of debt	(3,284,715)																		
Repayments of debt	6,076,145																		
	84,161																		
Change in unfunded compensated absences	(149,477)																		
Change in landfill liability	10,000																		
Change in OPEB liability	<u>(1,215,101)</u>																		
Change in net position of governmental activities	<u>\$ 2,077,303</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Taxes	\$ 70,584,619	\$ 70,584,619	\$ 70,584,619	\$ -
Excise taxes	3,026,000	3,026,000	3,482,816	456,816
Penalties, interest and other taxes	120,000	120,000	275,379	155,379
Departmental	1,128,400	1,128,400	1,296,607	168,207
Licenses and permits	725,000	725,000	886,261	161,261
Fines and forfeitures	90,000	90,000	141,096	51,096
Intergovernmental	3,717,120	3,717,120	3,700,756	(16,364)
Investment income	175,000	175,000	119,004	(55,996)
Other	48,020	48,020	137,079	89,059
Transfers in	475,000	2,028,074	1,901,739	(126,335)
Total Revenues and Transfers	80,089,159	81,642,233	82,525,356	883,123
Expenditures:				
General government	4,735,579	5,410,369	5,158,354	252,015
Public safety	7,695,864	7,907,089	7,886,947	20,142
Education	45,513,797	45,513,797	45,367,842	145,955
Public works	3,167,474	3,761,034	3,695,584	65,450
Snow and ice	525,000	525,000	626,951	(101,951)
Health and human services	424,334	442,993	439,473	3,520
Culture and recreation	2,075,762	2,130,602	2,096,473	34,129
Employee benefits	9,095,000	9,095,000	9,000,234	94,766
Debt service	8,019,471	8,019,471	7,908,090	111,381
Intergovernmental	481,756	481,756	441,326	40,430
Transfers out	-	750,000	750,000	-
Total Expenditures and Transfers	81,734,037	84,037,111	83,371,274	665,837
Excess (deficiency) of revenues and other sources over expenditures	(1,644,878)	(2,394,878)	(845,918)	1,548,960
Other Financing Sources/(Uses):				
Use of fund balance:				
For stabilization funding	475,000	1,225,000	1,225,000	-
For other purposes	760,000	760,000	-	(760,000)
For debt service	409,878	409,878	-	(409,878)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 379,082	\$ 379,082

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

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

(DECEMBER 31, 2012 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	\$ 5,858,743	\$ 4,678,873	\$ 8,925,107	\$ 4,138,076	\$ 23,600,799
Investments	-	-	2,672,622	-	2,672,622
User fees, net of allowance for uncollectibles	829,076	400,842	3,961,999	-	5,191,917
Betterment receivables	-	79,000	-	-	79,000
Inventory	93,100	-	-	-	93,100
Materials and supplies, at average cost	-	-	823,630	-	823,630
Prepaid expenses	-	-	3,284,327	-	3,284,327
Other assets	-	-	263,592	-	263,592
Total current assets	6,780,919	5,158,715	19,931,277	4,138,076	36,008,987
Noncurrent:					
Betterment receivables, net of current portion	-	941,009	-	-	941,009
Net OPEB asset	52,501	13,125	119,351	10,211	195,188
Capital assets being depreciated, net	15,909,063	21,812,373	31,971,028	8,267,510	77,959,974
Capital assets not being depreciated	3,856,536	100,000	4,074,770	-	8,031,306
Total noncurrent assets	19,818,100	22,866,507	36,165,149	8,277,721	87,127,477
DEFERRED OUTFLOWS OF RESOURCES	-	-	56,004	-	56,004
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	26,599,019	28,025,222	56,152,430	12,415,797	123,192,468
LIABILITIES					
Current:					
Warrants payable	311,217	127,560	3,225,409	94,253	3,758,439
Accrued liabilities	51,327	103,297	177,924	-	332,548
Customer deposits	-	-	324,124	-	324,124
Provision for rate stabilization	-	-	3,765,332	-	3,765,332
Other current liabilities	-	-	690,458	-	690,458
Current portion of long-term liabilities:					
Bonds payable	520,000	802,168	760,000	-	2,082,168
Accrued employee benefits	11,721	2,930	-	6,307	20,958
Total current liabilities	894,265	1,035,955	8,943,247	100,560	10,974,027
Noncurrent:					
Bonds payable, net of current portion	4,265,000	10,471,570	3,855,000	-	18,591,570
Accrued employee benefits, net of current portion	105,491	26,374	119,700	56,764	308,329
Total noncurrent liabilities	4,370,491	10,497,944	3,974,700	56,764	18,899,899
DEFERRED INFLOWS OF RESOURCES	-	-	-	910,453	910,453
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,264,756	11,533,899	12,917,947	1,067,777	30,784,379
NET POSITION					
Net investment in capital assets	14,980,599	11,658,644	31,430,798	8,267,510	66,337,551
Restricted - betterments	-	1,753,070	-	-	1,753,070
Restricted - capital improvements	-	2,073,320	-	-	2,073,320
Unrestricted	6,353,664	1,006,289	11,803,685	3,080,510	22,244,148
TOTAL NET POSITION	\$ 21,334,263	\$ 16,491,323	\$ 43,234,483	\$ 11,348,020	\$ 92,408,089

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, 2013

(DECEMBER 31, 2012 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	\$ 4,554,423	\$ 2,586,879	\$ 28,473,103	\$ 2,429,579	\$ 38,043,984
Total Operating Revenues	4,554,423	2,586,879	28,473,103	2,429,579	38,043,984
Operating Expenses:					
Personnel services	1,005,322	351,469	-	1,229,377	2,586,168
Non-personnel services	783,786	905,648	-	544,408	2,233,842
Depreciation	778,524	1,641,908	1,475,394	317,622	4,213,448
Electric operations	-	-	24,808,023	-	24,808,023
Total Operating Expenses	2,567,632	2,899,025	26,283,417	2,091,407	33,841,481
Operating Income (Loss)	1,986,791	(312,146)	2,189,686	338,172	4,202,503
Nonoperating Revenues (Expenses):					
Investment income	14,025	8,584	41,773	9,660	74,042
Interest expense	(172,867)	(226,417)	(167,288)	-	(566,572)
Other nonoperating income, net	11,820	1,006,882	6,350	-	1,025,052
Other nonoperating expense, net	-	-	(170,069)	-	(170,069)
Total Nonoperating Revenues (Expenses), Net	(147,022)	789,049	(289,234)	9,660	362,453
Income Before Transfers	1,839,769	476,903	1,900,452	347,832	4,564,956
Transfers in	-	76,185	-	-	76,185
Transfers out - overhead allocations	(591,629)	(200,609)	(385,000)	(129,922)	(1,307,160)
Change in Net Position	1,248,140	352,479	1,515,452	217,910	3,333,981
Net Position at Beginning of Year	20,086,123	16,138,844	41,719,031	11,130,110	89,074,108
Net Position at End of Year	\$ 21,334,263	\$ 16,491,323	\$ 43,234,483	\$ 11,348,020	\$ 92,408,089

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, 2013
(DECEMBER 31, 2012 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	\$ 4,512,311	\$ 2,718,505	\$ 24,499,482	\$ 2,445,067	\$ 34,175,365
Payments to vendors and employees	(1,994,475)	(1,653,667)	(25,072,109)	(1,761,725)	(30,481,976)
Payments for noncurrent deposits	-	-	(8,128)	-	(8,128)
Net Cash Provided By (Used for) Operating Activities	2,517,836	1,064,838	(580,755)	683,342	3,685,261
Cash Flows From Noncapital Financing Activities:					
Non-operating contribution	11,820	1,006,882	-	-	1,018,702
Transfers in	-	76,185	-	-	76,185
Transfers out	(591,629)	(200,609)	(385,000)	(129,922)	(1,307,160)
Net Cash Provided by (Used for) Noncapital Financing Activities	(579,809)	882,458	(385,000)	(129,922)	(212,273)
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets, net of disposals	(1,017,662)	(172,607)	-	(223,498)	(1,413,767)
Acquisition and construction of utility plant	-	-	(4,264,176)	-	(4,264,176)
Net additions to construction in progress	-	-	2,918,698	-	2,918,698
Proceeds from issuance of bonds and notes	400,000	-	-	-	400,000
Transfers from (to) restricted deposits with Town	-	-	(574,985)	-	(574,985)
Principal payments on bonds and notes	(470,000)	(788,264)	(765,000)	-	(2,023,264)
Interest expense	(172,867)	(226,417)	(167,288)	-	(566,572)
Net additions to customer advances for construction	-	-	127,079	-	127,079
Net Cash (Used For) Capital and Related Financing Activities	(1,260,529)	(1,187,288)	(2,725,672)	(223,498)	(5,396,987)
Cash Flows From Investing Activities:					
Investment income	14,025	8,584	41,773	9,660	74,042
Sales of investment shares	-	-	6,626	-	6,626
Net Cash Provided By Investing Activities	14,025	8,584	48,399	9,660	80,668
Net Change in Cash and Short-Term Investments	691,523	768,592	(3,643,028)	339,582	(1,843,331)
Cash and Short-Term Investments, Beginning of Year	5,167,220	3,910,281	12,568,135	3,798,494	25,444,130
Cash and Short-Term Investments, End of Year	\$ 5,858,743	\$ 4,678,873	\$ 8,925,107	\$ 4,138,076	\$ 23,600,799
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 1,986,791	\$ (312,146)	\$ 2,189,686	\$ 338,172	\$ 4,202,503
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	778,524	1,641,908	1,475,394	317,622	4,213,448
Changes in assets and liabilities:					
User fees receivables	(42,112)	131,626	(23,563)	-	65,951
Inventory	(48,160)	-	-	-	(48,160)
Materials and supplies	-	-	39,920	-	39,920
Prepaid expenses	-	-	(72,771)	-	(72,771)
OPEB asset	-	-	(119,351)	-	(119,351)
Warrants payable	(129,203)	(389,369)	-	(221)	(518,793)
Accrued liabilities	(51,534)	(13,064)	115,927	-	51,329
Other liabilities	23,530	5,883	(8,128)	12,281	33,566
Net OPEB Obligation	-	-	(207,473)	-	(207,473)
Deferred inflow	-	-	(26,964)	15,488	(11,476)
Provisions	-	-	(3,943,432)	-	(3,943,432)
Net Cash Provided By (Used for) Operating Activities	\$ 2,517,836	\$ 1,064,838	\$ (580,755)	\$ 683,342	\$ 3,685,261

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

TOWN OF CONCORD, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	<u>Pension Trust Fund (As of December 31, 2012)</u>	<u>Private Purpose Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 3,403,003	\$ -	\$ -	\$ 181,464
Investments	102,196,530	1,139,143	3,978,132	-
Accounts receivable	<u>215,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	105,815,357	1,139,143	3,978,132	181,464
<u>LIABILITIES AND NET POSITION</u>				
Accounts payable	2,344	-	-	36,577
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,887</u>
Total Liabilities	<u>2,344</u>	<u>-</u>	<u>-</u>	<u>181,464</u>
<u>NET POSITION</u>				
Total net position held in trust for pension, OPEB, and other purposes	<u>\$ 105,813,013</u>	<u>\$ 1,139,143</u>	<u>\$ 3,978,132</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, 2013

	Pension Trust Fund (For the Year Ended <u>December 31, 2012</u>)	Private Purpose <u>Trust Funds</u>	OPEB <u>Trust Fund</u>
Additions:			
Contributions:			
Employers	\$ 3,430,345	\$ -	\$ 871,200
Other systems and Commonwealth of Massachusetts	271,537	-	-
Plan members	2,843,620	-	-
Total contributions	<u>6,545,502</u>	<u>-</u>	<u>871,200</u>
Investment Gain:			
Increase in fair value of investments	11,689,855	85,895	315,853
Less: management fees	(456,116)	-	-
Net investment gain	<u>11,233,739</u>	<u>85,895</u>	<u>315,853</u>
Total additions	17,779,241	85,895	1,187,053
Deductions:			
Benefit payments to plan members and beneficiaries	5,878,906	-	-
Refunds to plan members	214,239	-	-
Administrative expenses	207,698	-	-
Other	370,204	26,325	-
Total deductions	<u>6,671,047</u>	<u>26,325</u>	<u>-</u>
Net increase	11,108,194	59,570	1,187,053
Net position:			
Beginning of year	<u>94,704,819</u>	<u>1,079,573</u>	<u>2,791,079</u>
End of year	<u>\$ 105,813,013</u>	<u>\$ 1,139,143</u>	<u>\$ 3,978,132</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 2013 tax levy reflected an excess capacity of approximately \$2,876,396.

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>3,837,945</u>
Total	<u>\$ 5,067,579</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., the Board of Selectmen). In the General fund, this represents the amounts committed for the following purposes:

<u>Purpose</u>	<u>Amount</u>
General stabilization	\$ 75,399
Other town stabilization	2,265
School capital stabilization	959,842
School debt stabilization	733,623
High school debt stabilization	2,754,577
Emergency response stabilization	1,002,184
Insurance reserve	<u>1,562,188</u>
Total	<u>\$ 7,090,078</u>

- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances \$3,777,414, 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 \$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)	\$ 85,631,383	\$ 86,949,043
Other financing sources/uses (GAAP Basis)	<u>1,942,230</u>	<u>126,677</u>
Subtotal (GAAP Basis)	87,573,613	87,075,720
Adjust tax revenue to accrual basis	(397,108)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,638,246)
Add end-of-year appropriation carryforwards from expenditures	-	3,777,414
To record the use of free cash for stabilization	1,225,000	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,587,964)	(4,587,964)
To reflect non-budgeted activity	<u>(63,185)</u>	<u>744,350</u>
Budgetary Basis	<u>\$ 83,750,356</u>	<u>\$ 83,371,274</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, 2013 and December 31, 2012, \$375,242 and \$1,711,340 of the Town's and System's bank balances of \$64,516,992 and \$3,545,672, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the System's total exposed balance, \$1,711,340 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	\$ 7,216	N/A	\$ 7,216	\$ -
Long-term C.D.'s	5,013	N/A	5,013	-
Bond mutual funds	2,171		-	2,171
Mutual funds	<u>5,449</u>	N/A	<u>5,449</u>	<u>-</u>
Total investments	<u>\$ 19,849</u>		<u>\$ 17,678</u>	<u>\$ 2,171</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, 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>
Federal agency securities	\$ 132		\$ -	\$ 132	\$ -
U.S. Treasury bonds/notes	6,635		-	6,635	-
State investment pool*	43,348	N/A	43,348	-	-
Corporate bonds	12,665		-	-	12,665
Pooled investments	18,055	N/A	18,055	-	-
Corporate equities	14,174	N/A	14,174	-	-
Mortgage-backed securities	<u>7,187</u>		<u>-</u>	<u>7,187</u>	<u>-</u>
Total investments	<u>\$ 102,196</u>		<u>\$ 75,577</u>	<u>\$ 13,954</u>	<u>\$ 12,665</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 \$102,196,530 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, \$43,348,430 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	\$ 3,978
Mellon Intermediate Bond Fund	\$ 2,171
Middlesex Savings Long-term C.D.	\$ 1,002
Middlesex Savings Long-term C.D.	\$ 2,004
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	\$ 2,171	Aa	4.13

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>
Federal agency securities	\$ 131,751	8.05
U.S. Treasury bonds/notes	6,635,117	10.30
Mortgage-backed securities	7,186,982	21.12
Corporate bonds	<u>12,664,870</u>	10.44
Total	<u>\$ 26,618,720</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, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 452	
2012	12	
2011	20	
2010	12	
2009	13	
2008	12	
Prior	<u>155</u>	
		676
Personal Property		
2013	2	
2012	2	
2011	3	
2010	2	
2009	1	
2008	3	
Prior	<u>6</u>	
		19
Tax Liens, municipal liens, and supplementals		817
Deferred Taxes		350
CPA Real Estate		<u>15</u>
Total		\$ <u><u>1,877</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	\$ 381
Excise taxes	35

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

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, 2012, not June 30, 2013. Therefore, a timing difference of \$664,884 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 2013.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,942,230	\$ 126,677
Nonmajor Governmental Funds:		
Community Preservation	-	75,171
Parking	-	60,187
Cemetery	-	109,670
Receipts reserved for appropriation	-	11,348
Recreation	-	41,712
Land Acquisition	10,000	-
Highway grants	75,171	-
Solid Waste	-	125,152
Pension reserve fund	418,375	-
Major Enterprise Funds:		
Water fund	-	591,629
Sewer fund	76,185	200,609
Electric fund	-	385,000
Swim fund	-	129,922
Total	<u>\$ 2,521,961</u>	<u>\$ 1,857,077</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2013 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	\$ 106,008	\$ 1,535	\$ -	\$ 107,543
Machinery, equipment, and furnishings	16,682	555	-	17,237
Infrastructure	27,021	1,212	-	28,233
	<u>149,711</u>	<u>3,302</u>	<u>-</u>	<u>153,013</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(20,095)	(2,975)	-	(23,070)
Machinery, equipment, and furnishings	(12,208)	(1,170)	-	(13,378)
Infrastructure	(12,655)	(1,194)	-	(13,849)
	<u>(44,958)</u>	<u>(5,339)</u>	<u>-</u>	<u>(50,297)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	104,753	(2,037)	-	102,716
Capital assets, not being depreciated:				
Land	48,565	695	-	49,260
Construction in progress	2,316	2,146	(1,425)	3,037
	<u>50,881</u>	<u>2,841</u>	<u>(1,425)</u>	<u>52,297</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 155,634</u>	<u>\$ 804</u>	<u>\$ (1,425)</u>	<u>\$ 155,013</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	\$ 9,405	\$ 148	\$ -	\$ 9,553
Machinery, equipment, and furnishings	5,023	125	-	5,148
Infrastructure	51,358	4,167	(253)	55,272
Light plant	49,864	606	-	50,470
	<u>115,650</u>	<u>5,046</u>	<u>(253)</u>	<u>120,443</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(1,300)	(249)	-	(1,549)
Machinery, equipment, and furnishings	(2,824)	(333)	-	(3,157)
Infrastructure	(13,815)	(1,475)	180	(15,110)
Light plant	(20,511)	(2,156)	-	(22,667)
	<u>(38,450)</u>	<u>(4,213)</u>	<u>180</u>	<u>(42,483)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	77,200	833	(73)	77,960
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plan construction in progress	6,994	-	(2,919)	4,075
Construction in progress	52	586	(52)	586
	<u>10,416</u>	<u>586</u>	<u>(2,971)</u>	<u>8,031</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 87,616</u>	<u>\$ 1,419</u>	<u>\$ (3,044)</u>	<u>\$ 85,991</u>

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

Governmental Activities:	
General government	\$ 438
Public safety	583
Education	2,317
Public works	1,616
Health and human services	82
Culture and recreation	<u>303</u>
Total depreciation expense - governmental activities	<u>\$ 5,339</u>
Business-Type Activities:	
Water	\$ 778
Sewer	1,642
Electric	1,475
Swim facility	<u>318</u>
Total depreciation expense - business-type activities	<u>\$ 4,213</u>

10. **Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2013 (in thousands):

	Proprietary Funds
	<u>CMLP</u>
CMLP future contract costs	\$ 56

11. **Warrants Payable**

Warrants payable represent 2013 expenditures paid by July 15, 2013 as permitted by law.

12. **Anticipation Notes Payable**

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental	\$ -	\$ 500,000	\$ -	\$ 500,000
Total	\$ -	\$ 500,000	\$ -	\$ 500,000

13. 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, 2013, which are not reflected in the Statement(s) of Net Position. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/13
Equipment	2013	4.00 - 5.00	\$ 25,000
Design - Road Improvements	2013	2.00 - 2.50	50,000
Road Improvements	2014	1.50 - 3.50	60,000
Road Improvements	2014	4.00 - 5.00	15,000
Fire Equipment (Ambulance)	2014	2.00 - 3.00	50,000
Road Design	2014	2	50,000
Library Equipment	2015	3.00	80,000
Road Improvements	2015	3.25 - 3.88	110,000
Willard School	2015	2.00 - 3.00	175,000
Sidewalk Improvements	2015	2.00 - 3.00	100,000
Building Renovation	2016	1.50 - 3.75	300,000
Building Renovation (School)	2016	1.50 - 3.75	105,000
Building Renovation	2016	3.25 - 3.88	290,000
Building Renovation	2016	1.50 - 3.75	320,000
Land Acquisition	2016	3.00	100,000
Recreation Facilities	2016	3.00	175,000
Road Improvements	2016	3.50 - 3.70	270,000
Road Improvements	2016	2.00 - 4.25	280,000
School Building	2016	3.50 - 3.70	180,000
School Remodeling	2016	2.00 - 4.25	150,000
School Remodeling	2016	2.00 - 4.25	300,000
School Remodeling	2017	2.00 - 2.50	320,000
Road Improvements	2017	2.00 - 2.50	350,000

(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>6/30/13</u>
Building Renovations	2018	2.00 - 4.00	600,000
Land Acquisition	2018	2.00 - 4.00	500,000
Road Improvements	2018	2.00 - 4.00	500,000
General Obligation Bonds	2018	3.00 - 3.75	1,215,000
School Building Improvements	2018	3.00	550,000
Willard School Design	2018	3.00 - 3.75	915,000
Land Acquisition	2018	2.00	535,000
Fire Equipment (Ladder Truck)	2019	3.00	600,000
Road Improvements	2019	3.00	600,000
Title V Loans	2019	3.50 - 3.70	421,902
Title V Loans	2020	0.00	86,851
Police/Fire Station Improvements	2020	2.00	700,000
School Remodeling	2020	2.00	725,000
Road Improvements	2021	2.00	950,000
Alcott School	2022	3.75 - 5.00	1,395,000
Title V Loans	2022	0.00	296,830
Title V Loans	2023	0.00	324,715
School	2025	2.50 - 4.25	4,200,000
Thoreau School	2025	3.75 - 5.00	6,660,000
Thoreau School	2025	3.75 - 5.00	4,900,000
Willard School	2028	2.00 - 4.25	9,380,000
Willard School Remodeling	2029	2.00 - 4.25	10,860,000
Total Governmental Activities:			<u>\$ 50,770,298</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>6/30/13</u>
Electric	2014	4.60 - 5.00	\$ 300,000
Electric	2015	3.63 - 3.75	110,000
Electric	2017	4.00 - 5.00	345,000
Water	2016	3.50 - 5.00	300,000
Water	2016	2.00	400,000
Water	2018	3.00 - 3.75	375,000
Sewer	2016	3.50 - 5.00	300,000
Electric	2026	2.00 - 4.00	3,400,000
Water	2026	2.00 - 4.00	1,260,000
Sewer MWPAT	2026	2.00	2,921,783
Sewer MWPAT	2027	2.00	8,051,955
Water	2027	3.75 - 5.00	2,450,000
Total Business-Type Activities:			<u>\$ 20,213,738</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,288,101	\$ 1,754,569	\$ 8,042,670
2015	5,733,144	1,570,147	7,303,291
2016	5,178,190	1,393,880	6,572,070
2017	4,508,234	1,226,199	5,734,433
2018	4,128,278	1,081,877	5,210,155
2019 - 2023	14,814,352	3,597,819	18,412,171
2024 - 2028	9,444,999	1,094,622	10,539,621
2029	675,000	27,000	702,000
Total	<u>\$ 50,770,298</u>	<u>\$ 11,746,113</u>	<u>\$ 62,516,411</u>

The general fund has been designated as the sole source to repay the governmental-type obligation debt outstanding as of June 30, 2013:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,082,168	\$ 476,832	\$ 2,559,000
2015	1,796,353	426,436	2,222,789
2016	1,755,824	383,001	2,138,825
2017	1,495,588	331,398	1,826,986
2018	1,480,650	295,272	1,775,922
2019 - 2023	6,845,056	959,532	7,804,588
2024 - 2027	4,758,099	234,365	4,992,464
Total	<u>\$ 20,213,738</u>	<u>\$ 3,106,836</u>	<u>\$ 23,320,574</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2013 are as follows:

<u>Purpose</u>	<u>Amount</u>
Light Plant Expansion	\$ 3,200,000
Land Acquisition - WR Grace	1,200,000
Road Improvements	900,000
Telecommunications Services	900,000
School Building Improvements	675,000
School Building Improvements	795,000
Land Acquisition - McGrath Farm	525,000
Police/Fire Station Improvements	450,000
Town House Exterior Renovations	450,000
Rideout Field Site Improvement	100,000
Library Equipment	<u>15,000</u>
Total	<u>\$ 9,210,000</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, 2013:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRS	\$ 33,720,000	71.77%	\$ 24,200,844

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

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	Additions	Reductions	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 53,562	\$ 3,285	\$ (6,077)	\$ 50,770	\$ (6,288)	\$ 44,482
Other:						
Accrued employee benefits	3,852	533	(386)	3,999	(400)	3,599
Landfill closure	200	-	(10)	190	(10)	180
Net OPEB obligation	<u>6,646</u>	<u>3,243</u>	<u>(2,028)</u>	<u>7,861</u>	<u>-</u>	<u>7,861</u>
Governmental Activities	<u>\$ 64,260</u>	<u>\$ 7,061</u>	<u>\$ (8,501)</u>	<u>\$ 62,820</u>	<u>\$ (6,698)</u>	<u>\$ 56,122</u>
<u>Business-Type Activities</u>						
Bonds payable ⁽¹⁾	\$ 21,832	\$ 400	\$ (2,018)	\$ 20,214	\$ (2,082)	\$ 18,132
Other:						
Accrued employee benefits	325	62	(58)	329	(21)	308
Net OPEB obligation	<u>-</u>	<u>178</u>	<u>(178)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities	<u>22,157</u>	<u>640</u>	<u>(2,254)</u>	<u>20,543</u>	<u>(2,103)</u>	<u>18,440</u>
Grand Total	<u>\$ 86,417</u>	<u>\$ 7,701</u>	<u>\$ (10,755)</u>	<u>\$ 83,363</u>	<u>\$ (8,801)</u>	<u>\$ 74,562</u>

⁽¹⁾ This footnote is presented with bonds payables as of and for the year ended June 30, 2013. Pages 6, 19, 27, and 28 report the Electric Fund bonds payable as of December 31, 2012.

14. 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 \$190,000 reported as landfill closure and postclosure care liability at June 30, 2013 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 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. 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, 2013 (in thousands):

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Governmental Funds	Proprietary Funds
Unavailable property tax revenue	\$ -	\$ -	\$ 1,863	\$ -
Unavailable Solid Waste fund revenues	263	-	263	-
Unavailable Title 5 revenues	-	-	410	-
Unavailable Swim fund revenues	-	910	-	910

16. 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.

17. 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, 2013:

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, 2013:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 5,032,235	\$ 5,032,235
Total Nonspendable	-	5,032,235	5,032,235
Restricted			
School debt service	5,067,579	-	5,067,579
Community Preservation	-	1,243,941	1,243,941
Parking	-	187,490	187,490
Cemetery	-	362,423	362,423
Receipts Reserved for Appropriation	-	721,961	721,961
53 G Review	-	20,643	20,643
Miscellaneous Grants and Contributions	-	94,731	94,731
School Lunch	-	128,452	128,452
Gifts	-	1,161,012	1,161,012
Recreation	-	424,108	424,108
Other Revolving	-	502,984	502,984
Land Acquisition	-	1,764	1,764
Federal Grants	-	32,172	32,172
State Grants	-	295,076	295,076
Solid Waste	-	152,701	152,701
Pension Reserve Fund	-	7,471,386	7,471,386
Sawyer Gift Fund	-	387,880	387,880
Capital project funds	-	792,696	792,696
Expendable permanent funds	-	101,418	101,418
Total Restricted	5,067,579	14,082,838	19,150,417
Committed			
General stabilization	75,399	-	75,399
Other stabilization	2,265	-	2,265
School capital stabilization	959,842	-	959,842
School debt stabilization	733,623	-	733,623
High school debt stabilization	2,754,577	-	2,754,577
Emergency response stabilization	1,002,184	-	1,002,184
Insurance reserve revolving	1,562,188	-	1,562,188
Total Committed	7,090,078	-	7,090,078
Assigned			
For encumbrances			
General government	1,259,612	-	1,259,612
Public safety	269,692	-	269,692
Education	474,150	-	474,150
Public works	872,541	-	872,541
Health and human services	89,123	-	89,123
Culture and recreation	220,149	-	220,149
Employee benefits	592,147	-	592,147
For next year's expenditures	850,000	-	850,000
Total Assigned	4,627,414	-	4,627,414
Unassigned	10,720,042	(40,263)	10,679,779
Total Fund Balance	\$ 27,505,113	\$ 19,074,810	\$ 46,579,923

18. 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.

19. Subsequent Events

Subsequent to June 30, 2013, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 4,650,000	0.75%	12/19/13	06/16/14

20. 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 January 1, 2012, the actuarial valuation date, approximately 428 retirees and 649 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 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 Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Swim Fund	Total
Annual Required Contribution (ARC)	\$ 3,177,553	\$ 26,179	\$ 6,545	\$ 111,658	\$ 36,651	\$ 3,358,586
Interest on net OPEB obligation	432,005	(3,937)	(984)	(8,951)	(766)	417,367
Adjustment to ARC	<u>(366,587)</u>	<u>3,195</u>	<u>799</u>	<u>7,263</u>	<u>621</u>	<u>(354,709)</u>
Annual OPEB cost	3,242,971	25,437	6,360	109,970	36,506	3,421,244
Contributions made	(1,227,870)	(7,262)	(1,816)	(95,649)	(2,346)	(1,334,943)
Additional funding to trust	<u>(800,000)</u>	<u>(18,175)</u>	<u>(4,544)</u>	<u>(14,321)</u>	<u>(34,160)</u>	<u>(871,200)</u>
Change in net OPEB obligation	1,215,101	-	-	-	-	1,215,101
Net OPEB obligation / (asset) - 7/01/2012	<u>6,646,238</u>	<u>(52,501)</u>	<u>(13,125)</u>	<u>(119,351)</u>	<u>(10,211)</u>	<u>6,451,050</u>
Net OPEB obligation / (asset) - 6/30/2013	<u>\$ 7,861,339</u>	<u>\$ (52,501)</u>	<u>\$ (13,125)</u>	<u>\$ (119,351)</u>	<u>\$ (10,211)</u>	<u>\$ 7,666,151</u>

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>
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
2009	\$ 3,799,114	40.70%	\$ 2,160,482

The Town's net OPEB obligation as of June 30, 2013 is recorded as a component of the "noncurrent liabilities" line item. The Town's net OPEB asset as of June 30, 2013 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 January 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ (29,985,597)
Actuarial value of plan assets	<u>1,885,241</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u><u>(28,100,356)</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u>6.3%</u>
Covered payroll (active plan members)	\$ <u><u>41,453,000</u></u>
UAAL as a percentage of covered payroll	<u><u>67.8%</u></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 January 1, 2012 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a partially funded 6.50% investment rate of return (fully funded 7.50% investment rate of return for Enterprise Funds) and an initial annual healthcare cost trend rate range of 5.00% 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 27 years.

21. 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, 2012:

Retirees and beneficiaries receiving benefits	267
Terminated plan members entitled to but not yet receiving benefits	97
Active plan members	<u>496</u>
Total	<u><u>860</u></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>
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%
2004	\$ 2,728,786	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]
1/1/12	\$94,996	\$123,798	\$28,802	77%	\$25,221	114%

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 \$28.8 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, 2012, 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 2013, the Commonwealth of Massachusetts contributed \$4,587,964 to the MTRS on behalf of the Town. This is included in the employee benefit expenditures and intergovernmental revenues in the general fund.

22. 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.

23. 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, 2012 and 2011

1. Nature of Operations and Summary of Significant Accounting Policies

A. Nature of Operations

The Light Plant purchases electricity which it distributes to consumers within the Town of Concord.

B. Regulation and Basis of Presentation

Under Massachusetts law, electric rates of the Light Plant are set by the Municipal Light Board and may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Light Plant, the Light Plant's rates are not subject to DPU approval.

The Light Plant's policy is to prepare its financial statements in conformity with the accounting practices prescribed by the DPU which require that certain items be charged or credited directly to net assets. Generally accepted accounting principles would require the same items to be charged or credited to operating income. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The Light Plant is considered an enterprise fund of the Town of Concord, Massachusetts. The operations of the Light Plant are accounted for with a separate set of self-balancing accounts organized on a Proprietary Fund type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Concentrations

Industry -The Light Plant operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts, effective March 1, 1998, to restructure the electric utility industry. The basic intent of the law is to introduce competition and provide consumers with choices and lower prices while assuring continued reliable service. The ongoing changes in the industry and the resultant financial impact on the Light Plant are not determinable.

D. Risks and Uncertainties

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

E. Materials and Supplies

Materials and supplies are inventories of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes, and are stated at average cost.

F. Utility Plant

The provision for depreciation of utility plant was computed in 2012 and 2011 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts law stipulates that the Light Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU.

The Light Plant charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant. At the time properties are retired, the cost of property retired less accumulated depreciation, salvage value, and any cash proceeds is charged to unrestricted net assets.

G. Operating Revenues

Revenues, including revenues from the Town of Concord, are based on rates established by the Light Board and filed with the DPU, which are applied to customers' consumption of electricity.

The Light Plant designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, the Plant has elected to establish a rate stabilization reserve. Each year the Plant will determine a rate stabilization amount to be charged or credited to revenues. The stabilization charged (credited) in 2012 and 2011 was \$(3,943,432) and \$(1,819,597), respectively, and are

reflected as an increase (decrease) in provision for rate stabilization in the accompanying balance sheets.

H. Taxes

The Light Plant is exempt from federal and state income taxes as well as local property taxes, but pays amounts in lieu of property taxes to the Town of Concord general fund.

I. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Light Plant considers both unrestricted and special deposits on deposit with the Town Treasurer as cash and cash equivalents.

J. Compensated Absences

The Light Plant's 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 and carry forward to the following year their unused vacation days for the year subject to a cap equal to the employees annual rate of accrual plus one week.

K. Post-employment Benefits

In accordance with state statutes and Town policy, post-employment health care and life benefits are provided to all employees who retire from the Town. These benefits are provided through the Town's group plans.

The employees of the Light Plant are eligible to participate in the Town's deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Participation in the plan is optional. All amounts of compensation deferred under the plan, all property or rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and their beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

L. Subsequent Events

The Light Plant has evaluated all subsequent events through August 1, 2013, the date the financial statements were available to be issued.

2. Investment in Associated Companies

A. Hydro-Quebec

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Light Plant has funded its equity requirements for the Hydro-Quebec phase II interconnection. The Light Plant's ownership interest is less than one quarter of one percent in both projects. The balances, reflected at cost, were \$13,269 and \$19,895, as of December 31, 2012 and 2011, respectively.

B. Energy New England

The Light Plant 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, 2012.

3. Long-term Debt

A summary of the long-term debt follows:

	<u>2012</u>	<u>2011</u>
\$6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013.	\$ 300,000	\$ 600,000
\$500,000, 3.7% electric bonds, issued March 1, 2006, with annual payments of principal and interest through March 1, 2015.	165,000	220,000
\$1,000,000, 4.2% electric bonds, issued March 1, 2007, with annual payments of principal and interest through March 1, 2017.	450,000	560,000
\$4,000,000, 2.52% electric bonds, issued May 17, 2011, with annual payments of principal and interest through May 15, 2026.	<u>3,700,000</u>	<u>4,000,000</u>
Total long-term debt	4,615,000	5,380,000
Less current installments of long-term debt	<u>760,000</u>	<u>765,000</u>
Long-term debt, excluding current installments	<u>\$ 3,855,000</u>	<u>\$ 4,615,000</u>

Long-Term debt activity for the year ended December 31, 2012 was as follows:

Balance of long-term debt at January 1, 2012	\$ 5,380,000
Bonds issued	-
Payments	<u>(765,000)</u>
Balance of long-term debt at December 31, 2012	<u>\$ 4,615,000</u>

The future payments on the long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 760,000	\$ 142,636	\$ 902,636
2014	460,000	113,984	573,984
2015	460,000	101,797	561,797
2016	405,000	88,575	493,575
2017	330,000	76,350	406,350
2018-2022	1,400,000	231,750	1,631,750
2023-2026	<u>800,000</u>	<u>54,125</u>	<u>854,125</u>
	<u>\$ 4,615,000</u>	<u>\$ 809,217</u>	<u>\$ 5,424,217</u>

4. Bond Anticipation Notes

The Light Plant issued \$4,000,000 of bond anticipation notes (BAN) on May 27, 2010 for a premium of \$35,121. The BAN had a coupon rate of 1.5% and matured May 26, 2011. The BAN was issued pursuant to Article 20 of the 2009 annual town meeting for the Light Plant's Smart Grid Project. On May 17, 2011, the BAN were retired with the issuance of long-term serial bonds of \$4,000,000.

5. Deposits with Town Treasurer

The Light Plant is required to establish cash funds to be used for purposes established by either town meeting vote or state statute. The funds subject to restrictions are as follows:

A. Depreciation Fund

An amount equivalent to annual depreciation expense is transferred from operating fund cash to the Depreciation Fund. Certain additions to utility plant were paid from this fund. Interest earned by this fund has been applied to increase the fund balance.

B. Smart Grid Fund

The Light Plant has funded this account, as approved in Article 20 of the 2009 annual town meeting, by issuing bond anticipation notes that were retired by long-term serial bonds May 17, 2011. The funds are to be used

for the purposes of designing, purchasing and installing a Smart Grid system.

C. Underground Fund

The Light Plant funds this account, for the purpose of placing existing lines underground, from dividends, purchase power refunds, current operations and effective June 1, 1999, a 2% (1.5% as of May 1, 2008) charge on all electric bills. Interest earned by this fund has been applied to increase the fund balance.

D. Worker's Compensation Insurance Fund

The Light Plant transfers annual amounts to this fund equal to 1.4% to .09% of certain payroll costs. These transfers amounted to \$17,881 and \$16,476 in 2012 and 2011, respectively. Claims and premiums of \$11,821 and \$10,526 were paid from the Fund in 2012 and 2011, respectively.

6. Special Deposits

Special deposits represent cash funds held by the Light Plant for specific purposes. A summary of these funds follows:

	<u>2012</u>	<u>2011</u>
Customer advances for construction	\$ 216,348	\$ 89,863
Customer deposits	324,124	332,252
Funds held to retire long-term debt	521,884	537,205
Emergency reserve fund	1,130,000	1,130,000
Rate stabilization	280,069	3,313,862
Cares fund	<u>195,324</u>	<u>201,950</u>
Total Deposits	<u>\$ 2,667,749</u>	<u>\$ 5,605,132</u>

7. Deferred Costs

Deferred costs consist of cost of investigating future power supply contracts or projects. The costs will be amortized over the life of an applicable contract or capitalized as a cost of a project. When it is decided not to pursue a contract or project, the associated costs will be expensed.

8. Related Party Transactions

The Light Plant sells electricity to various Town departments. Sales to these departments totaled \$1,407,368 and \$1,586,585 for 2012 and 2011, respectively.

The Light Plant reimburses the Town for various employee benefits, including health insurance and retirement. Reimbursements for these benefits totaled \$399,708 and \$686,645 in 2012 and 2011, respectively.

In addition, the Light Plant paid the Town \$385,000 and \$380,000 for payments in lieu of taxes in 2012 and 2011.

9. Commitments and Contingencies

A. Power Sales Agreements

The Light Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in power supply expense in the statements of revenues, expenses and changes in net assets and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts.

In addition, the Light Plant is required to pay its share of the annual operation, maintenance and tax (OM&T) expenses as provided for under the terms of an Interconnection Agreement with NSTAR. The Light Plant's total OM&T charges were \$97,085 and \$88,420 for the years ended December 31, 2011 and 2010, respectively.

In 2007, the Light Plant entered into a power contract to purchase monthly blocks of on-peak and off-peak energy at fixed energy prices from October 1, 2009 through December 31, 2012.

In 2008, the Light Plant entered into power contracts to purchase monthly blocks of on-peak and off-peak energy at fixed energy prices from October 1, 2009 through December 31, 2012.

Purchased power expense under these contracts was \$12,951,622 and \$12,128,349 in 2012 and 2011, respectively.

In 2008, the Light Plant entered into a power contract to purchase 8,100 KW of monthly installed capacity at a fixed price of \$5.85 per KW from June 1, 2010 through May 31, 2015. Future commitments under this contract are as follows:

	<u>KW</u>		<u>Amount</u>
2013	97,200	\$	568,620
2014	97,200		568,620
2015	<u>40,500</u>		<u>236,925</u>
	<u>234,900</u>	\$	<u>1,374,165</u>

Purchased power expense under this contract was \$568,620 and \$568,620 in 2012 and 2011, respectively.

In 2008, the Light Plant entered into a power contract to purchase 10,000 KW of monthly installed capacity at fixed prices ranging from \$3.60 to \$5.47 per KW from June 1, 2011 through May 31, 2017. Future commitments under this contract are as follows:

	<u>KW</u>		<u>Amount</u>
2013	120,000	\$	529,600
2014	120,000		563,900
2015	120,000		600,100
2016	120,000		639,400
2017	<u>50,000</u>		<u>273,500</u>
	<u>530,000</u>	\$	<u>2,606,500</u>

In 2010, the Light Plant entered into a power contract to purchase 1 MW of monthly installed capacity at a fixed price of \$65.00 per MWH from May 1, 2010 through April 30, 2013. Future commitments under this contract are as follows:

	<u>MWH</u>		<u>Amount</u>
2013	<u>2,880</u>	\$	<u>187,200</u>
	<u>2,880</u>	\$	<u>187,200</u>

In 2010, the Light Plant entered into a power contract to purchase 5 MW of around the clock energy at a fixed price of \$53.45 per MWH from January 1, 2013 through December 31, 2015. Future commitments under this contact are as follows:

	<u>MWH</u>	<u>Amount</u>
2013	43,800	\$ 2,341,110
2014	43,800	2,341,110
2015	<u>43,800</u>	<u>2,341,110</u>
	<u>131,400</u>	<u>\$ 7,023,330</u>

In 2011, the Light Plant entered into various power contracts to purchase 1 to 5 MW of monthly installed capacity at fixed prices ranging from \$56.45 to \$61.60 per MWH from January 1, 2013 through December 31, 2015. Future commitments under these contracts are as follows:

	<u>MWH</u>	<u>Amount</u>
2013	27,384	\$ 1,545,826
2014	14,888	885,092
2015	<u>12,856</u>	<u>791,930</u>
	<u>55,128</u>	<u>\$ 3,222,848</u>

In the fall of 2011, the Light Plant entered into a power contract to purchase 10% of around the clock monthly energy requirements at a fixed price of \$56.45/MWH for the period January 1, 2013 through December 31, 2016. Future commitments under this contract are as follows:

	<u>MWH</u>	<u>Amount</u>
2013	18,836	\$ 1,063,292
2014	18,836	1,063,292
2015	<u>18,836</u>	<u>1,063,292</u>
	<u>56,508</u>	<u>\$ 3,189,876</u>

In the spring of 2012, the Light Plant entered into a power contract to purchase 11,000 KW of monthly capacity priced at \$2.52/KW the second year, \$3.13/KW the third year and \$2.51/K for the remaining seven years from June 1, 2013 through May 31, 2023. In addition, the contract includes 88 MWHs of daily energy from 8am-11pm daily for the same period. The price for the energy is based on a formula that includes a variable charge, a fixed energy charge and the price of natural gas (Algonquin Citygate Daily Price) which is estimated to be less than the ISO Spot Market price due to a more efficient heat rate or at current natural gas rate of \$45.00 per MWH. Future commitments under this contract are as follows:

	<u>MWH</u>	<u>Amount</u>
2013	18,737	\$ 843,165
2014-2022	289,080	13,008,600
2023	<u>13,383</u>	<u>602,250</u>
	<u>321,200</u>	<u>\$ 14,454,015</u>

In the fall of 2012, the Light Plant entered into a power contract to purchase 10% of around the clock monthly energy requirements at a price that varies from \$47.81/MWH in 2013 to \$53.05/MWH in 2017 for those calendar years. Future commitments under this contract are as follows:

	<u>MWH</u>	<u>Amount</u>
2013	18,836	\$ 900,549
2014	18,836	910,909
2015	18,836	923,529
2016	18,930	939,883
2017	<u>19,025</u>	<u>1,009,267</u>
	<u>94,463</u>	<u>\$ 4,684,137</u>

In 2008, the Light Plant entered into a power contract with Braintree Electric Light Department to purchase an 8.75% entitlement in the Thomas A. Watson Power Plant to begin on the commercial online date of July 1, 2009 and to continue for twenty years from that date. Purchased power expense under this contract was \$1,527,742 and \$1,543,300 in 2012 and 2011, respectively.

In 2009, the Light Plant entered into a power contract with Miller Hydro Group, Inc. to purchase 5.975% of power generated at a price of \$63.50 per MWH starting March 1, 2010 through February 28, 2013. In 2010, the Light Plant extended the contract to purchase 5.975% of power generated at a price of \$57.35 per MWH started March 1, 2013 through May 31, 2016. It is estimated that approximately 6,000 MWH of power will be purchased annually. Purchased power expense under this contract was \$352,672 and \$388,165 and \$294,063 in 2012 and 2011, respectively.

In 2010, the Light Plant entered into a power contact with Spruce Mountain Wind, LLC to purchase 9.257% of the energy, capacity and environmental attributes of the project starting on the Commercial Operation Date of December 21, 2011 and continuing for 15 years from that date. The contract energy price is \$99.25 per MWH which will be offset by the Light Plant's share of the environmental attributes. It is estimated that approximately 6,000 MWH of power will be purchased annually.

B. Contingencies

The Light Plant is involved in various legal matters incident to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the Light Plant.

10. Pension Plan

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

A. Plan Description

The Light Plant contributes to the Town of Concord Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a Town Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Concord Contributory Retirement System at Town House, Concord, MA.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. The Light 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 Light Plant are governed by Chapter 32 of the Massachusetts General Laws. The Light Plant's contributions to the System for the years ended December 31, 2012, 2011 and 2010 were \$318,010, \$289,795, and \$256,337, respectively, which were equal to its annual required contribution.

11. Other Post-Employment Benefits

In addition to providing pension benefits, the Light Plant provides the majority of retired employees with payments for their healthcare and life insurance costs. Benefits paid by the Light Plant are on a pay-as-you-go basis. The detail allocation of benefits paid for retired employees for the years ended December 31, 2012 and 2011 is not available.

A. Plan Description

The Light Plant participates in an agent multi-employer defined benefit healthcare plan administered by the Town of Concord. The Light Plant provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan does not issue a publicly available financial report.

At January 1, 2012, the date of the most recent actuarial valuation, the Light Plant's membership consisted of the following:

Current retirees and beneficiaries	18
Current active members	<u>32</u>
Total	<u>50</u>

B. Funding Policy

The contribution requirements of the plan members and the Light Plant are established and may be amended. The cost of the benefits provided to retirees are borne 50% by the Light Plant, and 50% by the retiree only with regard to Medicare eligibles.

C. Annual OPEB Costs and NET OPEB Obligation

The Light Plant's annual other post-employment benefit (OPEB) costs (expenses) is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Plant's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation are summarized as follows:

Normal cost	\$ 51,072
Amortization of unfunded actuarial accrued liability	<u>63,545</u>
ARC	114,617
Interest on NOO	<u>-</u>
Annual OPEB cost/expense	114,617
Premiums and implicit subsidy paid	(290,005)
Contributions made	<u>(151,436)</u>
Increase/(decrease) in net OPEB obligation	(326,824)
Net OPEB obligation - beginning of year	<u>207,473</u>
Net OPEB obligation - end of year	\$ <u><u>(119,351)</u></u>

The Light Plant's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at the end of the year is as follows:

Year Ended	ARC	Interest on NOO	Annual OPEB Cost	Contribution	NOO	Percentage of Annual OPEB Cost Contributed
12/31/2009	\$217,384	N/A	\$ 217,384	\$ (92,935)	\$ 124,449	43%
12/31/2010	\$230,826	\$ 551	\$ 231,377	\$ (161,429)	\$ 194,397	70%
12/31/2011	\$230,826	\$ 551	\$ 231,377	\$ (218,301)	\$ 207,473	94%
12/31/2012	\$114,617	\$ -	\$ 114,617	\$ (441,441)	\$ (119,351)	385%

D. Funding Status and Funding Progress

The most recent actuarial valuation on January 1, 2012, projected an actuarial accrued liability for the Light Plant of approximately \$1,495,000. The actuarial value of the assets in the Plan is approximately \$428,000, and the unfunded actuarial accrued liability (UAAL) is projected at approximately \$1,067,000 as of January 1, 2012. The covered payroll of the Light Plant (annual payroll of active employees covered by the plan) was approximately \$2,427,000, and the ratio of the UAAL to the covered payroll was 43.9%.

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4.5% investment rate of return for 2009 through 2011 and 7.5% for 2012 and years thereafter, and annual healthcare cost rate trends ranging from 9% down to 5%. The UAAL is being amortized as a level percentage of pay assuming a 3.25% increasing, closed basis. The remaining amortization period at January 1, 2011 was 2 years.

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

June 30, 2013

(Unaudited)

(Amounts Expressed in thousands)

Employees' Retirement System

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 Percent- age of Covered Payroll [(b-a)/c]
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 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]
01/01/12	\$ 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.

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TOWN OF CONCORD, MA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			Receipts Reserved for Appropriation
	Community Preservation	Parking	Cemetery	
ASSETS				
Cash and short-term investments	\$ 1,283,200	\$ 212,468	\$ 362,423	\$ 721,961
Investments	-	-	-	-
Receivables				
Property taxes	14,894	-	-	-
Departmental	-	-	-	409,493
Intergovernmental	-	-	-	-
TOTAL ASSETS	\$ 1,298,094	\$ 212,468	\$ 362,423	\$ 1,131,454
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Warrants payable	\$ 39,259	\$ 24,978	\$ -	\$ -
Accrued liabilities	-	-	-	-
Notes payable	-	-	-	-
TOTAL LIABILITIES	39,259	24,978	-	-
DEFERRED INFLOWS OF RESOURCES	14,894	-	-	409,493
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted	1,243,941	187,490	362,423	721,961
Unassigned	-	-	-	-
TOTAL FUND BALANCES	1,243,941	187,490	362,423	721,961
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,298,094	\$ 212,468	\$ 362,423	\$ 1,131,454

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>
\$ 24,604	\$ 94,731	\$ 124,860	\$ 1,179,516	\$ 523,671	\$ 509,120
-	-	-	-	-	-
-	-	-	-	-	-
-	-	18,679	-	-	-
<u>24,604</u>	<u>94,731</u>	<u>143,539</u>	<u>1,179,516</u>	<u>523,671</u>	<u>509,120</u>
<u>\$ 24,604</u>	<u>\$ 94,731</u>	<u>\$ 143,539</u>	<u>\$ 1,179,516</u>	<u>\$ 523,671</u>	<u>\$ 509,120</u>
\$ 3,961	\$ -	\$ 14,882	\$ 14,314	\$ 99,563	\$ 6,136
-	-	205	4,190	-	-
-	-	-	-	-	-
<u>3,961</u>	<u>-</u>	<u>15,087</u>	<u>18,504</u>	<u>99,563</u>	<u>6,136</u>
-	-	-	-	-	-
-	-	-	-	-	-
20,643	94,731	128,452	1,161,012	424,108	502,984
-	-	-	-	-	-
<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>\$ 24,604</u>	<u>\$ 94,731</u>	<u>\$ 143,539</u>	<u>\$ 1,179,516</u>	<u>\$ 523,671</u>	<u>\$ 509,120</u>

(continued)

(continued)

	Special Revenue Funds			
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>
ASSETS				
Cash and short-term investments	\$ 1,764	\$ (109,271)	\$ 32,367	\$ (147,946)
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Departmental	-	-	-	-
Intergovernmental	-	170,340	289,528	159,892
TOTAL ASSETS	<u>\$ 1,764</u>	<u>\$ 61,069</u>	<u>\$ 321,895</u>	<u>\$ 11,946</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ 9,672	\$ 47,364
Accrued liabilities	-	28,897	17,147	4,845
Notes payable	-	-	-	-
TOTAL LIABILITIES	-	28,897	26,819	52,209
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted	1,764	32,172	295,076	-
Unassigned	-	-	-	(40,263)
TOTAL FUND BALANCES	<u>1,764</u>	<u>32,172</u>	<u>295,076</u>	<u>(40,263)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,764</u>	<u>\$ 61,069</u>	<u>\$ 321,895</u>	<u>\$ 11,946</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>
\$ 574,842	\$ 2,637,441	\$ 387,880	\$ 8,413,631
-	4,833,945	-	4,833,945
-	-	-	14,894
-	-	-	409,493
-	-	-	638,439
<u>\$ 574,842</u>	<u>\$ 7,471,386</u>	<u>\$ 387,880</u>	<u>\$ 14,310,402</u>
\$ 158,887	\$ -	\$ -	\$ 419,016
-	-	-	55,284
-	-	-	-
<u>158,887</u>	<u>-</u>	<u>-</u>	<u>474,300</u>
263,254	-	-	687,641
-	-	-	-
152,701	7,471,386	387,880	13,188,724
-	-	-	(40,263)
<u>152,701</u>	<u>7,471,386</u>	<u>387,880</u>	<u>13,148,461</u>
<u>\$ 574,842</u>	<u>\$ 7,471,386</u>	<u>\$ 387,880</u>	<u>\$ 14,310,402</u>

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotals</u>
ASSETS		
Cash and short-term investments	\$ 2,139,991	\$ 2,139,991
Investments	-	-
Receivables		
Property taxes	-	-
Departmental	-	-
Intergovernmental	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>2,139,991</u>	\$ <u>2,139,991</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Warrants payable	\$ 501,795	\$ 501,795
Accrued liabilities	345,500	345,500
Notes payable	500,000	500,000
	<u>1,347,295</u>	<u>1,347,295</u>
TOTAL LIABILITIES	1,347,295	1,347,295
DEFERRED INFLOWS OF RESOURCES	-	-
FUND BALANCES		
Non-spendable	-	-
Restricted	792,696	792,696
Unassigned	-	-
	<u>792,696</u>	<u>792,696</u>
TOTAL FUND BALANCES	<u>792,696</u>	<u>792,696</u>
Total Liabilities and		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>2,139,991</u>	\$ <u>2,139,991</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotals	
\$ -	\$ 101,418	\$ 101,418	\$ 10,655,040
5,032,235	-	5,032,235	9,866,180
-	-	-	14,894
-	-	-	409,493
-	-	-	638,439
<u>\$ 5,032,235</u>	<u>\$ 101,418</u>	<u>\$ 5,133,653</u>	<u>\$ 21,584,046</u>
\$ -	\$ -	\$ -	\$ 920,811
-	-	-	400,784
-	-	-	500,000
-	-	-	1,821,595
-	-	-	687,641
5,032,235	-	5,032,235	5,032,235
-	101,418	101,418	14,082,838
-	-	-	(40,263)
<u>5,032,235</u>	<u>101,418</u>	<u>5,133,653</u>	<u>19,074,810</u>
<u>\$ 5,032,235</u>	<u>\$ 101,418</u>	<u>\$ 5,133,653</u>	<u>\$ 21,584,046</u>

TOWN OF CONCORD, MA

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds			
	<u>Community Preservation</u>	<u>Parking</u>	<u>Cemetery</u>	<u>Receipts Reserved for Appropriation</u>
Revenues:				
Property taxes	\$ 933,192	\$ -	\$ -	\$ -
Departmental	-	329,885	156,037	-
Intergovernmental	241,434	-	-	10,967
Investment income	3,664	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,178,290	329,885	156,037	10,967
Expenditures:				
Current:				
General government	1,837,060	-	-	-
Public safety	-	412,180	-	-
Education	-	-	-	-
Public works	-	-	-	186,908
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	81,146
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	1,837,060	412,180	-	268,054
Excess (deficiency) of revenues over (under) expenditures	(658,770)	(82,295)	156,037	(257,087)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	324,715
Transfers in	-	-	-	-
Transfers out	(75,171)	(60,187)	(109,670)	(11,348)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(75,171)	(60,187)	(109,670)	313,367
Changes in fund balances	(733,941)	(142,482)	46,367	56,280
Fund balances, at Beginning of Year	<u>1,977,882</u>	<u>329,972</u>	<u>316,056</u>	<u>665,681</u>
Fund balances, at End of Year	<u>\$ 1,243,941</u>	<u>\$ 187,490</u>	<u>\$ 362,423</u>	<u>\$ 721,961</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44,224	-	413,942	-	1,667,992	293,052
-	-	81,621	-	-	-
-	-	-	-	-	-
-	-	-	162,252	-	-
-	54,005	-	729,640	-	-
<u>44,224</u>	<u>54,005</u>	<u>495,563</u>	<u>891,892</u>	<u>1,667,992</u>	<u>293,052</u>
31,306	49,123	-	538,684	-	46,062
-	-	-	2,581	-	-
-	-	510,705	63,577	-	5,367
-	-	-	42,304	-	51,349
-	-	-	32,003	-	-
-	-	-	37,030	1,545,362	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>31,306</u>	<u>49,123</u>	<u>510,705</u>	<u>716,179</u>	<u>1,545,362</u>	<u>102,778</u>
12,918	4,882	(15,142)	175,713	122,630	190,274
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(41,712)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,712)</u>	<u>-</u>
12,918	4,882	(15,142)	175,713	80,918	190,274
<u>7,725</u>	<u>89,849</u>	<u>143,594</u>	<u>985,299</u>	<u>343,190</u>	<u>312,710</u>
<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>

(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	-	-	-	-
Intergovernmental	-	598,395	1,473,424	159,892
Investment income	18	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>18</u>	<u>598,395</u>	<u>1,473,424</u>	<u>159,892</u>
Expenditures:				
Current:				
General government	23,325	-	16,268	-
Public safety	-	1,309	73,517	-
Education	-	610,719	1,417,036	-
Public works	-	-	20,351	171,416
Health and human services	-	-	32,622	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>23,325</u>	<u>612,028</u>	<u>1,559,794</u>	<u>171,416</u>
Excess (deficiency) of revenues over (under) expenditures	(23,307)	(13,633)	(86,370)	(11,524)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	10,000	-	-	75,171
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>75,171</u>
Changes in fund balances	(13,307)	(13,633)	(86,370)	63,647
Fund balances, at Beginning of Year	<u>15,071</u>	<u>45,805</u>	<u>381,446</u>	<u>(103,910)</u>
Fund balances, at End of Year	<u>\$ 1,764</u>	<u>\$ 32,172</u>	<u>\$ 295,076</u>	<u>\$ (40,263)</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>
\$ -	\$ -	\$ -	\$ 933,192
1,137,089	-	-	4,042,221
-	-	-	2,565,733
-	1,033,715	4,929	1,042,326
-	-	-	162,252
-	-	-	783,645
<u>1,137,089</u>	<u>1,033,715</u>	<u>4,929</u>	<u>9,529,369</u>
-	-	336,247	2,878,075
-	-	-	489,587
-	-	-	2,607,404
1,016,805	-	-	1,489,133
-	-	-	64,625
-	-	-	1,582,392
-	12,784	-	12,784
-	-	-	81,146
<u>1,016,805</u>	<u>12,784</u>	<u>336,247</u>	<u>9,205,146</u>
120,284	1,020,931	(331,318)	324,223
-	-	-	324,715
-	418,375	-	503,546
<u>(125,152)</u>	<u>-</u>	<u>-</u>	<u>(423,240)</u>
<u>(125,152)</u>	<u>418,375</u>	<u>-</u>	<u>405,021</u>
(4,868)	1,439,306	(331,318)	729,244
<u>157,569</u>	<u>6,032,080</u>	<u>719,198</u>	<u>12,419,217</u>
<u>\$ 152,701</u>	<u>\$ 7,471,386</u>	<u>\$ 387,880</u>	<u>\$ 13,148,461</u>

(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	535,000	535,000
Public safety	28,351	28,351
Education	833,008	833,008
Public works	1,847,111	1,847,111
Health and human services	-	-
Culture and recreation	76,101	76,101
Employee benefits	-	-
Debt service	-	-
	<hr/>	<hr/>
Total Expenditures	<u>3,319,571</u>	<u>3,319,571</u>
Excess (deficiency) of revenues over (under) expenditures	(3,319,571)	(3,319,571)
Other Financing Sources (Uses):		
Issuance of bonds	2,960,000	2,960,000
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<u>2,960,000</u>	<u>2,960,000</u>
Changes in fund balances	(359,571)	(359,571)
Fund balances, at Beginning of Year	<u>1,152,267</u>	<u>1,152,267</u>
Fund balances, at End of Year	<u>\$ 792,696</u>	<u>\$ 792,696</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotal	
\$ -	\$ -	\$ -	\$ 933,192
-	-	-	4,042,221
-	-	-	2,565,733
381,672	5,035	386,707	1,429,033
-	-	-	162,252
<u>89,150</u>	<u>-</u>	<u>89,150</u>	<u>872,795</u>
470,822	5,035	475,857	10,005,226
-	-	-	3,413,075
-	-	-	517,938
-	-	-	3,440,412
98,924	-	98,924	3,435,168
-	-	-	64,625
-	-	-	1,658,493
-	-	-	12,784
<u>-</u>	<u>-</u>	<u>-</u>	<u>81,146</u>
<u>98,924</u>	<u>-</u>	<u>98,924</u>	<u>12,623,641</u>
371,898	5,035	376,933	(2,618,415)
-	-	-	3,284,715
-	-	-	503,546
<u>-</u>	<u>-</u>	<u>-</u>	<u>(423,240)</u>
-	-	-	3,365,021
371,898	5,035	376,933	746,606
<u>4,660,337</u>	<u>96,383</u>	<u>4,756,720</u>	<u>18,328,204</u>
<u>\$ 5,032,235</u>	<u>\$ 101,418</u>	<u>\$ 5,133,653</u>	<u>\$ 19,074,810</u>

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