

TOWN OF CARLISLE, MASSACHUSETTS

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

**TOWN OF CARLISLE, MASSACHUSETTS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2014**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	15
STATEMENT OF ACTIVITIES	16
GOVERNMENTAL FUNDS – BALANCE SHEET	17
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION	23
FIDUCIARY FUNDS – STATEMENT OF CHANGES FIDUCIARY NET POSITION	24
NOTES TO BASIC FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	53
COMMUNITY PRESERVATION FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	55
PENSION PLAN SCHEDULES	
SCHEDULES OF FUNDING PROGRESS (SYSTEM)	57
SCHEDULE OF EMPLOYER CONTRIBUTION (SYSTEM)	57
TOWN SHARE OF SYSTEM ARC	57
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE	
SCHEDULE OF FUNDING PROGRESS	58
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	59

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Carlisle, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carlisle, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Carlisle, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carlisle, Massachusetts, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 13), general fund and community preservation fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 55 through 62) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014 on our consideration of the Town of Carlisle, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Carlisle, Massachusetts' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Burlington, Massachusetts
November 7, 2014

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the Town of Carlisle, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,057,326 (net position).
- The Town's total net position increased by \$499,914, primarily due to actual spending for the fiscal year that was less than budgeted in both the general and community preservation funds.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$4,201,762, or 15.3%, of total general fund revenues and other financing sources of \$27,395,298.
- The Town's total short-term debt remained the same during the fiscal year. Short-term notes for school construction and land acquisition matured and were re-issued for \$800,000 and \$400,000, respectively.
- The Town's total bonded debt outstanding was \$16,646,632 at June 30, 2014. The Town's total bonded debt decreased by \$1,060,094 during the fiscal year. No long-term debt was issued in fiscal year 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Fiduciary funds

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental funds financial statements can be found on pages 17-22 of this report.

Fiduciary Funds

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-52.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other post employment benefits information, which can be found on pages 53-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities and deferred inflows of resources by \$30,057,326 at the close of the fiscal year and are summarized as follows:

	<u>2014</u>	<u>2013</u>
Assets		
Current assets.....	\$ 12,496,068	\$ 11,843,237
Noncurrent assets (excluding capital assets).....	98,229	168,644
Capital assets (net).....	<u>42,812,107</u>	<u>43,730,057</u>
Total assets.....	<u>55,406,404</u>	<u>55,741,938</u>
Liabilities		
Current liabilities (excluding debt).....	2,380,516	2,992,900
Noncurrent liabilities (excluding debt).....	5,121,930	4,284,900
Current debt - short-term notes payable.....	1,200,000	1,200,000
Current debt - long-term bonds payable.....	1,041,593	1,031,061
Noncurrent debt.....	<u>15,605,039</u>	<u>16,675,665</u>
Total liabilities.....	<u>25,349,078</u>	<u>26,184,526</u>
Net Position		
Net investment in capital assets.....	25,693,776	26,123,103
Restricted.....	3,731,753	3,007,088
Unrestricted.....	<u>631,797</u>	<u>427,221</u>
Total net position.....	<u>\$ 30,057,326</u>	<u>\$ 29,557,412</u>

The largest portion of the Town's net position (85.5% or \$25,693,776) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (12.4% or \$3,731,753) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (2.1% or \$631,797) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position

The Town's total net position increased by \$499,914, compared to an increase of \$1,031,456 in the prior fiscal year. The primary element of this change is an increase in depreciation expense due to fiscal year 2014 being the first full year of depreciation for the new school which was completed in fiscal year 2013. These amounts are summarized as follows:

	<i>Governmental Activities</i>	
Revenues	<u>2014</u>	<u>2013</u>
<i>Program Revenues:</i>		
Charges for services.....	\$ 1,110,406	\$ 1,150,683
Operating grants and contributions.....	1,810,110	1,669,713
Capital grants and contributions.....	164,648	1,487,716
<i>General Revenues:</i>		
Real estate and personal property taxes.....	23,543,642	21,928,321
Motor vehicle and other excise taxes.....	852,924	843,937
Penalties and interest on taxes.....	31,493	49,400
Payments in lieu of taxes.....	6,323	6,729
Community preservation surcharges.....	383,440	358,142
Grants and contributions not restricted to specific programs.....	1,966,030	1,663,714
Unrestricted investment income.....	15,950	29,049
Other.....	4,695	-
	<u>29,889,661</u>	<u>29,187,404</u>
Expenses		
General government.....	1,640,765	1,747,782
Public safety.....	2,941,443	2,860,579
Education.....	20,866,497	19,619,797
Public works.....	1,755,272	1,703,703
Health and human services.....	577,834	950,770
Culture and recreation.....	955,933	943,193
Debt service - interest.....	652,003	330,124
	<u>29,389,747</u>	<u>28,155,948</u>
Change in net assets before transfers.....	499,914	1,031,456
Change in net position.....	499,914	1,031,456
Net position - beginning of year.....	<u>29,557,412</u>	<u>28,525,956</u>
Net position - end of year.....	<u>\$ 30,057,326</u>	<u>\$ 29,557,412</u>

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$8,958,533, an increase of \$1,078,986 in comparison with the prior year. Unassigned fund balance totaled \$3,549,929. The remainder of governmental fund balance includes the following constraints (as detailed in footnote 12 on page 50) for:

- Nonspendable (\$191,807)
- Restricted (\$4,422,647)
- Committed (\$730,646)
- Assigned (\$63,504)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$4,201,762, while total fund balance was \$5,482,544. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and other financing sources. Unassigned fund balance represents 15.3% of total general fund revenues and other financing sources, while total fund balance represents 20.0% of that total.

The fund balance of the Town's general fund increased \$487,371 during the current fiscal year. The Town recognized an approximate \$800,000 budgetary surplus (budget vs. actual activity) and approximately \$989,000 of reserves were utilized during fiscal year 2014.

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

The fund balance of the community preservation fund (special revenue) increased by \$537,744 during the current fiscal year. The fund recognized \$383,595 in surcharges, liens and penalties and interest, \$187,425 in intergovernmental revenues and \$1,017 of investment income. Expenditures of \$9,293 were incurred during the fiscal year.

The school construction project fund (capital project) decreased by \$173,422 during the current fiscal year. The fund incurred expenditures of \$114,878 and had negative intergovernmental revenues of \$58,544 due to a reduction in the amount of the MSBA receivable during the fiscal year.

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

General Fund Budgetary Highlights

The original general fund budget of \$25,924,416 was increased by \$150,000 (0.6%) during the fiscal year. This increase was for a telecommunications tower on the campus of the Carlisle Public School which was funded from unassigned fund balance.

General Fund Trends

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund - Operating Component:					
Total fund balance.....	\$ 4,296,869	\$ 3,871,764	\$ 2,770,959	\$ 2,438,354	\$ 2,371,330
Less restrictions for:					
Debt service (a).....	486,632	551,514	-	46,807	70,878
Less commitments for:					
Subsequent year's expenditures (b).....	352,355	390,000	141,000	297,852	294,828
Continuing appropriations.....	378,291	319,019	421,196	238,124	226,052
Less assignments for:					
Encumbrances.....	63,504	55,095	51,796	54,858	33,472
Unassigned fund balance.....	<u>3,016,087</u>	<u>2,556,136</u>	<u>2,156,967</u>	<u>1,800,713</u>	<u>1,746,100</u>
General Fund - Stabilization Component:					
Total fund balance (unassigned).....	<u>1,185,675</u>	<u>1,123,409</u>	<u>1,061,051</u>	<u>998,134</u>	<u>935,154</u>
Total general fund balance.....	<u>5,482,544</u>	<u>4,995,173</u>	<u>3,832,010</u>	<u>3,436,488</u>	<u>3,306,484</u>
Total general fund revenue & other financing sources (ofs)....	<u>\$ 27,395,298</u>	<u>\$ 26,319,270</u>	<u>\$ 25,041,207</u>	<u>\$ 24,236,867</u>	<u>\$ 23,471,317</u>
Total general fund (operating) unassigned fund balance as % of total general fund revenues and ofs.....	<u>11.0%</u>	<u>9.7%</u>	<u>8.6%</u>	<u>7.4%</u>	<u>7.4%</u>
Total general fund (stabilization) unassigned fund balance as % of total general fund revenues and ofs.....	<u>4.3%</u>	<u>4.3%</u>	<u>4.3%</u>	<u>4.1%</u>	<u>4.0%</u>
Total general fund unassigned fund balance as % of total general fund revenues and ofs.....	<u>15.3%</u>	<u>14.0%</u>	<u>12.9%</u>	<u>11.5%</u>	<u>11.4%</u>

- (a) The fund balance restriction for debt service represents amounts accumulated for the future repayment of debt.
- (b) Net changes in the commitment for subsequent year's expenditures are attributable to net changes in the amount of "free cash" (a statutory calculation) that the Town votes to fund a portion of the subsequent fiscal year's operating budget.

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$42,812,107 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled \$917,950, resulting from depreciation expense in excess of capital asset additions.

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

- Chapter 90 roadway construction (\$214,952)
- Carlisle K-8 school building construction (\$114,878)
- Police cruiser (\$33,019)

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

	Governmental Activities	
	2014	2013
Land.....	\$ 9,718,798	\$ 9,718,798
Intangible assets.....	560,150	560,150
Construction in progress.....	26,918	-
Land improvements.....	24,418	30,545
Buildings.....	26,311,527	27,003,314
Machinery and equipment.....	1,345,607	1,558,103
Infrastructure.....	4,824,689	4,859,147
Total capital assets.....	\$ 42,812,107	\$ 43,730,057

Additional information on the Town's capital assets can be found in Note 6 on page 41 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$16,646,632, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities	
	2014	2013
General obligation bonds.....	\$ 16,120,000	\$ 17,129,000
Massachusetts Water Pollution Abatement Trust (MWPAT) notes.....	40,000	40,000
Sub-total.....	16,160,000	17,169,000
Add: unamortized premium.....	486,632	537,726
Total bonds and notes and unamortized premiums.....	\$ 16,646,632	\$ 17,706,726

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Town's total bonded debt decreased \$1,060,094 during the current fiscal year. The Town received an Aa1 rating from Moody's Investor Service for its most recent issuance of long-term debt on November 15, 2012. This bond rating was an increase from the Town's previous issuance of long-term debt on March 15, 2010, which received an Aa2 rating from Moody's.

State statutes limit the amount of general obligation debt the Town may issue to 5% of its total assessed valuation. Based upon the equalized valuation dated July 20, 2014 by the Commissioner of Revenue, the current debt limit is \$62,052,375, which is significantly in excess of the Town's outstanding debt.

Additional information on the Town's long-term debt can be found in Note 10 on pages 43-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's fiscal year 2015 budget:

- Anticipated fiscal year 2015 revenues and fund transfers (\$27,047,018) are expected to show an increase of 3.52% over fiscal year 2014 (\$26,095,625). Revenues from property taxes are expected to increase by 3.95%, which is net of a decrease in the excluded debt levy of \$125,604. For fiscal year 2015, State aid to cities and towns, local schools and regional school districts is expected to increase slightly as compared to the prior fiscal year. The Massachusetts Department of Revenue has published the fiscal year 2015 Cherry Sheet, showing that Carlisle should expect to receive a net of \$1,173,171 in state aid. This compares to \$1,162,974 estimated on the Cherry Sheet for fiscal 2014, an increase of \$10,197 (0.88%). Local receipts are expected to remain constant. To supplement the fiscal year 2015 budget items, the Town voted to use \$502,355 of Free Cash (\$150,000 contribution to the Town's OPEB trust, \$102,355 to offset the cost of capital appropriations, \$150,000 to meet the appropriation for a new communications tower, and \$100,000 to reduce taxes).
- Free Cash represents amounts which are available for appropriation by Town Meeting each year. These amounts are certified annually in accordance with the provisions of G.L. Chapter 59, sec. 23 by the Massachusetts Department of Revenue. The calculation, and therefore the balance, differs materially from the fund balances set forth in these financial statements. The certified Free Cash balance as of July 1, 2014 was \$2,998,640 (\$2,610,571 at July 1, 2013).
- Fiscal year 2015 department appropriations provide for an increase of 4.58% as compared to fiscal year 2014. The budgets included cost-of-living increases and scheduled wage adjustments for non-contractual employees. All contractual obligations are funded for employees under contract. Increased costs for benefits, health insurance and retirement obligations for current and former employees are also provided. There are three collective bargaining units in Carlisle; the Carlisle Public School teachers are represented the Carlisle Teachers' Association, police officers are represented by the Massachusetts Coalition of Police Officers, Local 201, and communications (dispatchers) personnel are represented by the Massachusetts Coalition of Police Officers, Local 201A.
- The fiscal year 2015 budget provides for \$574,930 of continuing investment in the Town's assets, infrastructure, and on-going appropriations. These include a range of items for the local schools, police and fire departments, DPW and other bodies. The Town voted to fund these assets with \$322,575 from within the base property tax levy, with the balance from free cash.
- The fiscal year 2015 budget provides for payment of the budgetary assessment required by both the Concord-Carlisle Regional School District (CCRS) and the Minuteman Regional School

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

District (MMRSD) for operating expenses and debt service. In each case, the assessment is calculated based upon the percentage of Carlisle students to the total enrollment of the member communities. The assessment ratio in fiscal year 2014 for CCRSD was 27.15%, requiring an appropriation for operations and debt service of \$6,314,403 (\$5,736,057 for operations and \$578,346 for debt service). The assessment ratio for the fiscal year 2015 at CCRSD decreased to 26.90%, resulting in an assessment for operations and debt service of \$6,518,949 (\$5,834,916 for operations and \$684,033 for debt service), approved by town meeting. The total appropriation has therefore increased 3.24% from fiscal 2014 to fiscal 2015 (1.73% for operations and 18.28% for debt service). The assessment ratio at CCRSD in the next few years is expected to decrease gradually as Carlisle sends a lower proportion of students to CCRSD, which will result in the Town bearing a smaller portion of the overall CCRSD budget for operations and debt service. Despite this, future assessments will require higher annual debt service costs, as the Region continues to borrow funds in support of the building project at the high school (discussed further below). The MMRSD assessment for fiscal year 2015 increased by \$81,368 (33.06%) as compared to fiscal 2014, to an assessment of \$326,521. The number of students attending MMRSD increased from 9 attending in fiscal 2014 to 11 attending in fiscal 2015.

- To meet the total appropriations for the fiscal year 2015, no Proposition 2 ½ override was necessary. The total fiscal year 2015 budget, that is to be raised from taxes or provided through State aid, local receipts, etc., is expected to be \$27,076,051, an increase of 3.76% over fiscal year 2014.
- New growth, or the additional value of new construction or subdivisions, which is used to project new tax revenue, has remained relatively flat during the past two years. New growth for the twelve months ended June 30, 2013 amounted to \$15,285,489. The current estimate of new growth for the twelve months ended June 30, 2014 is estimated to be approximately \$20,000,000, and the current projection for new growth for the twelve months ending June 30, 2015 is \$20,000,000. New growth is derived from newly created building lots, from the construction of new homes, and renovations to existing properties.
- The 2006, 2008, 2009 and 2010 Annual Town Meetings approved appropriations totaling \$19,980,000 for planning, project management, design, and construction associated with the additions, renovations and site work improvements to the Carlisle Public Schools, and was approved as debt exclusions by votes at the ballot. The Massachusetts School Building Authority ("MSBA") originally agreed to reimburse up to \$6,988,637 of qualifying expenditures, subject to audit, for both the schematic design and construction phases of the school building project. During fiscal year 2012, the MSBA reduced the maximum reimbursement to \$6,796,030, as the construction bids came in lower than the original estimates. The agreed upon reimbursement rate for eligible costs remains at 40%. Construction of the project was completed during fiscal year 2014, and a final audit report has been accepted by the town. As a result of that report, the town's final total facilities grant for the project from MSBA is \$6,375,468.
- The total cost to complete the Carlisle School building construction project was \$19,580,700. \$13,108,000 was paid using proceeds from the issuance of long term General Obligation bonds issued in the fall of 2012, \$6,375,468 from funds reimbursed by MSBA, and \$57,478 from other resources of the Town. Following receipt of the final grant payments from MSBA (received October 2014), the town may issue additional short term Bond Anticipation Notes, long term General Obligation bonds, or use other resources, if approved by Town Meeting, to finance the balance of the project costs (\$39,754).

**TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

- At the November 8, 2011 Special Town Meeting, and subsequently approved as a debt exclusion by vote at the ballot, a total of \$92,578,524 was appropriated by the Towns of Carlisle and Concord for the purpose of paying the costs of designing, constructing, originally equipping and furnishing a new District High School (\$88,494,844) and an alternate physical education center (\$4,083,680). The maximum expected reimbursement from MSBA is 35.58% of eligible costs related only to the new school portion of the project. Construction began in the spring of 2013, at which time the District issued General Obligation bonds for a portion of the project costs. The District was required to make annual principal and interest payments on the outstanding bonds, beginning in fiscal 2014. The debt service, both principal and interest, by each community will be based upon the assessment ratio in effect for any given year. For fiscal year 2015, Carlisle's assessment ratio is 26.90%, and is expected to decline slowly over the next decade.
- The Minuteman Regional School District, of which the Town is a member, has been planning for a major renovation project of the campus located in Lexington. Discussions have been on-going among the member communities, the school administration, and the MSBA, but have not yet resulted in a definitive plan. Members of the District are also challenging whether towns outside the District that also send students to the school should contribute to any capital renovation costs. Proposed revisions to the Regional School Agreement, requiring unanimous approval by all member Towns, passed in Carlisle at the April 2014 Annual Town Meeting, but failed in other communities. As such, the revised agreement has not been put into effect. The revised agreement would have provided for a change in the way a member's annual operating assessments are determined, the way in which annual debt service assessments are determined, and would have provided a path for a member to withdraw from the Regional School district. The future impact on the Town of any building project at the Region is dependent on the final size of the project, whether communities which send out-of-district students are assessed a portion of the debt service costs, and whether a revised agreement is adopted.
- The Town reports on the actuarial value of the Town's unfunded Other Post Retirement Benefits (OPEB) liability, principally health and life insurance coverage for the Town's retirees and their spouses. The actuarial analysis is required to be performed every two years. The most recent actuarial report, for the years ending June 30, 2014 and 2015, calculated the liability at \$9,115,689 and \$9,880,045 respectively. Were the Town to begin funding this liability over the next thirty (30) years, the required contribution for fiscal years 2014 and 2015 would be \$951,876 and \$993,118, respectively. The Town reauthorized the establishment of an OPEB Trust at the April 2014 annual town meeting, the purpose of which is to hold funds, if any, that are appropriated to meet the Town's unfunded OPEB liability. The OPEB Trust was established as of July 1, 2014. At the April 2014 Annual Town Meeting, the Town voted to begin partially funding these obligations by appropriating \$250,000 to the OPEB Trust for fiscal 2015 (\$100,000 from the tax levy and \$150,000 from Free Cash). As the Town plans for fiscal 2016 and beyond, consideration will be given to how to continue to address the unfunded liability, and what, if any, level of funding should be provided.

REQUESTS FOR INFORMATION

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

This page left intentionally blank.

TOWN OF CARLISLE
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents.....	\$ 7,068,841
Restricted cash and cash equivalents.....	4,754,573
Receivables, net of allowance for uncollectible amounts:	
Real estate and personal property taxes.....	84,182
Tax liens.....	67,375
Motor vehicle excise taxes.....	8,359
Community preservation surcharges.....	2,234
Intergovernmental.....	509,791
Loans.....	713
Total current assets.....	12,496,068
Noncurrent assets:	
Receivables, net of allowance for uncollectible amounts:	
Real estate tax deferrals.....	58,502
Loans.....	4,274
Tax foreclosures.....	35,453
Capital assets not being depreciated.....	10,305,866
Capital assets, net of accumulated depreciation.....	32,506,241
Total noncurrent assets.....	42,910,336
Total assets.....	55,406,404
LIABILITIES	
Current liabilities:	
Warrants payable.....	780,343
Accrued payroll.....	987,769
Tax refunds payable.....	225,000
Other liabilities.....	220,118
Accrued interest.....	81,284
Compensated absences.....	86,002
Short-term notes payable.....	1,200,000
Long-term bonds and notes payable.....	1,041,593
Total current liabilities.....	4,622,109
Noncurrent liabilities:	
Net OPEB obligation.....	4,960,605
Compensated absences.....	161,325
Long-term bonds and notes payable.....	15,605,039
Total noncurrent liabilities.....	20,726,969
Total liabilities.....	25,349,078
NET POSITION	
Net investment in capital assets.....	25,693,776
Restricted for:	
Community preservation.....	1,346,396
Affordable housing.....	164,590
Loans.....	4,987
Permanent funds:	
Expendable.....	528,537
Nonexpendable.....	186,820
Other specific purposes.....	1,500,423
Unrestricted.....	631,797
Total net position.....	\$ 30,057,326

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

TOWN OF CARLISLE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues					Net (Expense)/ Revenue
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government:						
Governmental activities:						
General government.....	\$ 1,640,765	\$ 130,673	\$ 188,669	\$ -	\$	(1,321,423)
Public safety.....	2,941,443	408,195	57,866	-	-	(2,475,382)
Education.....	20,866,497	257,719	1,430,291	(58,544)	-	(19,237,031)
Public works.....	1,755,272	71,399	16,948	214,952	-	(1,451,973)
Health and human services.....	577,834	96,822	71,816	8,240	-	(400,956)
Culture and recreation.....	955,933	145,598	44,520	-	-	(765,815)
Debt service - interest.....	652,003	-	-	-	-	(652,003)
Total governmental activities.....	\$ 29,389,747	\$ 1,110,406	\$ 1,810,110	\$ 164,648	-	(26,304,583)
<i>General revenues:</i>						
						23,543,642
						852,924
						31,493
						6,323
						383,440
						1,966,030
						15,950
						4,695
Total general revenues.....						26,804,497
Change in net position.....						499,914
Net position - beginning of year.....						29,557,412
Net position - end of year.....						\$ 30,057,326

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

TOWN OF CARLISLE
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2014

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>School Construction Project</u>
Cash and cash equivalents.....	\$ 7,097,874	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	84,182	-	-
Real estate tax deferrals.....	58,502	-	-
Tax liens.....	67,375	-	-
Motor vehicle and other excise taxes.....	8,359	-	-
Community preservation surcharges.....	-	2,234	-
Intergovernmental.....	-	-	263,157
Loans.....	-	-	-
Tax foreclosures.....	35,453	-	-
Restricted assets:			
Cash and cash equivalents.....	<u>486,632</u>	<u>1,345,369</u>	<u>285,010</u>
TOTAL ASSETS.....	<u>\$ 7,838,377</u>	<u>\$ 1,347,603</u>	<u>\$ 548,167</u>
LIABILITIES:			
Warrants payable.....	\$ 726,976	\$ 1,207	\$ -
Accrued payroll.....	963,439	-	-
Tax refunds payable.....	225,000	-	-
Other liabilities.....	220,118	-	-
Accrued short-term interest.....	2,098	-	-
Short-term notes payable.....	<u>-</u>	<u>-</u>	<u>800,000</u>
TOTAL LIABILITIES.....	<u>2,137,631</u>	<u>1,207</u>	<u>800,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue.....	<u>218,202</u>	<u>2,234</u>	<u>-</u>
FUND BALANCES:			
Nonspendable.....	-	-	-
Restricted.....	486,632	1,344,162	-
Committed.....	730,646	-	-
Assigned.....	63,504	-	-
Unassigned.....	<u>4,201,762</u>	<u>-</u>	<u>(251,833)</u>
TOTAL FUND BALANCES.....	<u>5,482,544</u>	<u>1,344,162</u>	<u>(251,833)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	<u>\$ 7,838,377</u>	<u>\$ 1,347,603</u>	<u>\$ 548,167</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 7,097,874
-	84,182
-	58,502
-	67,375
-	8,359
-	2,234
246,634	509,791
4,987	4,987
-	35,453
<u>2,608,529</u>	<u>4,725,540</u>
<u>\$ 2,860,150</u>	<u>\$ 12,594,297</u>
\$ 52,160	\$ 780,343
24,330	987,769
-	225,000
-	220,118
-	2,098
<u>400,000</u>	<u>1,200,000</u>
<u>476,490</u>	<u>3,415,328</u>
<u>-</u>	<u>220,436</u>
191,807	191,807
2,591,853	4,422,647
-	730,646
-	63,504
<u>(400,000)</u>	<u>3,549,929</u>
<u>2,383,660</u>	<u>8,958,533</u>
<u>\$ 2,860,150</u>	<u>\$ 12,594,297</u>

TOWN OF CARLISLE
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Community Preservation	School Construction Project
REVENUES			
Real estate and personal property taxes.....	\$ 23,191,135	\$ -	\$ -
Motor vehicle excise taxes.....	867,114	-	-
Tax liens.....	10,282	145	-
Tax foreclosures.....	275,000	-	-
Payments in lieu of taxes.....	6,323	-	-
Community preservation surcharges.....	-	383,100	-
Charges for services.....	-	-	-
Intergovernmental.....	2,622,972	187,425	(58,544)
Penalties and interest on taxes.....	29,428	350	-
Licenses and permits.....	162,637	-	-
Fines and forfeitures.....	11,789	-	-
Departmental.....	161,668	-	-
Contributions.....	-	-	-
Investment income.....	15,950	1,017	-
TOTAL REVENUES.....	27,354,298	572,037	(58,544)
EXPENDITURES			
Current:			
General government.....	1,274,731	9,293	-
Public safety.....	2,162,594	-	-
Education.....	16,429,736	-	114,878
Public works.....	1,149,668	-	-
Health and human services.....	259,794	-	-
Culture and recreation.....	722,895	-	-
Pension benefits.....	2,059,217	-	-
Employee benefits.....	863,548	-	-
Property and liability insurance.....	152,639	-	-
State and county charges.....	61,600	-	-
Debt service:			
Principal.....	1,009,000	-	-
Interest.....	762,505	-	-
TOTAL EXPENDITURES.....	26,907,927	9,293	114,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	446,371	562,744	(173,422)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	41,000	25,000	-
Transfers out.....	-	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES).....	41,000	(25,000)	-
NET CHANGE IN FUND BALANCES.....	487,371	537,744	(173,422)
FUND BALANCES AT BEGINNING OF YEAR.....	4,995,173	806,418	(78,411)
FUND BALANCES AT END OF YEAR.....	\$ 5,482,544	\$ 1,344,162	\$ (251,833)

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 23,191,135
-	867,114
-	10,427
-	275,000
-	6,323
-	383,100
204,197	204,197
711,158	3,463,011
1,714	31,492
-	162,637
-	11,789
631,293	792,961
364,331	364,331
55,945	72,912
<u>1,968,638</u>	<u>29,836,429</u>
164,549	1,448,573
144,727	2,307,321
830,479	17,375,093
246,762	1,396,430
214,791	474,585
124,037	846,932
-	2,059,217
-	863,548
-	152,639
-	61,600
-	1,009,000
-	762,505
<u>1,725,345</u>	<u>28,757,443</u>
<u>243,293</u>	<u>1,078,986</u>
50,000	116,000
<u>(66,000)</u>	<u>(116,000)</u>
<u>(16,000)</u>	<u>-</u>
227,293	1,078,986
<u>2,156,367</u>	<u>7,879,547</u>
<u>\$ 2,383,660</u>	<u>\$ 8,958,533</u>

TOWN OF CARLISLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total governmental fund balances (page 17).....	\$	8,958,533
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		42,812,107
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the governmental funds.....		220,436
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(79,186)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized premiums.....		(16,646,632)
Compensated absences.....		(247,327)
Net OPEB obligation.....		<u>(4,960,605)</u>
Net position of governmental activities (page 14).....	\$	<u><u>30,057,326</u></u>

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

TOWN OF CARLISLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (page 19).....	\$	1,078,986
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		504,216
Depreciation.....		(1,422,166)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) and the recognition of expenses/expenditures for various types of accounts receivable (i.e., notes) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		53,233
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period.</p>		
Bond maturities.....		1,009,000
Amortization of bond premiums.....		51,094
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		59,408
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Compensated absences.....		(2,416)
Net OPEB obligation.....		(831,441)
Changes in net position of governmental activities (page 15).....	\$	<u>499,914</u>

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

TOWN OF CARLISLE
 FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

ASSETS	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents.....	\$ 327,568	\$ 57,171
Receivables, net of allowance for uncollectible amounts:		
Departmental and other.....	-	5,029
Total assets.....	<u>327,568</u>	<u>62,200</u>
 LIABILITIES		
Warrants payable.....	1,000	24
Accrued payroll.....	-	2,263
Liabilities due depositors.....	-	59,913
Total liabilities.....	<u>1,000</u>	<u>62,200</u>
 NET POSITION		
Held in trust for other purposes.....	<u>\$ 326,568</u>	<u>\$ -</u>

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

FIDUCIARY FUNDS
 FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ 25
Net investment income:	
Interest.....	<u>27,434</u>
TOTAL ADDITIONS.....	27,459
DEDUCTIONS	
Scholarships awarded.....	<u>10,550</u>
CHANGE IN NET POSITION.....	16,909
NET POSITION AT BEGINNING OF YEAR.....	<u>309,659</u>
NET POSITION AT END OF YEAR.....	<u>\$ 326,568</u>

The accompanying notes are integral part of the financial statements.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

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

Joint Ventures

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

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

Concord-Carlisle Regional School District (CCRSD)

The CCRSD is governed by a seven member school committee consisting of two elected representatives from the Town. The Town is indirectly liable for the CCRSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2014 the Town's assessment was \$6,301,358. Separate financial statements may be obtained by writing to the CCRSD at 120 Meriam Road, Concord, MA 01742. See Note 10 for the Town's overlapping debt associated with the CCRSD.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

Joint Ventures (Continued)

Minuteman Regional High School District (MMRHSD)

The MMRHSD is governed by a seventeen member school committee which includes one elected representative from the Town. The Town is indirectly liable for the MMRHSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2014, the Town's assessment was \$246,153. Separate financial statements may be obtained by writing to the MMRHSD at 758 Marrett Road, Lexington, MA 02421.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

C. Implementation of New Accounting Principles

For the year ended June 30, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 resulted in unavailable property tax and excise tax revenues that prior to the implementation of GASB 65 were reported as a liability on the governmental funds financial statements are now reported as a deferred inflow of resources.

The implementation of GASB Statement No.'s 66, 67 and 70 had no reporting impact for the Town.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

Fund Financial Statements

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The following fiduciary fund types are reported:

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

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

E. Cash and Cash Equivalents and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable (Continued)

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

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

Intergovernmental

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

Loans

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

G. Allowance for Uncollectible Accounts

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

- Personal property taxes
- Motor vehicle excise taxes
- Departmental and other
- Loans

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Allowance for Uncollectible Accounts (Continued)

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

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

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

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

I. Restricted Assets

Government-Wide and Fund Financial Statements

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

J. Capital Assets

Government-Wide Financial Statements

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

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

Governmental Fund Financial Statements

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

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Town does not have items that qualify for reporting in this category.

N. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

O. Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position and Fund Balances (Continued)

Government-Wide Financial Statements (Net Position) (Continued)

Net position has been “restricted” for the following:

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

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

“Loans” represents outstanding septic loans receivable.

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

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Town’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (Continued)

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

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

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

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

P. Long-Term Debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

Q. Investment Income

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

S. Post Retirement Benefits

Government-Wide and Fund Financial Statements

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

T. Use of Estimates

Government-Wide and Fund Financial Statements

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

U. Total Column

Fund Financial Statements

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

A. Budgetary Information (continued)

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

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

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized \$25,924,416 in appropriations and other amounts to be raised. During fiscal year 2014, appropriations were increased by \$150,000. The original fiscal year 2014 approved budget for the community preservation fund authorized \$314,000 in appropriations. During fiscal year 2014, appropriations were increased by \$175,000.

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

B. Fund Deficits

At June 30, 2014, the following fund deficits exist:

Fund	Amount	Funding Source
School construction capital projects fund (major fund).....	\$ 251,833	Intergovernmental revenues/long-term debt
Land purchase capital projects fund.....	400,000	Long-term debt

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$7,457,468 of the Town’s bank balance of \$12,497,095 was uninsured and uncollateralized.

Investments Summary

The Town’s investments at June 30, 2014 are presented below. All investments are presented by investment type. All investments mature in less than 1 year and therefore are shown as cash and cash equivalents on the financial statements.

Investment Type	Fair Value
Money market mutual funds..... \$	193,311
Fixed income mutual funds.....	209,928
Equity mutual funds.....	564,987
External investment pools.....	1,486,988
Total Investments.....	2,455,214

Investments - Interest Rate Risk of Debt Securities

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2014, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2014, the Town's investment in debt securities were unrated for credit quality.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2014, receivables for the individual major governmental funds, nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 97,935	\$ (13,753)	\$ 84,182
Real estate tax deferrals.....	58,502	-	58,502
Tax liens.....	67,375	-	67,375
Motor vehicle and other excise taxes.....	49,247	(40,888)	8,359
Community preservation surcharges.....	2,234	-	2,234
Departmental and other.....	5,029	-	5,029
Notes.....	97,788	(97,788)	-
Intergovernmental.....	509,791	-	509,791
Loans.....	4,987	-	4,987
	\$ 892,888	\$ (152,429)	\$ 740,459

The Commonwealth has approved grants for school construction assistance. The assistance program, which is administered by the MSBA, provides resources for allowable costs related to school construction costs. The MSBA has approved a maximum grant totaling \$6,796,030 for the construction costs related to the Carlisle K-8 school addition/renovation. The maximum grant amount represents 40% of the total state approved construction cost of \$16,990,076. At June 30, 2014, approximately \$19,506,000 of expenditures have been incurred on the project and \$6,171,000 in MSBA grants has been recorded. A \$263,157 intergovernmental receivable has been reported in the School Construction Project major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2014.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM NOTES RECEIVABLE

During fiscal year 2013, the Town issued a \$425,000 long-term note to an affordable housing developer. The note is interest free and matures on January 5, 2044. The present value of the note (based on an effective interest rate of 5%) totals \$97,788, and has been fully reserved as uncollectible at June 30, 2014.

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

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,718,798	\$ -	\$ -	\$ 9,718,798
Intangible assets.....	560,150	-	-	560,150
Construction in progress.....	-	26,918	-	26,918
Total capital assets not being depreciated.....	<u>10,278,948</u>	<u>26,918</u>	<u>-</u>	<u>10,305,866</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	746,835	-	-	746,835
Buildings and improvements.....	33,972,779	142,610	-	34,115,389
Machinery and equipment.....	5,179,882	91,211	(38,999)	5,232,094
Infrastructure.....	28,257,538	243,477	-	28,501,015
Total capital assets being depreciated.....	<u>68,157,034</u>	<u>477,298</u>	<u>(38,999)</u>	<u>68,595,333</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(716,290)	(6,127)	-	(722,417)
Buildings and improvements.....	(6,969,465)	(834,397)	-	(7,803,862)
Machinery and equipment.....	(3,621,779)	(303,707)	38,999	(3,886,487)
Infrastructure.....	(23,398,391)	(277,935)	-	(23,676,326)
Total accumulated depreciation.....	<u>(34,705,925)</u>	<u>(1,422,166)</u>	<u>38,999</u>	<u>(36,089,092)</u>
Total capital assets being depreciated, net.....	<u>33,451,109</u>	<u>(944,868)</u>	<u>-</u>	<u>32,506,241</u>
Total governmental activities capital assets, net.....	<u>\$ 43,730,057</u>	<u>\$ (917,950)</u>	<u>\$ -</u>	<u>\$ 42,812,107</u>

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General government.....	\$ 64,257
Public safety.....	242,275
Education.....	749,260
Public works.....	345,434
Culture and recreation.....	<u>20,940</u>

Total depreciation expense - governmental activities..... \$ 1,422,166

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Community Preservation	Nonmajor Governmental Funds	Total
Community Preservation.....	\$ -	\$ -	\$ 50,000	\$ 50,000 (1)
Nonmajor Governmental Funds.....	<u>41,000</u>	<u>25,000</u>	<u>-</u>	<u>66,000 (2)</u>
	<u>\$ 41,000</u>	<u>\$ 25,000</u>	<u>\$ 50,000</u>	<u>\$ 116,000</u>

(1) Represents budgeted transfers from the community preservation major fund to the affordable housing special revenue fund.

(2) Represents a budgeted transfer from the ambulance special revenue fund to the general fund (\$41,000) and a budgeted transfer from the affordable housing trust fund to the community preservation major fund (\$25,000).

NOTE 8 SHORT-TERM FINANCING

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 SHORT-TERM FINANCING (CONTINUED)

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2014 are as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	School Project.....	3/6/13	3/6/14	0.55%	800,000	-	(800,000)	-
BAN	Land Acquisition.....	3/6/13	3/6/14	0.55%	400,000	-	(400,000)	-
BAN	School Project.....	3/6/14	9/5/14	0.55%	-	800,000	-	800,000
BAN	Land Acquisition.....	3/6/14	3/6/15	0.55%	-	400,000	-	400,000
Total.....					\$ 1,200,000	\$ 1,200,000	\$ (1,200,000)	\$ 1,200,000

NOTE 9 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term liabilities during the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Bonds and notes payable.....	\$ 17,169,000	\$ -	\$ (1,009,000)	\$ 16,160,000	\$ 1,000,000
Unamortized premium.....	537,726	-	(51,094)	486,632	41,593
Bonds and notes payable, gross.....	17,706,726	-	(1,060,094)	16,646,632	1,041,593
Net OPEB obligation.....	4,129,164	951,876	(120,435)	4,960,605	-
Compensated absences.....	244,911	2,416	-	247,327	86,002
Total.....	\$ 22,080,801	\$ 954,292	\$ (1,180,529)	\$ 21,854,564	\$ 1,127,595

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate (%)	Outstanding at June 30, 2013	Additions	Deductions	Outstanding at June 30, 2014
Wastewater.....	04/01/26	4.0 - 5.5	\$ 780,000	-	\$ (60,000)	\$ 720,000
Wastewater.....	04/01/26	4.0 - 5.5	715,000	-	(55,000)	660,000
Building construction - school - refunding.....	03/15/19	2.0 - 3.0	70,000	-	(12,000)	58,000
Land acquisition - conservation - refunding.....	03/15/19	2.0 - 3.0	651,000	-	(113,000)	538,000
Building addition - library - refunding.....	03/15/19	2.0 - 3.0	444,000	-	(80,000)	364,000
Fire truck.....	03/15/19	2.0 - 3.0	300,000	-	(51,000)	249,000
School boiler.....	03/15/19	2.0 - 3.0	186,000	-	(31,000)	155,000
Cisterns.....	03/15/19	2.0 - 3.0	129,000	-	(23,000)	106,000
School project.....	11/15/37	2.0 - 4.0	12,908,400	-	(523,400)	12,385,000
Fire truck.....	11/15/30	2.0 - 4.0	410,000	-	(30,000)	380,000
School design.....	11/15/32	2.0 - 4.0	200,200	-	(10,200)	190,000
DPW roll-off truck.....	11/15/29	2.0 - 4.0	145,400	-	(9,400)	136,000
Dump truck.....	11/15/32	2.0 - 4.0	134,000	-	(7,000)	127,000
Cisterns.....	11/15/29	2.0 - 4.0	56,000	-	(4,000)	52,000
Community Septic Management Program.....	02/15/16	0.0	40,000	-	-	40,000
Sub-total.....			17,169,000	-	(1,009,000)	16,160,000
Add: unamortized premium.....			537,726	-	(51,094)	486,632
Total.....			\$ 17,706,726	-	\$ (1,060,094)	\$ 16,646,632

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 LONG-TERM DEBT (CONTINUED)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....\$	1,000,000	\$ 512,496	\$ 1,512,496
2016.....	1,035,000	483,674	1,518,674
2017.....	985,000	452,672	1,437,672
2018.....	975,000	423,445	1,398,445
2019.....	960,000	390,268	1,350,268
2020.....	680,000	354,716	1,034,716
2021.....	680,000	327,516	1,007,516
2022.....	680,000	300,316	980,316
2023.....	680,000	275,799	955,799
2024.....	680,000	254,103	934,103
2025.....	680,000	232,411	912,411
2026.....	680,000	210,573	890,573
2027.....	565,000	188,737	753,737
2028.....	565,000	171,787	736,787
2029.....	565,000	154,837	719,837
2030.....	565,000	137,887	702,887
2031.....	550,000	121,192	671,192
2032.....	530,000	104,962	634,962
2033.....	530,000	89,062	619,062
2034.....	515,000	73,387	588,387
2035.....	515,000	57,615	572,615
2036.....	515,000	41,522	556,522
2037.....	515,000	25,107	540,107
2038.....	515,000	8,369	523,369
Total.....\$	<u>16,160,000</u>	<u>\$ 5,392,453</u>	<u>\$ 21,552,453</u>

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 LONG-TERM DEBT (CONTINUED)

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had the following authorized and unissued debt:

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

*Short-term debt of \$800,000 and \$400,000 has been issued and is outstanding at June 30, 2014 for the school construction project and land acquisition, respectively.

Overlapping Debt

The following table identifies the Town's overlapping debt at June 30, 2014

	Outstanding Overlapping Debt	Overlapping Town Share (%)	Overlapping Town Share (\$)
Concord-Carlisle Regional School District.....	\$ 32,425,000	26.90%	\$ 8,722,325

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

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

The number of participants as of July 1, 2013, the latest actuarial valuation, is as follows:

Active employees.....	171
Retirees and surviving spouses.....	53
Total.....	<u>224</u>

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

	Amount
Annual required contribution.....	\$ 1,007,428
Interest on net OPEB obligation.....	123,875
Adjustment to annual required contribution.....	(179,427)
Annual OPEB cost.....	951,876
Contributions made.....	(120,435)
Increase in net OPEB obligation.....	831,441
Net OPEB obligation at beginning of year.....	4,129,164
Net OPEB obligation at end of year.....	\$ 4,960,605

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012.....	855,189	13.6%	3,343,314
June 30, 2013.....	893,637	12.1%	4,129,164
June 30, 2014.....	951,876	13.5%	4,960,605

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2013, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/13	\$ -	\$ 9,115,689	\$ 9,115,689	0	\$ 10,789,421	84%

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

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

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Methods and Assumptions (Continued) –

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

Valuation date:	July 1, 2013
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years
Interest discount rate:	3.00%
Healthcare/Medical cost trend rate:	9.0% decreasing 1.0% for 4 years to an ultimate level of 5.0% per year
Projected salary increases:	3.50% annually

Allocation of AOPEBC – AOPEBC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General government.....	\$ 88,389
Public safety.....	161,417
Education.....	616,481
Public works.....	67,922
Health and human services.....	14,437
Culture and recreation.....	<u>3,229</u>
Total AOPEBC - governmental activities.....	<u>\$ 951,875</u>

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 FUND BALANCES

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

	General	Community Preservation	School Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Loans.....	\$ -	\$ -	\$ -	\$ 4,987	\$ 4,987
Permanent fund principal.....	-	-	-	186,820	186,820
Sub-total - Nonspendable.....	-	-	-	191,807	191,807
Restricted for:					
Community preservation.....	-	1,344,162	-	-	1,344,162
Affordable housing.....	-	-	-	164,590	164,590
Debt service.....	486,632	-	-	-	486,632
School lunch.....	-	-	-	25,356	25,356
Capital.....	-	-	-	403,291	403,291
General government.....	-	-	-	217,645	217,645
Public safety.....	-	-	-	508,305	508,305
Education.....	-	-	-	393,611	393,611
Public works.....	-	-	-	304,673	304,673
Health and human services.....	-	-	-	127,403	127,403
Culture and recreation.....	-	-	-	446,979	446,979
Sub-total - Restricted.....	486,632	1,344,162	-	2,591,853	4,422,647
Committed to:					
Subsequent year's expenditures.....	352,355	-	-	-	352,355
Continuing appropriations.....	378,291	-	-	-	378,291
Sub-total - Committed.....	730,646	-	-	-	730,646
Assigned to:					
Encumbrances.....	63,504	-	-	-	63,504
Unassigned.....	4,201,762	-	(251,833)	(400,000)	3,549,929
	<u>\$ 5,482,544</u>	<u>\$ 1,344,162</u>	<u>\$ (251,833)</u>	<u>\$ 2,383,660</u>	<u>\$ 8,958,533</u>

NOTE 13 STABILIZATION FUNDS

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

The balance of the stabilization fund at June 30, 2014 totals \$1,185,675 and is reported as unassigned fund balance in the general fund.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 RISK FINANCING

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

The Town participates in a premium-based health care plan for its active and retired employees. The Town also participates in a premium-based workers' compensation plan.

The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 15 PENSION PLAN

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

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

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2014, 2013, and 2012 were \$683,120, \$639,728, and \$660,453, respectively, which equaled its required contribution for each fiscal year.

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$1,376,097 for the fiscal year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17 COMMITMENTS

The Town contracts with Wheelabrator, Inc. to dispose solid waste and make certain payments (i.e., tipping fees) for such disposal at Wheelabrator, Inc.'s facility. The tipping fees payable under the contract for fiscal year 2014 were \$72/ton and totaled approximately \$146,000. Future tipping fees payable under the contract are as follows:

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

NOTE 18 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

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

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. The Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement will also expand pension related note disclosures and required supplementary information. The amount of the Town's portion of the pension liability has not been determined.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

TOWN OF CARLISLE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 22,997,568	\$ -	\$ 22,997,568
Motor vehicle and other excise taxes.....	-	835,000	-	835,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	6,700	-	6,700
Intergovernmental	-	1,235,403	-	1,235,403
Penalties and interest on taxes.....	-	45,000	-	45,000
Licenses and permits.....	-	140,000	-	140,000
Fines and forfeitures.....	-	11,500	-	11,500
Departmental and other.....	-	106,300	-	106,300
Investment income.....	-	26,000	-	26,000
TOTAL REVENUES.....	-	25,403,471	-	25,403,471
EXPENDITURES				
Current:				
General government.....	96,448	1,316,586	58,893	1,471,927
Public safety.....	139,940	2,283,040	45,610	2,468,590
Education.....	61,686	16,409,823	10,125	16,481,634
Public works.....	4,652	1,097,099	80,471	1,182,222
Health and human services.....	16,305	86,620	200,545	303,470
Culture and recreation.....	42,285	907,188	(178,494)	770,979
Pension benefits.....	-	683,120	-	683,120
Employee benefits.....	12,798	1,061,500	(67,150)	1,007,148
Property and liability insurance.....	-	160,000	-	160,000
State and county charges.....	-	71,932	-	71,932
Debt service:				
Principal.....	-	1,009,000	-	1,009,000
Interest.....	-	763,508	-	763,508
TOTAL EXPENDITURES.....	374,114	25,849,416	150,000	26,373,530
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(374,114)	(445,945)	(150,000)	(970,059)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	55,945	-	55,945
Transfers out.....	-	(75,000)	-	(75,000)
TOTAL OTHER FINANCING SOURCES (USES)...	-	(19,055)	-	(19,055)
NET CHANGE IN FUND BALANCE.....	(374,114)	(465,000)	(150,000)	(989,114)
FUND BALANCE AT BEGINNING OF YEAR.....	4,235,350	4,235,350	4,235,350	4,235,350
FUND BALANCE AT END OF YEAR.....	\$ 3,861,236	\$ 3,770,350	\$ 4,085,350	\$ 3,246,236

The accompanying notes are integral part of the financial statements.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	23,018,977	\$ -	\$ 23,018,977	\$ 21,409
	867,114	-	867,114	32,114
	285,282	-	285,282	285,282
	6,323	-	6,323	(377)
	1,246,875	-	1,246,875	11,472
	29,428	-	29,428	(15,572)
	162,637	-	162,637	22,637
	11,789	-	11,789	289
	161,668	-	161,668	55,368
	13,739	-	13,739	(12,261)
	<u>25,803,832</u>	<u>-</u>	<u>25,803,832</u>	<u>400,361</u>
	1,274,731	76,339	1,351,070	120,857
	2,162,594	221,571	2,384,165	84,425
	16,429,736	39,694	16,469,430	12,204
	1,149,668	6,850	1,156,518	25,704
	259,794	15,078	274,872	28,598
	722,895	47,909	770,804	175
	683,120	-	683,120	-
	863,548	34,353	897,901	109,247
	152,639	-	152,639	7,361
	61,600	-	61,600	10,332
	1,009,000	-	1,009,000	-
	<u>762,505</u>	<u>-</u>	<u>762,505</u>	<u>1,003</u>
	<u>25,531,830</u>	<u>441,794</u>	<u>25,973,624</u>	<u>399,906</u>
	<u>272,002</u>	<u>(441,794)</u>	<u>(169,792)</u>	<u>800,267</u>
	55,945	-	55,945	-
	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>
	<u>(19,055)</u>	<u>-</u>	<u>(19,055)</u>	<u>-</u>
	252,947	(441,794)	(188,847)	800,267
	<u>4,235,350</u>	<u>4,235,350</u>	<u>4,235,350</u>	<u>-</u>
\$	<u><u>4,488,297</u></u>	<u><u>3,793,556</u></u>	<u><u>4,046,503</u></u>	<u><u>800,267</u></u>

TOWN OF CARLISLE
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges.....	\$ -	\$ 371,000	\$ -	\$ 371,000
Tax liens.....	-	-	-	-
Penalties and interest on taxes.....	-	-	-	-
Intergovernmental	-	96,588	-	96,588
Investment income.....	-	1,500	-	1,500
TOTAL REVENUES.....	-	469,088	-	469,088
EXPENDITURES				
Current:				
Administrative.....	-	2,000	-	2,000
Acquisitions and projects.....	115,883	312,000	-	427,883
TOTAL EXPENDITURES.....	115,883	314,000	-	429,883
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(115,883)	155,088	-	39,205
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	-	25,000	25,000
Transfers out.....	-	-	(175,000)	(175,000)
TOTAL OTHER FINANCING SOURCE	-	-	(150,000)	(150,000)
NET CHANGE IN FUND BALANCE.....	(115,883)	155,088	(150,000)	(110,795)
FUND BALANCE AT BEGINNING OF YEAR.....	806,418	806,418	806,418	806,418
FUND BALANCE AT END OF YEAR.....	\$ 690,535	\$ 961,506	\$ 656,418	\$ 695,623

The accompanying notes are integral part of the financial statements.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 383,100	\$ -	\$ 383,100	\$ 12,100
145	-	145	145
351	-	351	351
187,424	-	187,424	90,836
1,017	-	1,017	(483)
<u>572,037</u>	<u>-</u>	<u>572,037</u>	<u>102,949</u>
1,750	-	1,750	250
<u>7,543</u>	<u>214,273</u>	<u>221,816</u>	<u>206,067</u>
<u>9,293</u>	<u>214,273</u>	<u>223,566</u>	<u>206,317</u>
<u>562,744</u>	<u>(214,273)</u>	<u>348,471</u>	<u>309,266</u>
25,000	-	25,000	-
<u>(50,000)</u>	<u>(125,000)</u>	<u>(175,000)</u>	<u>-</u>
<u>(25,000)</u>	<u>(125,000)</u>	<u>(150,000)</u>	<u>-</u>
537,744	(339,273)	198,471	309,266
<u>806,418</u>	<u>806,418</u>	<u>806,418</u>	<u>-</u>
<u>\$ 1,344,162</u>	<u>\$ 467,145</u>	<u>\$ 1,004,889</u>	<u>\$ 309,266</u>

△

**TOWN OF CARLISLE, MASSACHUSETTS
PENSION PLAN SCHEDULES
YEAR ENDED JUNE 30, 2014**

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 862,323,395	\$ 1,974,144,909	\$ 1,111,821,514	43.7%	\$ 393,100,995	282.8%
01/01/10	819,987,914	1,743,581,707	923,593,793	47.0%	384,933,571	239.9%
01/01/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEMS)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	\$ 71,233,749	100
2009	74,126,190	100
2010	76,270,263	100
2011	79,640,599	100
2012	83,308,220	100
2013	88,723,254	100

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

TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2009	\$ 522,882	100	0.7%
2010	569,130	100	0.8%
2011	594,740	100	0.8%
2012	660,453	100	0.8%
2013	639,728	100	0.8%
2014	683,120	100	0.8%

**TOWN OF CARLISLE, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE
YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
03/01/08	\$ -	\$ 6,833,708	\$ 6,833,708	0.0%	\$ 9,034,961	76%
07/01/09	-	7,956,352	7,956,352	0.0%	9,197,150	87%
07/01/11	-	7,900,998	7,900,998	0.0%	9,834,071	80%
07/01/13	-	9,115,689	9,115,689	0.0%	10,789,421	84%

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA) for the fiscal year ended June 30, 2014 is presented below:

General Fund

	Revenues	Expenditures	Other Financing Sources (Uses)
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 25,803,832	\$ 25,973,624	\$ (19,055)
<u>Reclassifications</u>			
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	2,211	-	60,055
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	(33,462)	-	-
Net change in recording tax refunds payable.....	205,620	-	-
To record MTRS on-behalf payments.....	1,376,097	1,376,097	-
To record encumbrances and continuing appropriations.....	-	(441,794)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 27,354,298	\$ 26,907,927	\$ 41,000

CPA Fund

	Expenditures
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 223,566
<u>Adjustments</u>	
To record encumbrances and continuing appropriations.....	(214,273)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 9,293

**TOWN OF CARLISLE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE B PENSION PLAN

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

Valuation date:	January 1, 2012
Actuarial cost method:	Entry age normal
Amortization method:	Prior year's total contribution increased by 6.5% for fiscal year 2014 through 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments
Remaining amortization period:	6 years remaining for 2002 ERI liability; 7 years remaining for 2003 ERI liability, 9 years remaining for 2010 ERI liability and 22 years remaining for unfunded liability.
Asset valuation method:	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments:	3.00% of first \$14,000 of retirement income