

# **Section VI Appendix**

**SECTION VI: Appendix**

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## **Appendix: Budget Process**

### **Budget Process**

The Town of Concord operates under state statutes in general; under the Town Charter as amended, which established the present Selectmen-Town Manager form of government; and under various Town bylaws. The legislative body of Concord is an open Town Meeting, in which all voters registered in Concord are permitted to participate. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects, except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations adopted at a Town Meeting require subsequent approval at either a regular Town Meeting or Special Town Meeting. Only the Town Meeting can authorize the transfer of funds between appropriation accounts within the Town Government budget (Article 6, Line Items 1-36 on the 2013 Annual Town Meeting Warrant). Nevertheless, if there happens to be need for an “extraordinary or unforeseen” expenditure, the Finance Committee can authorize additions to appropriation accounts by transferring funds from the appropriated Reserve Fund (Article 6, Line Item 34, proposed at \$225,000).

For the Concord Public Schools budget, state law gives the School Committee the power to authorize transfers within the appropriation total voted by Town Meeting. The regional high schools both are separate political jurisdictions of the Commonwealth that can assess member municipalities but do not have separate taxing powers. The regional school committees have power to authorize transfers within their adopted budgets.

Under the Town Charter and Town bylaws, the Town Manager is required to submit a proposed budget to the Board of Selectmen. The Board of Selectmen in turn is required to transmit to the Finance Committee a copy of the Town Manager’s Proposed Budget, together with its recommendations. Finally, the Finance Committee must make budget recommendations to Town Meeting.

Like prior budgets, this budget has been developed based upon projected assumptions of available revenue. The budget is based upon a budget ceiling or levy limit of revenue derived from local property taxes in accordance with Proposition 2½. Added to these revenues are projections for state aid; miscellaneous revenues, such as fees, permits, and interest earned; and available funds, such as free cash and special revenues. This levy limit may be increased if the Town Meeting adopts a budget requiring an override and the override amount is approved by a majority of voters at the polls.

While the projection of available revenues creates a budget ceiling for the Town, an expenditure floor is created by calculating certain fixed or semi-fixed costs such as debt payments, employee benefits, and various assessments. These costs subtracted from projected revenues leave remaining funds that are available for discretionary spending, such as education, public safety, infrastructure maintenance, and community services.

For the past several fiscal years, this budget development framework has been altered to meet expected fiscal reductions. Departments have been instructed to provide budget requests that level fund non-personnel related line items. These requests were then further adjusted to meet revenue estimates while avoiding major service or personnel reductions.

### **Budget Schedule**

Beginning in September each fiscal year, the key boards and committees discuss budget issues and provide policy guidance to the Town and School staff at a series of working meetings. The Finance Committee issues its budget guidelines to the Board of Selectmen and School Committees by November 30th. With input from these groups, the Town Manager submits the recommended budget to the Board of Selectmen at least 90 days prior to the beginning of the Annual Town Meeting, which begins in late April.

In late February 2012, the Finance Committee holds public hearings on the Town Manager’s recommended budget and on the recommended School budgets. Prior to the first public hearing, all Concord households are mailed a copy of the Town Warrant containing all the financial and non-financial articles to be considered by Town Meeting. A Report from the Finance Committee is mailed to every Concord household prior to the first session of Town Meeting, with specific recommendations and background information. The precise timing of the process varies somewhat from year-to-year. Shown on the following pages are a chart of the budget schedule and a calendar of important dates for developing and acting on the budget.

# Appendix: Budget Calendar

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
	Establish goals; hold planning meeting										
		Depts develop operating & CIP budget requests									
			Depts present budget requests; Finance Comm presents budget guidelines								
					Warrant is open						
					Town Manager reviews budgets & submits them to the Board of Selectmen						
						Departments develop & submit Enterprise Fund budgets to Town Manager					
							Finance Comm holds hearings & completes final recommendations on Town Govt. & School budgets & all articles				
								Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets			
											Town Meeting discusses & adopts Town Govt., Schools, & capital budgets
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

## Appendix: Budget Process

### FY15 Budget Calendar

*This calendar describes the steps leading to adoption of the budget for those accounts overseen by the Town Manager under the jurisdiction of the Board of Selectmen and requiring appropriation by the Town Meeting. The School Superintendent and School Committees carry out similar steps leading to Town Meeting.*

### **2013**

August 20	Capital Improvement Program Instructions issued (FY2015-19)
September 19	FY2015 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
September 20	Budget Instructions issued to all departments, boards and committees
September 24	Capital Improvement Program (FY2015-19) requests due
October 18	FY2015 Operating Budget Requests due
November 4 – November 22	Operating and Capital Budget Requests review: meetings with Town Department Heads and Budget Review Team
November 7	Board of Assessors meet to review draft Classification Report from the Town Assessor
November 14	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2014 property tax rate or rates)
November 18	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2014 (based on FY2014 appropriations voted at April 2013 Town Meeting)
November 21	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 7 (Sat)	Selectmen/Committees Coordination Meeting; planning session for 2014 Annual Town Meeting
December 9	Warrant opened for 2014 Annual Town Meeting
December 13	Preliminary FY2015 Operating Budget recommendations and final recommendations for FY2015-19 CIP compiled by Budget Review Team for Town Manager's review and decisions

**Continued on next page**

## Appendix: Budget Process

### 2014

- January 6 Warrant for Town Meeting closes at 4:00 PM
- January 6 Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2015 Operating Budget submitted to Board of Selectmen
- February 3 90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2015 (General Fund operations and proposed appropriations) is published and submitted to Selectmen. (Also, no later than this date, the Superintendent of Schools submits budgets for Concord Public Schools and Concord-Carlisle Regional High School to the respective School Committees.) Through February, these committees and Finance Committee conduct review.
- February 7 Proposed budgets for FY2015 operations of Enterprise Funds are due from Enterprise Departments
- February 13 Public Hearings advertised (for FY2015 General Fund operations)
- February 14 Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
- February 24 Finance Committee's Public Hearing on Town Manager's General Fund operating and capital budget proposals for FY2015 and other non-school and non-CPA financial articles on the Town Meeting Warrant
- February 26 Finance Committee's Public Hearing on Education budget proposals for FY2015 (Concord Public Schools, Concord-Carlisle Regional High School, and Minuteman Career and Technical High School) and Community Preservation Act article
- March 7 Town Manager's Proposed Budget for FY2015 Enterprise Operations published (10 days prior to Public Hearing)
- March 17 Public Hearing on Enterprise Fund budgets and articles
- March 27 Finance Committee completes its recommendations for Town Meeting
- April 11 Finance Committee Report to printer
- April 24 Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
- May 4 Town Meeting - consideration of budget; enactment of appropriations (first session)

## Appendix: Finance Committee's Budget Guidelines



### Town of Concord

Finance Department  
22 Monument Square  
P.O. Box 535  
Concord, Massachusetts 01742

Date: November 30, 2013

To: Board of Selectman  
Concord Public School Committee  
Concord-Carlisle Regional School Committee  
Mr. Christopher Whelan, Town Manager  
Ms. Diana Rigby, Superintendent of Schools

From: John Hutchins, Chair, Concord Finance Committee  
Wendy Rovelli, Vice-Chair, and Chair, Guidelines Subcommittee

Subject: **FY 2015 Final Budget Guideline**

As required by Town bylaws, the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2014 (FY 2015). The Guideline was adopted with full consideration of the budget requests by each of the three primary budgeting entities, funding recommendations and requests for non-operating budgets, assumptions regarding non-property tax-revenues, use of unused Proposition 2 ½ levy limit capacity, and ultimately the net impact to existing taxpayers.

The Guideline adopted by the Finance Committee directs \$2,690,000 of incremental funds to the operating budgets, which constitutes a 4.08% increase over FY 2014 Operating Budget levels (see FY 2015 Operating Budget Guidelines, page 8). Assuming offsetting contributions from use of the High School Debt Stabilization Fund (\$500,000), the Thoreau MSBA Grant Fund (\$409,878) and contributions from Free Cash (\$850,000), the overall increase in the tax rate to existing taxpayers for FY 2015 is projected to be 3.98%. This guideline results in a projected tax levy totaling \$77,789,817, and a projected unused levy limit capacity of \$3,056,272 (which is 4% under the projected limit).

Several key factors were considered by the Finance Committee at the outset of the guidelines process:

- The outlook for national economic growth, while generally encouraging, is still uncertain with unemployment and consumer debt remaining high and gross domestic product (GDP) projected to grow only minimally. The ongoing congressional stalemate and the inability of Congress to reach a consensus on strategies for controlling the national debt could result in unanticipated impacts on economic growth, as recently observed with the impact of sequestration over the last six months on many activities supported directly and indirectly by the federal budget.

## Appendix: Finance Committee's Budget Guidelines

- The Massachusetts economy is showing improved signs of growth, also evident within Concord as increases in building permit and some local excise taxes have been observed to date. However, growth in local real estate valuations between FY 2013 and FY 2014 remained modest, with an overall increase of 1.49% (based on the FY 2014 Tax Rate Analysis report of the Concord Board of Assessors). Residential valuations, representing 90.6% of total valuations, increased 1.37%.
- The Finance Committee continues to be concerned about the cumulative impact of operating budget increases on rising property tax assessments to Concord taxpayers. Income levels of individual taxpayers vary greatly, and continued property tax increases may cause hardship for taxpayers with fixed and/or low incomes.
- New residential development can impact population growth as well as the mix and demand for town government and school services. The Finance Committee is aware that there are several development projects underway or under consideration; however, the exact timing and impact of these projects is not measurable at this time.
- The Guideline Subcommittee has reaffirmed its belief that it is important to retain an unused levy capacity for as long as possible in order to maintain the town's flexibility to deal with unanticipated expenses and other contingencies.
- Based on information provided to date, the Finance Committee anticipates the Town Government, the Concord Public Schools (CPS) and Concord-Carlisle Regional School District (CCRSD) will be able to prepare FY 2015 budgets that maintain core services and meet critical operating priorities within the recommended Budget Guideline. However, the Finance Committee does recognize that the Guideline allocation falls short of the Concord Public Schools requested budget by \$102,053, the Town Manager's requested budget amount by \$80,000, and Concord's portion of the Concord-Carlisle Regional School District (CCRSD) requested budget amount by \$41,882.
- The Finance Committee will continue to monitor the economic climate as well as the assumptions incorporated in its calculation of funds available for the FY 2015 Operating Budgets. We will continue to work collaboratively with budget authorities to monitor these factors and provide additional responses or recommendations that may be warranted as the FY 2015 budget finalization proceeds, leading up to Town Meeting in May 2015.



## Appendix: Finance Committee's Budget Guidelines

### FY 2015 Budget Guideline

Operating Budget	FY 2012	FY 2013	FY 2014	Guideline Increase	FY 2015	Percent Increase
Town Government	18,124,013	18,724,013	19,474,013	890,000	20,364,013	4.57%
CPS	28,474,200	29,755,538	31,140,538	1,300,000	32,440,538	4.17%
CCRSD*	14,766,221	15,066,221	15,356,221	500,000	15,856,221	3.26%
<b>Operating Budget</b>	<b>61,364,434</b>	<b>63,545,772</b>	<b>65,970,772</b>	<b>2,690,000</b>	<b>68,660,772</b>	<b>4.08%</b>
Other Accounts	13,580,324	13,740,456	14,073,267		14,647,500	4.08%
Excluded Debt Service	5,197,275	4,973,599	6,176,300		6,354,473	2.88%
<b>Total Budget Plan</b>	<b>80,142,033</b>	<b>82,259,827</b>	<b>86,220,339</b>		<b>89,662,745</b>	<b>3.99%</b>

\* Note that the CCRSD figure includes OPEB, health insurance and pension payments within the CCRSD Operating Budget, which for the Town Government & CPS are included in "other accounts". This difference reflects the fact that the CCRSD is a separate governmental entity, and therefore direct comparisons are not advisable.

### Key Assumptions of FY2015 Operating Budget Guideline

- *Town Government:* Funding of Town salaries remains a key priority, coupled with new staffing for a 2<sup>nd</sup> ambulance in West Concord (8:00 am-8:00 pm) to meet increasing demand for public safety services. Staffing will reduce the need to call for mutual aid support from surrounding towns and will improve response times. Additional funding will assist in meeting increased service demands across departments, especially within Planning & Land Management and the Council on Aging.
- *Concord Public Schools (CPS):* Contractual salary obligations alone require a 2.7% increase in Operating Budget expense. Additional funding is needed to support increases in student enrollment, English Language Learners (ELL), support for Special Education students, use of technology to meet educational goals for development of Personalized Learning Plans, and implementation of the new educator evaluation system.
- *Concord-Carlisle High School (CCRSD):* Projected salary escalation is estimated to require a 2.0% increase in Operating Budget expense. Additional increases to special education are necessitated by students matriculating into CCRSD from CPS as well as for increases in students aged 18-22. The guideline accommodates a large incremental increase in Other Post-Employment Benefits (OPEB) consistent with a plan to achieve funding of the Annual Required Contribution by 2020 (the actuarial point at which the annual OPEB contribution would match accrued liabilities as presently projected). The FY 2015 assessment percentage of Concord students enrolled at CCRSD, based according to the Regional Agreement between Concord and Carlisle on enrollment at October 1, 2013, has increased to 73.10% from the FY 2014 assessment ratio of 72.85%. This accounts for \$54,371 of the \$500,000
- FY 2015 CCRSD guideline allocation. The percentage of Concord students is expected to continue to rise in the next few years and will likely remain a critical driver affecting Concord's share of future Operating Budget increases for the remainder of this decade.

## Appendix: Finance Committee's Budget Guidelines

- *The Group Insurance Account*, covering employee and retiree health insurance costs for town government and CPS employees, is projected to remain level-funded again in FY 2015 (and has since FY 2012; see General Fund Budget, page 10, line 9). The ability to control expenses in this area has provided capacity of both the Town government and the CCRSD to establish a realistic and achievable funding schedule to reach the Annual Required Contribution (ARC) by 2020. OPEB remains a significant future liability of the Town, and the strategy for funding this liability will be viewed favorably in the financial market, particularly as bond agencies begin to broadly recognize and incorporate this risk for credit rating purposes.
- *State Aid* remains stable and reimbursement is expected at levels slightly above FY 2014 (see Resource Detail, page 12). Circuit Breaker reimbursement from the state for high cost Special Education student placements is expected to meet the targeted statutory goal of 75%. Pursuant to 603 CMR 10.07 and subject to appropriation by the state legislature annually, local and regional school districts are eligible for reimbursement of special education costs, for each student, equal to 75% of the excess cost that is above four times the prior year's state average per pupil foundation budget. Thus, the ability of the state budget to continue to meet this funding goal is a critical element in our long-term fiscal forecasting.
- *The tax levy from new growth* (new construction and renovations/additions expected to be in place by June 30, 2014, valued by the Board of Assessors and added to the tax roll for FY 2015) is projected at a conservative \$700,000.
- *The FY 2015 guideline* assumes \$500,000 in funding from the High School Debt Stabilization fund and \$409,878 from the Thoreau MSBA grant will be applied to offset the related tax impact of excluded debt (see Resource Detail page 14).
- *Current Unused Levy Capacity* for FY 2014 is \$3,545,295 (see Levy Limit Calculation, page 15). Unused Levy Capacity can be levied in FY 2015 or subsequent years without a town-wide ballot vote and the Finance Committee has incorporated an estimated use of \$489,023 in setting the FY 2015 Budget Guidelines. The projected FY 2015 Unused Tax Levy is \$3,056,272.

### **Free Cash Requirements**

Based on FY 2013 financial results compared to the budget, including town revenues, state aid and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$9,677,000 as of June 30, 2013. While this estimate has yet to be certified by the Commonwealth, it remains well above the Finance Committee's minimum goal of 5% of the total annual budget. To ensure ongoing town flexibility and the importance of maintaining the Town's Aaa bond rating (especially in light of planned long-term bond issuance for the new high school), the Finance Committee recommends Free Cash reserves be targeted at levels close to 10%. In recent years, funds in excess of this target have been considered for transfer to the High School Debt Stabilization Fund, an action requiring a two-thirds approval vote by Town Meeting. The Finance Committee continues to support this strategy as it provides funding flexibility to offset the impact of excluded debt service expense on existing taxpayers.

## Appendix: Finance Committee's Budget Guidelines

The Finance Committee is recommending an allocation of \$850,000 from Free Cash to fund FY 2015 Operating Budget Guidelines, consistent with levels of free cash that have been allocated since FY 2012. The recommended allocation of Free Cash to support operating expenditures is guided by what we anticipate, with a high degree of confidence, will be replenished from operating results each year – both from actual revenues exceeding the budget estimate and actual spending below the appropriation limits.

### Property Tax Impact

The impact of the FY 2015 operation guideline on the property tax levy is projected at 3.98% to existing taxpayers (see Property Tax Data, page 20). The components of the increase are as follows:

Allowed 2.5% increase	2.50%
Use of prior Unused Tax Levy	0.62%
Increased Debt Service on Excluded Debt*	<u>0.87%</u>
	3.98% **

\* *Net of planned allocation from stabilization Funds and MSBA Thoreau grant.*

\*\* *Components do not sum to total due to rounding.*

Based on the current FY 2014 median single family residential home value of \$680,400 and the tax rate for FY 2014 of \$14.45 per thousand, the FY 2015 median tax bill is projected to increase by \$391 (\$58 per each \$100,000 of assessed value).

The estimated tax bill impact will continue to evolve as more information is received about projected revenues and new growth, and as final FY 2015 budgets are developed. The Finance Committee intends, over the next several months, to review all assumptions and recommendations driving the estimated impact of the tax levy on taxpayers for FY 2015, the results of which will be include in the Report of the Finance Committee to be issued in April 2014.

### Looking Ahead

#### **Controlling future tax increases:**

The Finance Committee is mindful that future tax levy increases will be driven in part by increases in town government and school expenses, evolving economic conditions, population changes and increasing demand for services. At the same time, there remains a segment of the population with limited or fixed incomes who cannot easily accommodate increases in their tax bill. The town has been able to balance these needs by taking a conservative approach to budgeting, which has resulted in an actual town-wide tax levy increase on the prior year tax base at or under 2.6% since FY 2011 (see chart on trends in actual tax levy increases, page 22). This has been particularly important as growth in personal income and property values has been limited during this time.

## Appendix: Finance Committee's Budget Guidelines

The Finance Committee has discussed whether we should attempt to establish a goal for what tax levy increase might be sustainable over time. The Finance Committee maintains a Five-Year Forecast model and has simulated the impact of various tax increases based on the current guideline recommendations and assumptions used in our March 2013 model. Results show that, with recurring operating budget increases of 4%, the current unused levy limit capacity would be exceeded by FY 2019. However, with operating budget increases of 3% or less, the unused levy limit capacity would be retained for a significantly longer period of time. Of course actual expenses and revenues will drive the eventual tax levy increases, but the model underscores the resulting risk of recurring operating budget increases beyond the 2.5% to 3% annual range.

### ***Enhanced services:***

While maintaining our focus on the taxpayer impact of our recommendations, the Finance Committee strives to understand what level of funding is minimally necessary to maintain essential services (including state and federal mandates), as well as additional funding for new or enhanced services requested by town government and the schools. The Finance Committee believes it is important for citizens to be aware of these choices and to provide feedback to the Finance Committee as to the value of new or incremental service improvements. The Finance Committee relies upon citizen satisfaction trends, direct feedback and other metrics in establishing our Guideline Recommendations. For example, Public Safety metrics regarding emergency medical services illustrated increased service calls, increasing response times and increasing requests for mutual aid from neighboring communities, providing indisputable evidence of the need to expand the Town's ambulance service and staffing. In this example, we also commend the Town Manager for leveraging available non-tax funding resources in order to manage the tax impact of new staffing changes over time. The Finance Committee will continue to encourage budget entities to develop and share additional metrics for evaluating the need to expand and enhance services in the future.

### ***Benchmarking:***

The Finance Committee established two ad hoc workgroups charged with identification of benchmarks that would help provide comparative metrics on town and school services. We were able to affirm that Concord's tax rate and level of taxes appear to be reasonable and lower than many surrounding towns and other Massachusetts communities having an Aaa bond rating. We will continue to look for ways to measure additional trends including indicators of financial hardship, income levels, and employment rates. The workgroup on school benchmarking identified staffing ratios and average cost/student that are higher than comparable communities (FY 2012 data only), particularly with respect to CCRSD. The results are consistent with explanations provided by the schools, but the value of the extra service support and intangible learning skills are hard to quantify. Metrics for measuring school performance will be evolving with the implementation of the new education evaluation system mandated by the Department of Elementary and Secondary Education (DESE). Implementation of these new standards is a significant challenge for the administration and teachers, but will also result in development of new and more effective measures of student performance (beyond MCAS and SAT scores).

## Appendix: Finance Committee's Budget Guidelines

### ***Pensions, OPEB and Debt repayment:***

One of the most significant challenges facing the town is the increasing burden of unfunded future liabilities for the employer share of pensions and retiree health insurance and the debt repayment costs associated with the building of new schools (Unfunded Liabilities and Outstanding Bonded Debt, page 23). This includes the remaining bonded debt associated with the new High School building, for which approximately \$32,000,000 of additional long-term bonds is expected to be issued in the spring of 2015 and 2017, consistent with the financing plan presented to the Town at the November 2011 Special Town Meeting. Utilization of the High School Debt Stabilization Fund, and the continuing addition of resources to this fund when possible, is an important strategy for limiting the impact of the debt repayment expense, which will represent 4% of our total tax bill by FY 2018. Operating budget allocations for funding of town OPEB obligations, covering town and CPS employees and retirees, began in FY2012 with planned incremental funding of \$250,000 annually from that point. CCRSD has also restored OPEB funding to planned levels in its FY2015 operating budget. Both entities have a strategy to meet their respective ARC by 2020, which is a significant commitment not to "kick the can down the road" and one that illustrates the strong and effective financial leadership of the Town and the Regional School District.

The Finance Committee appreciates the high level of cooperation and collaboration provided by the Town Manager, the Superintendent of Schools and their respective staffs in the development of the Guideline Recommendation. As the budgets progress, the Finance Committee encourages the town government, school administration, board of selectmen and school committees to continue to demonstrate fiscal discipline and to work creatively in controlling costs and developing budgets that are sustainable and continue to meet the needs of the town's citizens

## Appendix: Community Profile

### TOWN OF CONCORD

### COMMUNITY PROFILE

*An excerpt from the Official Statement dated 01-20-10*

#### HISTORY

Purchased from the local Indians and founded in 1635, Concord was the first interior, non-tidewater town in Massachusetts Bay Colony. Though the origin of its name is unknown, one theory is that it derived from the peaceful manner in which the colonists and Indians reached agreement on its purchase and settlement. In fact, relations between the colonists and Indians during the 1600's were such that Concord was largely spared any hostile Indian actions during King Philip's War, which began in 1675. By 1775 Concord had evolved from a frontier town into a prosperous regional center with a mixed society, including small yeoman farmers, affluent gentry, and immigrants from Italy and Norway. In 1775 the town was witness to the famous Battle of Concord, which, along with the Lexington skirmish preceding it, ushered in the Revolutionary War for Independence. In the 19<sup>th</sup> century Concord became the leader of American literature and philosophy. Louisa May Alcott, Bronson Alcott, Ralph Waldo Emerson, Henry David Thoreau, and Nathaniel Hawthorne, among others, all lived in Concord.

As the 20<sup>th</sup> century progressed Concord evolved into primarily a suburban, residential community, with a mix of non-residential activities. The community has focused on preserving its rich Colonial and literary history as a means of promoting tourism and diversity in its economy. Diversity of population is also a major community focus. Concord is a part of the Boston Metropolitan Statistical Area, and a member of the Metropolitan Area Planning Council.

#### GEOGRAPHY

The Town of Concord in Middlesex County in eastern Massachusetts is located approximately 17 miles northwest of Boston, 34 miles northeast of Worcester, and 215 miles northeast of New York City. It is bordered by the towns of Maynard and Acton on the west, Carlisle on the north, Bedford and Lincoln on the east and southeast, and Sudbury and Wayland on the south. Of Concord's 25.89 square miles of gentle hills, valleys, fields, and ponds 24.92 square miles are land area. Concord is situated at the confluence of the Assabet and Sudbury Rivers, which join to flow northeast as the Concord River.

#### TRANSPORTATION AND ACCESS

Access to Concord is excellent, with east-west Route 2 traversing the town, and Route 128/95 (circumferential to Boston) just to the east, Interstate 90 (the Massachusetts Turnpike) several miles to the south, Interstate 93 several miles to the northeast, and Interstate 495 several miles to the west. In addition, there is regular commuter rail service from Boston to both Concord and West Concord, along with freight rail service. The Massachusetts Bay Transportation Authority (MBTA), of which Concord is a member community, provides a para-transit bus service for the elderly and disabled, while Yankee Lines provides bus service (1 trip daily) to Boston. Hanscom Field, a joint civil-military airport, is located in neighboring Bedford, and provides limited commercial air services.

#### FORM OF GOVERNMENT

Local legislative decisions are made by an open Town Meeting consisting of registered voters. Participation in Town Meeting, and volunteerism, are relatively high. Subject to town meeting decisions, and pursuant to the Town Charter adopted in 1956, the Town Manager handles the daily affairs of the Town of Concord and of the Municipal Light Plant. Matters of policy are referred first to the Town's five-member Board of Selectmen. Selectmen are elected at-large and serve three-year staggered terms. The Concord Municipal Light Plant is managed by a five-person board appointed by the Town Manager for staggered three-year terms. The Water/Sewer Division is part of the Public Works Commission managed by a five-person Board of Commissioners appointed by the Town Manager for staggered three-year terms. Local property taxes are assessed by a board of five assessors appointed for staggered three-year terms by the Town Manager with the approval of the Board of Selectmen.

## Appendix: Community Profile

### GOVERNMENT SERVICES

Concord provides a broad range of general governmental services, including police and fire protection; disposal of garbage and rubbish; water and sewer, including a secondary treatment plant; electricity; public works; parks and recreation; a community center; libraries; and a land conservation program. The Concord Housing Authority provides low-income and elderly housing.

### EDUCATION

Concord's school system consists of the Concord Public Schools, grades kindergarten through 8, and the Concord-Carlisle Regional High School, grades 9 through 12. Concord contributes about 70% of the enrollment in the regional high school. Total enrollment is over 3,500, and has been slightly increasing since 1998. Technical education at the high school level is provided by the Minuteman Regional Vocational Technical School District, located in Lexington. Additionally, a number of fine private schools operate in Concord: Nashoba Brooks School, Concord Academy, the Fenn School, and the Middlesex School.

### POPULATION

Although the 2010 Federal Census population figure for Concord is 17,668 (which includes the inmate population at MCI – Concord), a more representative number of residents is calculated by the January 2011 local census that shows a population of 15,627 (not including the prison population). The number of housing units in the Town has increased by 9% from 2000 to 2010, while the Town's population has increased. In addition, the average household size decreased from 2.62 persons per household in 2000 to 2.46 in 2010. Approximately 46% of the town's population in 2010 was between 25 and 54 years of age, with the largest age category being 45-54 years of age. From 2000 to 2010, the median age has increased 11% from 42.2 to 46.9, due in part to the expansion in residential nursing homes and assisted living facilities in the town.

### HOUSING

Within Concord's 26 square miles of territory are approximately 16,000 acres—over 90%—of residentially zoned land, and 600 acres of commercially zoned land. About 45% of the land is developed; approximately 32% of the land is permanently protected open space in the form of private conservation land, trust land, and municipal, state, and federal park lands, and conservation and agricultural lands. Approximately 5,000 acres—about 28% of the land—have not been developed or permanently protected; the majority of these acres are zoned for one- and two-acre residential development. Approximately 21 acres of commercially zoned land remain undeveloped.

Concord's housing stock is in excellent condition. Over half of the housing units have been built since 1950. Those constructed before 1950 are well maintained due to the affluence of the owners, the high value of housing and land, and the increasing turnover rate. Concord has a low vacancy rate of approximately 7% and a high owner-occupancy rate of nearly 93%, two factors that add to the high level of maintenance of housing stock. The rate of residential development in Concord has been relatively stable since the mid-1970s. From 1990 to the present, new residential construction activity has averaged from 25 to 30 units per year. With fewer developable lots available, an increasing number of these new houses are a result of the tear-down of existing homes. As of January 1, 2010 the average household single-family home value was \$840,225, while the median value was \$657,750.

## Appendix: Community Profile

### ECONOMIC DEVELOPMENT

Concord has long recognized the importance of balanced community development. In 1928, the Town adopted one of the first zoning bylaws in the United States, which included districts for residential, business, and industrial uses. Since that time the Town has continued to adopt or expand zoning and comprehensive planning designed to provide an optimum mix of residential and non-residential uses. In addition, the Town has invested considerable capital in providing infrastructure to serve its industrial areas. From 1990 to 2000, the number of firms in Concord reporting to the Massachusetts Department of Employment and Training increased approximately 22%, from 779 to 948. In 2006, there were 929 firms with an average monthly employment of 12,723 and an average weekly wage of \$1,119.

#### The major employers in Concord<sup>1</sup>, excluding the Town itself, are:

Name	Nature of Business	Number of Employees
Emerson Hospital	Healthcare	1,653
300 Baker Avenue	Technology	629
New England Deaconess	Healthcare	271
Concord Health Care	Healthcare	182
Middlesex School	Education	172
Welch Foods	Food Products	170
Concord Academy	Education	155
Hamilton, Brook, Smith & Reynolds	Professional Services	136

<sup>1</sup>As of March, 20 2013.

### INCOME AND EMPLOYMENT

Concord's population is relatively affluent. Median family income in 2011 was \$156,352, and per capita income was \$67,374 compared to \$83,371 and \$35,051, respectively, for the state as a whole. According to the state Department of Employment and Training, in March of 2013, the labor force living in Concord equaled 8,057 persons, of which 7,735 were employed and 322 or 4.0% were unemployed, as compared to the unemployment rate of 6.4% for the state.



## Appendix: Financial Policies

### TOWN OF CONCORD

### FINANCIAL POLICIES

#### OVERVIEW

In order to ensure its financial well-being and fiscal stewardship, the Town Manager has established the following policies and procedures that are financially prudent and in the Town's best economic interest.

Overall, it is the policy of the Town of Concord that financial management be conducted with the objectives of providing municipal service in an efficient, effective, and consistent manner that aligns with public policy goals as set forth by the Board of Selectmen and the Annual Town Meeting. In adherence to this policy, the Town shall pursue the following objectives:

- to set forth operational programs that minimize the cost of government to the extent consistent with services desired by the public;
- to instill public confidence in the Town's financial management;
- to protect and enhance the Town's credit rating and prevent default on any municipal debts;
- to maintain effective financial management that conforms to generally accepted accounting principles for governmental entities as set forth by the Governmental Accounting Standards Board (GASB);
- to simplify, clarify, and modernize the financial systems of the Town as the need occurs;
- to provide safeguards to ensure the quality and integrity of the financial systems.

#### ACCOUNTING, AUDITING, AND FINANCIAL PLANNING POLICIES

1. The Town shall utilize accounting practices that conform to generally accepted accounting principles as set forth by GASB. In accordance with GASB Statement 34, the Town shall track, report, and depreciate capital assets as required.
2. All Town Government funds shall be placed at the highest possible rate, taking into account safety, liquidity, and yield, subject to the constraints established by State law and in compliance therewith.
3. An annual audit shall be performed by an independent public accounting firm.
4. A management letter, a list of areas for potential improvement in the Town's financial management, shall be provided by the independent public accounting firm. Additional findings and recommendations may be communicated in a separate letter.

#### GENERAL FUND POLICIES

1. The annual operating budget shall be balanced. A "balanced budget" for any given fund is defined as a plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues). In short, for a budget to be balanced, proposed expenditures shall not exceed projected resources for the period.

## Appendix: Financial Policies

2. The Town shall explore the utilization of as broad a diversity of revenues as possible under state law to ensure the Town's ability to handle fluctuations in the various sources of revenues with minimal negative impact on the overall budget.
3. One-time revenues shall not be used to fund ongoing expenditures. One-time and unpredictable revenues shall be utilized to fund one-time or intermittent expenditures, or shall be added to reserves.
4. In accordance with state law, debt shall not be used to fund current operating expenditures.
5. Adequate maintenance of reserves is a priority. Free cash, which is the available undesignated fund balance in the General Fund, shall be maintained at a level no less than 5% of the total budget.
6. The Reserve Fund, an appropriated contingency account that is allocated during the year by vote of the Finance Committee pursuant to a request by the Town Manager, shall be used to provide financing for extraordinary or unforeseen expenditures, as required by state law.
7. Property valuation for the purpose of taxation shall meet the annual market value standards set by the state Bureau of Local Assessment.
8. The Tax Collector shall follow a comprehensive policy of collecting property tax revenues. An average collection rate of at least 98 percent of current levy shall be maintained.
9. Charges and fees for services, and other revenues, shall, to the extent feasible, reflect the full cost of the services, and shall be examined periodically (preferably annually) by each department as deemed necessary to respond to changes in the cost of services. Recommendations for charge and fee adjustments shall be provided by the Town departments to the Town Manager for action.
10. The Town shall avoid budgetary procedures that defer the recognition of current expenditures at the expense of meeting future year's expenditures, such as delaying the recognition of expenditure obligations until the next fiscal year.

### FUND BALANCE POLICIES

#### Purpose

The purpose of this policy is to establish a key element of the financial stability of the Town of Concord by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Town maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the Town's general operations.

#### Definitions

**Fund Equity** – A fund's equity is generally the difference between its assets and its liabilities.

**Fund Balance** – An accounting distinction is made between the portions of fund equity that spendable and nonspendable. These are broken up into five categories:

## Appendix: Financial Policies

- 1) ***Nonspendable fund balance*** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds (e.g., funds in which the corpus cannot be spent).
- 2) ***Restricted fund balance*** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include funds which have a restriction through debt covenants, grantors, contributors, or laws or regulation from other governments. The grant from the Massachusetts School Building Authority (MSBA) to mitigate the cost of the construction of new schools is placed in this category.
- 3) ***Committed fund balance*** – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Concord Town Meeting. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. Examples are the School Construction Stabilization Funds and Special Revenue Funds such as the Solid Waste Fund.
- 4) ***Assigned fund balance*** – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body, the Concord Town Meeting, or by an official or body to which the governing body delegates the authority (i.e., the Concord Town Manager). For the general fund, this amount includes encumbered funds, such as in purchase orders, as authorized by the Town Manager or his designee for a specific purpose.
- 5) ***Unassigned fund balance*** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

### **Policy**

#### **1. Committed Fund Balance**

The Concord Town Meeting is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is the approval of a warrant article by the Town Meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

#### **2. Assigned Fund Balance**

The Concord Town Charter in Section 9F designates the Concord Town Manager (or his/her designee) as the official who is empowered to authorize all purchases and/or encumbrances, as applicable, and thus assign fund balance to a specific purpose as provided by this fund balance policy.

#### **3. Certified Free Cash**

The Commonwealth of Massachusetts certifies the amount of amount of available reserves that the Town has at the end of each fiscal year. The Free Cash amount is usually slightly less than the Unassigned Fund Balance in the Financial Statements due to the inclusion of various adjusting items

#### ***Certified Free Cash Level***

It is the goal of the Town of Concord to achieve and maintain a Certified Free Cash balance in the General Fund equal to or greater than ten percent (10%) of the next year's total General Fund Budget. The Town considers a balance of less than five percent (5%) to be cause for concern, barring unusual or deliberate circumstances.

## Appendix: Financial Policies

If Certified Free Cash falls below the above mentioned 5% threshold or has a deficiency, the Town Manager will appoint a committee comprised of Town and School officials and personnel with the charge to recommend actions to be taken to replenish the Certified Free Cash level.

### ***Order of Expenditure of Funds***

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Town Manager, and unassigned fund balance), the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

### **CAPITAL BUDGET POLICIES**

1. A capital item shall be defined as a major, non-recurring expenditure involving one of the following:
  - a. Real Property – includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
  - b. Equipment – includes the replacement or addition of major items of equipment with a life expectancy of at least 2 years and a cost of at least \$5,000. Similar items can be bundled together.
  - c. Projects – include activities such as the following:
    1. Construction of new buildings or facilities (including architectural, engineering and related fees);
    2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities aside from routine maintenance;
    3. Studies or other activities (costing \$5,000 or more) that either relate to future “brick and mortar” projects or are part of a multi-year program of infrastructure improvements;
    4. An annual sum available for routine building improvements, renovations, or repairs.
2. The Town Manager shall prepare a 5-year capital improvement program annually.
3. For the Town Government and Concord Public Schools, the total budget allocation within the levy limit for capital needs (cash capital outlay, principal and interest repayment, related debt issuance costs, and short-term interest expense) shall be in the range of 7-8% of the total General Fund budget.
4. One-third of total capital needs (that is, of the above 7-8% allocation limit) shall be met from current resources, limiting the cost of borrowing to approximately 5% of the total General Fund budget.

### **GENERAL OBLIGATION DEBT POLICIES**

1. As a general policy, the threshold for an item for debt financing shall be an expenditure of at least \$100,000 and a useful life in excess of 5 years.
2. The term of long-term debt shall not exceed the expected useful life of the capital asset being financed, and in general it shall not exceed 20 years.
3. A rapid debt repayment schedule shall be maintained, with a goal of 60% principal repayment within 5 years and 90% repayment within 10 years, for tax-supported non-excluded debt.
4. Debt supported outside the levy limit—that is, through a debt exclusion—may be above the 7-8% allocation limit, and may be structured for a longer repayment schedule; such debt shall be reserved for large capital improvements, generally those costing over \$1 million and bonded for 10 years or more.

## Appendix: Financial Policies

5. For all debt exclusion items, the impact on property tax rates shall be calculated.
6. All debt of the Town shall be issued as general obligation debt. As a policy, debt for enterprises may be paid for from fee revenue rather than through taxes.

### ENTERPRISE FUND POLICIES

1. Rates charged by an enterprise shall be designed to generate enough revenue to cover the full cost of the enterprise (including depreciation expense).
2. Renovation or replacement of an enterprise's capital assets shall be funded with current revenues. Capital assets associated with expansion of service may be funded through borrowing.

### GIFTS AND GRANTS POLICIES

1. All gifts and grants shall be evaluated for suitability and consistency with Town policies.
2. All gifts and donations shall be managed and expended according to the wishes and instructions of the donor; all grants shall be managed to comply with the laws, regulations, and guidance of the grantor.
3. For amounts less than or equal to \$500, the Town Manager shall formally accept the gift. For amounts over \$500, the Board of Selectmen shall formally accept the gift.

### INVESTMENT POLICIES

All funds of the Town, except for trust funds of the Town of Concord Employees' Retirement System, are invested in accordance with Section 55 of Chapter 44 of the Massachusetts General Laws (MGL). That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's Office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any securities that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems. A breakdown of such investments may be obtained from the Finance Director.

Pension funds are under the jurisdiction of the Town of Concord's Employees' Retirement System.

### Fund Descriptions

#### Governmental Funds

Most Town functions are financed through what are called *governmental funds*. There are **four** types of governmental funds maintained by the Town: the General Fund, Enterprise Funds, Special Revenue Funds, and the Capital Projects Fund. The Town Meeting appropriates the General Fund, the Swim & Fitness Center Enterprise Fund, Stabilization Funds, and the Community Preservation Act Fund, in accordance with state law requirements. The Capital Projects Fund accounts for projects funded by issuance of tax-supported debt obligations ("bonds"). All other funds are not appropriated by Town Meeting but are expended under the direction of the Town Manager in accordance with state laws and the Town Charter..

**General Fund:** The General Fund is the major operating fund of the Town government, and it accounts for the majority of Town operations. The General Fund is supported by revenues from real estate and personal property taxes, state and federal aid, excise taxes, investment income, fines and forfeitures, and fees and charges. Most of the Town's departments, including the schools, are supported in whole or in part by the General Fund.

**Enterprise Funds:** The Town maintains four Enterprise Funds: the Sewer Fund, the Water Fund, the Beede Swim & Fitness Center Fund, and the Light Fund (Concord Municipal Light Plant). In addition, the Solid Waste Disposal Fund, which technically is a Special Revenue Fund, is operated as an Enterprise Fund but does not include any capital improvement activity. An enterprise operation is a business-type activity that is supported primarily by charges for services. Funds raised from charges are dedicated to the specific purpose of the enterprise operation and cannot be diverted to other unrelated uses. The concept of an enterprise operation also includes the maintenance of the capital facilities of the business. That is, fees for services are charged to recover not only the operating costs of the activity but also the "using up" (depreciation) of the capital assets supporting the service.

Budgeting and financial reporting for enterprise operations utilizes terms and concepts that differ significantly from those utilized for the General Fund . The purpose of enterprise financial reporting is to measure with reasonable accuracy and consistency the net income derived from operations, and then to measure the availability and use of capital acquisition and construction financing. The presentation of the enterprise budgets utilizes budgetary terms and reporting structure found in the audited financial statements. As such, the key measures are *Net Income* and *Capital Resource Availability*.

**Special Revenue Funds:** The Town maintains several Special Revenue Funds, which are used to account for those types of revenues that are legally restricted to being spent for a specific purpose (except expendable trusts, or major capital projects). These revenues must be accounted for separately from the General Fund for a variety of reasons. Special Revenue Funds include the following types of funds:

1. **Revolving Funds:** Revolving Funds allow the Town to raise revenues from a specific service, and use those revenues to support the service without appropriation. Revolving Funds are established by state statute or local bylaw, and may require re-authorization each year at Town Meeting. The Town maintains a number of Revolving Funds, such as the Cemetery Fund, the Parking Fund and the Recreation Fund.

2. **Receipts Reserved for Appropriation:** These receipts are special revenues that are restricted to a specific use, but also require annual appropriation by Town Meeting, The Road Repair Fund is a "Receipts Reserved" Fund

## Appendix: Fund Descriptions

3. **School Grants:** These grants account for several specially-financed education programs under grants received from the federal or state governments, including professional development, SPED early childhood development, drug-free school programs, and certain capital improvements.

4. **Other Intergovernmental Funds:** These funds account for several grants or monies received by the Town from the federal or state governments, including a variety of community policing grants, Chapter 90 highway monies, state election grants, state library aid, and various Council on Aging programs, such as “meals-on-wheels.”

5. **Other Special Revenue Funds:** These funds account for miscellaneous special revenues often involving private donations for a specific purpose, such as the Arts & Technology Education Fund, departmental gifts for police and fire, various Council on Aging programs, and Planning Board gifts from developers for infrastructure improvements related to proposed projects.

**Capital Projects Fund:** The Capital Projects Fund is used to account for monies expended for the acquisition or construction of major capital facilities (buildings, roads, etc.) other than those financed by trust funds. The Town’s Capital Projects Fund is funded primarily by the receipt of bond proceeds resulting from the Town’s issuance of bonds for specific project grants, but may also be derived from private sources, grants, or transfers from other Town funds.

### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. Fiduciary Funds include expendable trusts, non-expendable trusts, and agency funds.

1. **Expendable Trusts:** Expendable Trusts are used to account for monies received by the Town in a trustee capacity where both the principal and the earnings of the fund may be expended.

2. **Non-expendable Trusts:** These trusts are used to account for funds where the principal must, by law or covenant, remain intact (that is, cannot be expended). Income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. An example is the Cemetery Perpetual Care Fund.

3. **Agency Funds:** Agency Funds are used to account for funds that are custodial in nature, collected and expensed on behalf of other units of government, such as sales taxes and other fees collected collected on behalf of and transmitted to the state government.

### Basis of Accounting & Basis of Budgeting

#### Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become both 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 be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The accrual basis of accounting is utilized by non-expendable trust funds. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

#### Basis of Budgeting

An annual budget is adopted by the Town Meeting for the Town's General Fund. Town Meeting approval is also required for certain special revenue funds and for capital projects funded from borrowing authorizations. The Town's General Fund annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principals (GAAP). The major differences between the budgetary basis and GAAP accounting basis are:

1. Budgeted revenues are recorded when cash is received (budgetary basis), as opposed to when susceptible to accrual (GAAP). The property tax levy is recorded as a receivable when levied but then is fully reserved until collected.
2. Encumbrances are treated as expenditures in the year the commitment is made. Certain appropriations, voted by Town Meeting apart from the main budget articles, are referred to as "Special Articles" and under state law are a continuing authorization until the purposes for which the appropriation was initially made have been certified as completed.. Special Articles are treated as budgetary expenditures in the year of authorization or the ensuing fiscal year as specified in the vote.



## Appendix: Glossary

### A GLOSSARY OF TERMS COMMONLY USED IN MUNICIPAL FINANCE

**Abatement:** A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments.

**Accrual Basis:** In the context of accounting, practice in which expenses and income are accounted for as they are earned or incurred, whether or not they have been received or paid.

**Appropriation:** An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time when it may be expended. Only a vote of Town Meeting or the School Committee can authorize money appropriated for one purpose to be used for another. Any amount which is appropriated may be encumbered. Any part of the general appropriation not spent or encumbered by June 30 automatically reverts to surplus. A specific or particular appropriation is carried forward from year to year until spent for the designated purpose or transferred by Town Meeting vote to another account.

**Assessed Valuation:** The value placed upon a particular property by the local Board of Assessors for the purpose of apportioning the Town's tax levy among individual property owners equitably and in accordance with the legal requirement that property be assessed at "full and fair cash value," certified periodically by the Commonwealth's Commissioner of Revenue (no less frequently than once every three years).

**Audit:** Work done by accountants in examining financial reports, reviewing compliance with applicable laws and regulations, reviewing efficiency and economy of operations, and reviewing effectiveness in achieving program results. A basic audit examines only the financial reports and legal compliance. An outside Certified Public Accountant (CPA) audit is directed primarily toward the expression of an opinion as to the fairness of the financial statements and submission of a management letter. An auditor must be independent of the executive branch of government. A state auditor, private CPA, or public accountant, or elected auditor meets this test.

**Balance Sheet:** A statement which discloses the assets, liabilities, reserves, and equities of a fund or government unit at a specified date.

**Balanced Budget:** A plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues).

**Budget:** A plan of financial operation embodying an estimate of proposed expenditures for a given period (usually a 12-month period referred to as the Fiscal Year, or FY) and the proposed means of financing them. A budget may be preliminary (the financial plan presented to the Town Meeting) or final (the plan approved by that body).

**Capital Budget:** A plan of proposed capital outlays, and the means of financing them for the current fiscal period. It is usually a part of the current budget but may also be a multi-year plan.

## Appendix: Glossary

**Capital Improvement:** A major, non-recurring expenditure involving one of the following:

- a. Real Property - Includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
- b. Equipment - Includes the replacement or addition of major items of equipment with a life expectancy of at least two years and a cost of at least \$5,000. Similar items can be bundled together.
- c. Projects - Include activities such as the following:
  1. Construction of new buildings or facilities (including architectural, engineering, and related fees).
  2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities, aside from routine maintenance.
  3. Studies or other activities (costing \$5,000 or more) that either relate to future "brick and mortar" projects, or are a part of a multi-year program of infrastructure improvements.
  4. An annual sum available for routine building improvements, renovations, or repairs.

**Cherry Sheet:** An annual statement received from the Massachusetts Department of Revenue (DOR) detailing estimated receipts for the next fiscal year from the various state aid accounts, and estimated state and county government charges payable by the Town, and included by the local Assessors in setting the tax rate. The actual receipts and charges may vary from the estimates.

**Classification:** The division of property valuations by type of property. There are five classes: Residential, Open Space, Commercial, Industrial, and Personal. The Selectmen may set as many as three different tax rates (within limits set forth in state law): for residences, for business and personal, and for open space.

**Debt Service:** Payment of interest and principal related to long term debt.

**Depreciation:** A non-cash expense (also known as non-cash charge) that provides a source of available funds. Amount allocated during the period to amortize the cost of acquiring long-term assets over the useful life of the assets. This is an accounting expense not a real expense that demands cash.

**Encumbrance:** Obligations such as purchase orders, contracts, or salary commitments that are chargeable to an appropriation, and for which a part of the appropriation is reserved.

**Enterprise Fund:** A fiscal entity with a self-balancing set of accounts that is utilized to account for a governmental service when it is the intent to recover the total cost of service, including depreciation, primarily through user charges imposed on the consumers of the service. Examples in Concord include: electricity provided by the Concord Municipal Light Plant, and Water and Sewer services provided by the Department of Public Works.

**Equalized Valuation (EQV):** The value of all property as determined by the Commissioner of Revenue biennially, using a standard of "full and fair value"; also referred to as EQV.

**Expenditure:** The spending of money by the Town for the programs or projects within the approved budget.

## Appendix: Glossary

**Fiscal Year (FY):** A 12-month period, commencing July 1 and ending June 30, to which the annual budget applies, and at the end of which a governmental unit determines its financial position and the results of its operations. The number of the fiscal year is that of the calendar year in which it ends; FY2006 is the fiscal year which ends June 30, 2006.

**Free Cash:** Free cash refers to the amount of Fund Balance that is available for appropriation. It is certified each July 1 by the state. Because of the stringent way that the state makes these calculations, Free Cash more closely represents Cash (actual dollars held) than does Fund Balance, which includes a variety of receivables (i.e., cash due).

**Fund:** An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

**Fund Balance:** The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to the stockholders equity account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected (see **Free Cash**).

**General Fund:** The fund into which the general (non-earmarked) revenues of the Town are deposited, and from which money is appropriated to pay expenses.

**General Obligation Bonds:** Bonds issued by the Town that are backed by the full faith and credit of its taxing authority.

**Governmental Funds:** Funds used to organize and separate the finances of various Town activities and objectives. Governmental Fund categories include: the General Fund; Enterprise Funds; Special Revenue Funds; and the Capital Projects Fund.

**Land Fund:** A fund established by Town bylaw in FY1986 to which may be added an annual appropriation, gifts, and grants. The use of the fund is restricted to the acquisition of land, debt service on designated land purchases, and related costs, such as legal and appraisal fees.

**Overlay:** The amount raised from the property tax levy in excess of appropriations and other charges. It cannot exceed 5 percent of the levy, and is used to cover abatements and exemptions granted locally or on appeal.

**Overlay Surplus:** The unused portions of **overlay** accounts from previous years; at the end of each fiscal year, this amount is computed from information provided by the Board of Assessors. Any sum so designated is transferred to, and becomes part of, the General Fund undesignated fund balance.

**Override:** A vote to increase the amount of property tax revenue that may be raised over the levy limit set by **Proposition 2½**.

**Personal Services:** The cost of salaries, wages, and related employment benefits.

## Appendix: Glossary

**Property Tax Levy:** The amount produced by multiplying the assessed valuation of property by the tax rate. The tax rate is expressed per thousand dollars of assessed valuation. For example:

<i>House Value:</i>	\$500,000
<i>Tax Rate:</i>	\$9.83 (which means \$9.83 per thousand \$\$ of valuation)
<i>Levy Calculation:</i>	\$9.83 multiplied by \$500,000 divided by \$1,000.
<i>Result, <b>Property Tax Levy:</b></i>	\$4,915

**Proposition 2½** (see below): A tax limitation measure passed by Massachusetts voters in 1980 that limits the growth of the total property tax levy to 2.5% per year. New construction values are added to this limit. Two provisions of Prop 2½, so-called, allow the Town to raise taxes above this tax levy limit, upon approval by a Town-wide vote: an operating override or a debt exclusion.

**Purchased Services:** The cost of services that are provided by a vendor.

**Reserve Fund:** A fund appropriated each year that may be used only by vote of the Finance Committee for "extraordinary or unforeseen expenditures."

**Revolving Fund:** Those funds that may be used without **appropriation**, and that are established for special uses. Fees (such as for recreation) may be paid into a revolving fund. Revolving funds are established directly by state law or by Town bylaw consistent with state law.

**Tax Levy:** Total amount of dollars assessed in property taxes by the Town each **fiscal year**.

**Warrant:** A list of items to be voted upon at Town Meeting.

### Terms Associated with Proposition 2½

**Excess Levy Capacity:** The difference between the Town's maximum annual tax levy limit as established by Proposition 2½, and its actual **tax levy** for the current year. It is additional **tax levy** that a town could raise without asking voters for an **override** or debt exclusion.

**Growth Revenue:** The amount of property tax revenue that the Town can add to its allowable tax levy as a result of new construction, alterations, subdivision, or change of use of a parcel.

**Primary Levy Limit, or Absolute Limit:** 2.5 percent of certified full and fair cash value of taxable property.

**Secondary Levy Limit, or Annual Levy Limit:** Prior levy limit plus 2.5 percent (base) plus **growth revenue**.