

Section VI

Budget Detail – 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 7, Line Items 1-36 on the 2010 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 7, 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 FY11 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 2010, 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 FY10 budget.

Appendix: Budget Calendar

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Implement Adopted FY10 Budget (Ongoing)											
		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 Mgr & education budgets & all articles				
								Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets			
									Town Meeting discusses & adopts Town, education, & CIP budgets		
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

Appendix: Budget Process

FY10 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.

2009

September 24	FY2011 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
September 28	Budget Instructions issued to all departments, boards and committees
October 16	Capital Improvement Program FY11-15 requests due
October 30	FY2011 Operating Budget Requests due
November 9 – 24	Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team
November 19	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
November 20	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2010 property tax rate or rates)
November 23	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2010 (based on FY2010 appropriations voted at April 2009 Town Meeting)December 5 (Sat)Selectmen/Committees Coordination Meeting; planning session for April 2010 Annual Town Meeting
December 7	Warrant opened for 2010 Annual Town Meeting
December 11	Preliminary FY2011 Operating Budget recommendations and final recommendations for FY11-15 CIP compiled by Budget Review Team for Town Manager's review and decisions

Appendix: Budget Process

2010

January 4	Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2011 Operating Budget submitted to Board of Selectmen
January 4	Warrant for Town Meeting closes at 4:00 PM
January 26	90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2011 (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 5	Proposed budgets for FY2011 operations of Enterprise Funds are due.
February 11	Public Hearings advertised (for FY2011 General Fund operations)
February 12	Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
February 22	Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2011 and all other non-school financial articles on the Town Meeting Warrant
February 24	Finance Committee's Public Hearing on Education budget proposals for FY2011 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
March 18	Finance Committee completes its recommendations for Town Meeting
March 12	Town Manager's Proposed Budget for FY2011 Enterprise Operations published (10 days prior to Public Hearing)
March 22	Public Hearing on Enterprise Fund budgets and Articles
April 5	Finance Committee Report to printer
April 16	Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
April 26	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, 2009
To: Board of Selectmen
Concord Public School Committee
Concord-Carlisle Regional School Committee
Mr. Christopher Whelan, Town Manager
Ms. Diana Rigby, Superintendent of Schools
From: Mr. Mark Howell, Chair of Finance Committee
Mr. Michael Lawson, Vice-Chair, and Chair of Guidelines Subcommittee
Re: **FY 2011 Final Budget Guidelines**

As required by Town by-law, the Finance Committee has voted a Budget Guideline for the fiscal year beginning July 1, 2010 (FY'11). The Guideline was adopted with consideration of the planning numbers provided to the Committee by the three budget authorities in Concord as well as an assessment of estimated non-property tax revenues for the fiscal year. The Guideline adopted by the Finance Committee directs \$1,203,447 of incremental funds to the operating budgets and assumes that \$1,000,000 will be allocated from the Elementary School Debt Stabilization Fund to partially offset the tax impact of FY'11 debt service on long-term serial bonds issued for the Willard School building project. The result is an estimated increase of 2.06% to support operating budgets with an overall estimated levy increase of 3.32%. This guideline level is \$430,253 below the current estimate of Concord's Levy Limit for FY'11.

The Finance Committee has adopted a guideline below the Levy Limit in recognition of a number of issues

- 1) a continuing concern about the stability of non-property tax revenues;
- 2) an assumption that there will be less State Aid in FY'11;
- 3) a concern about Carlisle's ability to support higher assessments for the High School;
- 4) the impact of operating budget increases on the tax payers given the difficult economy and increases in unemployment and foreclosures.

By setting the guideline below the Levy Limit, the Finance Committee is seeking to ensure that the final adopted budgets for FY'11 will remain within the Levy Limit while providing the budgeting authorities with sufficient planning time to prepare budgets within these tight guidelines that will, to the maximum extent possible, maintain current service levels. Continuing financial pressures have significantly restricted our ability to accommodate any further negative adjustments to revenue projections. Given this, if the present forecast of non-property tax sources of revenue for the current and the next budget year worsens, budget reduction will be the principal remaining available tool.

Appendix: Finance Committee's Budget Guidelines

Based on the information available to date, The Finance Committee anticipates that the Town Government, the Concord Public Schools (CPS) and the Concord-Carlisle Regional School District (CCRSD) will be able to prepare FY'11 budgets that maintain core and essential programs within this Guideline. The Finance Committee will continue to carefully monitor the changing fiscal situation for variances from any present assumptions upon which our FY'11 Guideline is based and will continue to work with the budget authorities throughout the FY'11 budget preparation process to monitor factors that may require additional responses. The Finance Committee urges each of the budgeting authorities and their policy-setting boards to prepare and maintain contingency plans for reduction of expenditures and services in FY'11 in the event that the revenue forecast must be lowered.

FY'11 Guideline

Within the Proposition 2 ½ Levy Limit, the Finance Committee recommends the following budget guideline for operating budgets:

	FY10 Budget	FY11 Guideline	\$ Change	% Change	% of FY11 Total
Town Operations	\$17,352,013	\$17,905,013	\$553,000	3.19%	30.0%
CPS	27,699,200	27,699,200	0	0%	46.4%
CCRSD assessment for operations	13,442,936	14,093,383	650,447	4.84%	23.6%
Total	\$58,494,149	\$59,697,596	\$1,203,447	2.06%	100.0%

In our evaluation of information gathered during the guideline process, several factors have led to the above allocations:

- First, the CCRSD continues to manage high out-of-district special education costs for FY'11. Cuts in materials and supplies, originally implemented in FY'09 to manage these unanticipated expenditures were not restored within the FY'10 guideline and will not be significantly improved in FY'11;
- Second, the Town of Carlisle is experiencing extreme pressure on its budgets due to an almost 2% increase in its share of the FY'11 CCRSD assessment, based upon enrollment numbers. While the needs at the region are substantial, allocating additional funds would be difficult for Carlisle;
- Third, the Finance Committee concluded that operational needs of the Town Government and the Concord Public Schools (CPS, grades K-8) could each be funded at the levels identified for the essential needs projected for FY'11 by the Town Manager and the Superintendent of Schools.

The Finance Committee chose to allocate the available incremental funds in a way that recognizes challenges embedded in the CCRSD and Town Government operational presentations and the relatively healthier position of CPS. CPS has brought forward a plan for a 0%, \$0 budget increase, which contains rising core costs through reductions and good performance in key areas such as Special Education. The ability to do this in these times should be acknowledged as a significant contribution to the overall Town Finances.

Appendix: Finance Committee's Budget Guidelines

The Finance Committee also proposes an allocation of \$600,000 from the Town's Free Cash balance to reduce the cost to taxpayers and meet the core needs of the three budget entities. This is the same allocation as the current budget year, although in FY'10 an additional \$440,000 was also allocated to support early long-term financing of part of the Willard School construction. \$600,000 represents approximately 1.02% of the FY'11 operating budgets. The free cash allocation for the last six years has been in the 0.8% to 1.04% range.

Key Assumptions

The Finance Committee Guideline assumes that FY'11 state aid will decline by about 10% for the Town and the Regional High School. Unused Levy Capacity for the current year (FY'10) is \$912,194, based upon the current year property tax rate set by the Board of Selectmen on November 16th. In other words, the current year property tax levy is below the Levy Limit. This amount may be levied in FY'11, and the Finance Committee has incorporated part of this allowance into the FY'11 budget planning. The tax levy from New Growth – essentially new construction and renovations/additions expected to be completed by June 30, 2010 and added to the tax roll for FY'11 – is projected at a conservative \$600,000. Other revenue sources are estimated to increase by \$105,000 (about 2.3% overall). The Finance Committee will continue to carefully monitor FY'10 performance in this area for any signs of deterioration that could also affect FY'11 projections. Finally, the 2.5% increment allowed for the Levy Limit for FY'11 equals an estimated \$1,554,928.

FY11 Estimated General Fund Revenue Changes and net available for operating budget guidelines

•Allowed increase in Levy Limit (+2.5%)	\$ 1,554,928	
•Levy Increase due to estimated New Growth	600,000	
•Available due to Unused Levy Limit of FY'10	912,194	
•Estimated increase in Local Receipts	105,000	
•Increase in CMLP transfer	25,000	
•Decrease in Free Cash allocation	(440,000)	
•Estimated decrease in State Aid	<u>(408,876)</u>	
Subtotal, available for Town Budget		\$ 2,348,246
•Increase in Cost for Joint Accounts	(622,400)	
•Increase in Cost for Miscellaneous Items	<u>(92,147)</u>	
Net available for operating budgets		\$ 1,633,699

Applied

•Reserved in Unused Levy Limit	\$ 430,252
•Available for Operating Budget Guidelines	\$ 1,203,447

Appendix: Finance Committee's Budget Guidelines

All of these projected revenue changes within the estimated FY'11 Levy Limit sum to \$2,348,246 (an increase of 3.1%), but as noted above the Guideline leaves \$430,253 unallocated. This unused capacity creates the ability to adjust allocations within the Levy Limit in the event that estimates of other revenues or State Aid must be decreased prior to the adoption of FY'11 budgets at the 2010 Town Meeting.

Free Cash Requirements

Based on FY'09 financial results, including town revenues, state aid, and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$8,400,000 as of June 30, 2009. This amount is still only an estimate; the Free Cash level has not yet been certified by the state. The Finance Committee's policy has been to reserve a minimum of 5% of the total annual budget in Free Cash, as a floor. Under the current policy, the Committee will recommend reserving about \$3,875,000, leaving more than \$4.5 million in the account and remaining available for emergencies and/or long-term strategic allocation.

The Finance Committee is recommending maintaining the amount of Free Cash allocated to the FY'11 Levy Limit Budget Guideline at \$600,000 representing approximately 1% of the FY'11 proposed operating budget. The strong financial performance of the Town over the last few years has allowed for Free Cash to be replenished at a healthy rate. Throughout the months leading up to the April 2010 Annual Town Meeting, the Finance Committee will monitor new revenue data against projections and reconsider the recommended allocation of Free Cash as needed.

Property Tax Impact

The impact of the FY'11 Levy Limit Guideline on the property tax levy is projected at +3.24% to existing taxpayers (about \$278 at the FY'10 current median single-family residential assessed value of \$656,700).

The components of the 3.24% increase projected for existing taxpayers are:

- 2.50% - the allowed 2.5% increase
- 0.59% - from partial use of the prior Unused Levy Limit
- 0.15% - increased debt service on Excluded Debt, net of \$1,000,000 proposed to be allocated from the Stabilization Fund.

Other Assumptions

The significant increase in CCRSD out-of-district special education costs for FY '08 and FY '09 has begun to abate. The District has taken substantial steps to contain these costs; however, the State has also indicated that it will not be likely to continue to provide Special Education Circuit Breaker reimbursements at the levels that were received in FY '08 and FY '09. As a result, even though actual expenditures for Special Education are expected to decrease in FY'11, net expenses will rise due to reduced State support. The Finance Committee is aware that these expenses continue to severely constrain department budgets for supplies and materials at the High School.

The assessment for the Minuteman Regional School District is unknown at this time. An increase \$100,000 was used for guideline calculation purposes. The number of Concord students enrolled has remained stable. The Finance Committee is monitoring this situation closely.

Appendix: Finance Committee's Budget Guidelines

Comments

Support for Town and School services in Concord remains strong. After six consecutive years of Proposition 2 ½ override budgets (FY '02 to FY '07), the FY '11 Guideline will require that expenses remain inside the levy limit capacity of the Town for the fourth year in a row. For FY'08 and FY'09, this has occurred partially as a result of unanticipated increases in state aid. During FY'09, however, we experienced mid-year reductions in aid from the State which were contained through cost-control measures by the Town and the Schools. It is therefore prudent to hold costs to modest increases as state aid may be withdrawn again in either FY'10, FY'11 or both. The conservative approach toward spending maintained by Concord's budget authorities, along with the strong management of both Town and School budgets, has also contributed to our current favorable position. The Finance Committee recommends continued vigilance in control of spending given current economic conditions.

There has been significant coordination with Carlisle to establish the high school assessment guideline. In order to provide for an orderly process, the Carlisle Finance Committee has indicated that it will probably be able to support the CCRSD FY'11 budget at the level allocated in this Guideline, but that it will most likely require an override in that town. The High School operating budget increase supported at the guideline level is estimate at 5%, but the Carlisle assessment will rise over 16% due to the assessment shift. Concord's operating assessment will increase by 4.85%. The Concord Finance Committee recognizes that this Guideline does not restore some of the severe cuts in supplies implemented at the High School and may require some program reductions to achieve.

Conclusion

The Finance Committee appreciates the cooperative spirit with which the Town Manager and the Superintendent of Schools have approached this part of the budget development process. As we move forward, the Finance Committee anticipates that Town and School administrators will continue to maintain fiscal discipline, work creatively to control costs, and develop budget proposals that may be sustained within limited resources in the coming years.

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Willard School Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 8,813,867	\$ 5,124,847	\$ 15,987,181	\$ 29,925,895
Investments	9,071,335	-	6,306,461	15,377,796
Receivables:				
Property taxes	1,462,386	-	9,882	1,472,268
Excises	89,077	-	-	89,077
Departmental	174,622	-	622,038	796,660
Intergovernmental	120,017	-	695,418	815,435
Accrued interest and other	236,816	-	-	236,816
TOTAL ASSETS	\$ 19,968,120	\$ 5,124,847	\$ 23,620,980	\$ 48,713,947
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 1,779,498	\$ -	\$ 1,638,629	\$ 3,418,127
Accrued liabilities	1,945,030	957,905	373,129	3,276,064
Deferred revenue	1,612,742	-	618,127	2,230,869
Notes payable	-	12,500,000	-	12,500,000
Other liabilities	390,225	-	-	390,225
TOTAL LIABILITIES	5,727,495	13,457,905	2,629,885	21,815,285
Fund Balances:				
Reserved for:				
Encumbrances	4,298,170	-	-	4,298,170
Expenditures	1,040,000	-	-	1,040,000
Perpetual (nonexpendable) permanent funds	-	-	3,728,276	3,728,276
Unreserved:				
Undesignated, reported in:				
General fund	8,902,455	-	-	8,902,455
Special revenue funds	-	-	15,286,237	15,286,237
Capital project funds	-	(8,333,058)	1,889,419	(6,443,639)
Permanent funds	-	-	87,163	87,163
TOTAL FUND BALANCES	14,240,625	(8,333,058)	20,991,095	26,898,662
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,968,120	\$ 5,124,847	\$ 23,620,980	\$ 48,713,947

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Except for the Electric Enterprise Fund, which is as of December 31, 2008)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 29,925,893	\$ 26,744,953	\$ 56,670,846
Investments	15,377,797	1,591,658	16,969,455
Receivables, net of allowance for uncollectibles:			
Property taxes	660,098	-	660,098
Excises	55,689	-	55,689
User fees	174,622	4,660,371	4,834,993
Betterments	-	83,000	83,000
Departmental and other	622,038	-	622,038
Intergovernmental	815,435	-	815,435
Inventory	-	57,083	57,083
Materials and supplies	-	760,392	760,392
Prepaid expenses	-	464,811	464,811
Other assets	236,816	324,744	561,560
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	488,876	-	488,876
Betterments	-	1,573,184	1,573,184
Capital assets being depreciated, net	79,497,523	81,840,419	161,337,942
Capital assets not being depreciated	<u>70,343,295</u>	<u>5,884,048</u>	<u>76,227,343</u>
TOTAL ASSETS	198,198,082	123,984,663	322,182,745
LIABILITIES			
Current:			
Warrants payable	3,418,127	2,100,605	5,518,732
Accrued liabilities	3,181,786	809,053	3,990,839
Unearned revenue	-	1,283,966	1,283,966
Customer deposits	-	347,188	347,188
Provision for rate stabilization	-	11,059,355	11,059,355
Notes payable	12,500,000	-	12,500,000
Other current liabilities	390,225	-	390,225
Current portion of long-term liabilities:			
Bonds payable	5,031,169	1,948,180	6,979,349
Accrued employee benefits	402,230	14,044	416,274
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	44,016,978	20,722,911	64,739,889
Accrued employee benefits, net of current portion	3,620,071	228,145	3,848,216
Estimated landfill closure and postclosure care costs, net of current portion	220,000	-	220,000
OPEB	<u>1,926,815</u>	<u>109,218</u>	<u>2,036,033</u>
TOTAL LIABILITIES	74,717,401	38,622,665	113,340,066
NET ASSETS			
Invested in capital assets, net of related debt	94,349,032	65,053,376	159,402,408
Restricted for:			
Grants and other statutory restrictions	9,502,033	2,240,091	11,742,124
Permanent funds:			
Nonexpendable	3,728,276	-	3,728,276
Expendable	87,163	-	87,163
Unrestricted	<u>15,814,177</u>	<u>18,068,531</u>	<u>33,882,708</u>
TOTAL NET ASSETS	\$ <u>123,480,681</u>	\$ <u>85,361,998</u>	\$ <u>208,842,679</u>

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2009

Total governmental fund balances	\$ 26,898,662
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	149,840,818
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,874,186
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(565,867)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, and OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(54,567,118)</u>
Net assets of governmental activities	<u><u>\$ 123,480,681</u></u>

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	General	ARRA Funds	Willard School Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 62,218,910	-	-	\$ 821,432	\$ 63,040,342
Excise taxes	2,822,332	-	-	-	2,822,332
Penalties, interest and other taxes	148,420	-	-	-	148,420
Departmental	1,026,514	-	-	3,456,848	4,483,362
Licenses and permits	707,516	-	-	-	707,516
Fines and forfeitures	100,853	-	-	16,724	117,577
Intergovernmental	8,348,479	226,606	-	3,447,554	12,022,639
Investment income (loss)	791,358	-	-	(1,373,912)	(582,554)
Contributions	-	-	-	507,008	507,008
Other	110,114	-	-	238,220	348,334
Total Revenues	76,274,496	226,606	-	7,113,874	83,614,976
Expenditures:					
Current:					
General government	4,270,048	-	-	2,265,428	6,535,476
Public safety	7,095,480	-	-	593,789	7,689,269
Education	44,855,013	226,606	-	2,409,063	47,490,682
Public works	3,283,542	-	-	1,881,008	5,164,550
Snow and ice	739,995	-	-	-	739,995
Health and human services	379,410	-	-	45,399	424,809
Culture and recreation	2,039,700	-	-	1,721,079	3,760,779
Employee benefits	6,955,978	-	-	95,265	7,051,243
Debt service	5,930,392	-	-	-	5,930,392
Capital outlay	-	-	18,220,253	-	20,376,929
Intergovernmental	353,725	-	-	-	353,725
Total Expenditures	75,903,273	226,606	18,220,253	11,167,707	105,517,839
Excess (Deficiency) of revenues over expenditures	371,223	-	(18,220,253)	(4,053,833)	(21,902,863)
Other Financing Sources (Uses):					
Issuance of bonds	-	-	11,900,000	2,946,061	14,846,061
Transfers in	1,887,639	-	100,000	5,638,923	7,626,562
Transfers out	(2,995,666)	-	-	(3,033,895)	(6,029,561)
Total Other Financing Sources (Uses)	(1,108,027)	-	12,000,000	5,551,089	16,443,062
Changes in fund balances	(736,804)	-	(6,220,253)	1,497,256	(5,459,801)
Fund Balances, at Beginning of Year, as restated	14,977,429	-	(2,112,805)	19,493,839	32,358,463
Fund Balances, at End of Year	\$ 14,240,625	\$ -	\$ (8,333,058)	\$ 20,991,095	\$ 26,898,662

Note: The Willard School Project Funds exist to account for a specific construction project. Fluctuations in the Fund Balances therefore reflect various stages of the construction project, not improving or worsening fiscal health.

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

(Except for the Electric Enterprise Fund, which is as of December 31, 2008)

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
General government	\$ 8,156,992	\$ 583,335	\$ -	\$ (7,240,107)	\$ -	\$ (7,240,107)
Public safety	10,891,957	465,565	-	(8,920,474)	-	(8,920,474)
Education	51,015,323	8,043,953	-	(42,381,226)	-	(42,381,226)
Public works	6,892,561	139,595	469,465	(5,221,426)	-	(5,221,426)
Health and human services	642,124	135,815	-	(482,902)	-	(482,902)
Culture and recreation	4,856,597	23,407	97,220	(3,129,158)	-	(3,129,158)
Debt service interest	1,837,251	-	-	(1,837,251)	-	(1,837,251)
Intergovernmental	353,725	-	-	(353,725)	-	(353,725)
Total Governmental Activities	84,646,530	9,305,274	566,685	(69,566,269)	-	(69,566,269)
Business-Type Activities:						
Water services	2,617,205	-	-	-	913,986	913,986
Sewer services	2,848,317	-	-	-	(199,478)	(199,478)
Electric services	15,807,354	-	-	-	1,225,516	1,225,516
Swim Services	2,210,992	-	-	-	326,771	326,771
Total Business-Type Activities	23,483,868	-	-	-	2,266,795	2,266,795
Total	\$ 108,130,398	\$ 9,305,274	\$ 566,685	(69,566,269)	2,266,795	(67,299,474)
General Revenues and Transfers:						
Property taxes				63,401,962	-	63,401,962
Excises				2,798,807	-	2,798,807
Penalties, interest and other taxes				148,420	-	148,420
Grants and contributions not restricted to specific programs				1,828,571	-	1,828,571
Investment income (loss)				(428,244)	790,018	361,774
Other income (expenses)				801,186	(428,890)	372,296
Transfers, net				1,597,001	(1,032,175)	564,826
Total general revenues and transfers				70,147,703	(671,047)	69,476,656
Change in Net Assets				581,434	1,595,748	2,177,182
Net Assets:						
Beginning of year				122,899,247	83,766,250	206,665,497
End of year				\$ 123,480,681	\$ 85,361,998	\$ 208,842,679

Appendix: Excerpts from FY09 Audited Financial Statements

TOWN OF CONCORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(5,459,801)																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital outlay purchases, net of dispositions</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">22,000,067</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(3,191,430)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">338,095</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(15,168,170)</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">4,191,851</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(98,710)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Increase in compensated absences</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(103,653)</td> </tr> <tr> <td>Increase in OPEB liability</td> <td></td> <td style="text-align: right;"><u>(1,926,815)</u></td> </tr> </table> 			Capital outlay purchases, net of dispositions		22,000,067	Depreciation		(3,191,430)			338,095	Issuance of debt		(15,168,170)	Repayments of debt		4,191,851			(98,710)	Increase in compensated absences		(103,653)	Increase in OPEB liability		<u>(1,926,815)</u>
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		(98,710)																								
Increase in compensated absences		(103,653)																								
Increase in OPEB liability		<u>(1,926,815)</u>																								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>581,434</u>																								

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 19th 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 20th 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 2000 Federal Census population figure for Concord is 16,993 (which includes the inmate population at MCI – Concord), a more representative number of residents is calculated by the January 2009 local census that shows a population of 15,397 (not including the prison population). As the number of housing units in the Town has increased by 4% from 1990 to 2000, the actual population has decreased. Consistent with these two trends, there has been a decrease in average household size from 2.69 persons per household in 1990 to 2.62 in 2000. Approximately 43% of the town's population in 2000 was between 25 and 54 years of age, with the largest age category being 35-44 years of age. The median age has increased 10% from 38.4 to 42.2, 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 3% and a high owner-occupancy rate of nearly 95%, 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. Single family homes account for 80% of Concord's housing units. As of **January 1, 2008** the average single-family home value was \$899,866, while the median value was \$707,100. According to the 2000 Federal Census, Concord's median value of occupied non-condominium houses was nearly 2.5 times the value reported state-wide (\$453,400 versus \$185,700).

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 Concord¹, excluding the Town itself, are:

Name	Nature of Business	Number of Employees
Emerson Hospital	Healthcare	1,600
Baker Avenue ²	Technology	1,309
Army Corps of Engineers	Government	320
Sybase Corporation	Technology	290
Welch Foods	Food Products	221
New England Deaconess	Healthcare	220
Concord Health Care	Healthcare	183
Middlesex School	Education	169
Hamilton, Brook, Smith & Reynolds	Professional Services	136
AECOM (formerly Earth Tech)	Professional Services	109

¹As of January 2009.

²Includes Solid Works Corp., One Source Information Services.

INCOME AND EMPLOYMENT

Concord's population is relatively affluent. Median family income in 2000 was \$115,839, and per capita income was \$51,477 compared to \$61,664 and \$25,952, respectively, for the state as a whole. According to the state Department of Employment and Training, in November of 2008, the labor force living in Concord equaled 7,779 persons, of which 7,478 were employed and 301 or 3.9% were unemployed, as compared to the unemployment rate of 5.5% 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.

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.

Appendix: Financial Policies

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.
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.

Appendix: Financial Policies

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, three Enterprise Funds, several Special Revenue Funds, and the Capital Projects Fund. The Town Meeting appropriates the General Fund.

General Fund: The General Fund is the major operating fund of the Town government, and it accounts for the vast 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: one for the Sewer Division of Public Works, one for the Water Division of Public Works, one for the Beede Swim & Fitness Center, and one for the Concord Municipal Light Plant. In addition, the Solid Waste Disposal Fund, which technically is a Special Revenue Fund, is treated as an Enterprise Fund, but without any capital improvement activity. An enterprise operation is a business-type activity supported primarily by charges for services received. 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 investments supporting the service.

Budget and financial reports for enterprise operations utilize terms and concepts that differ significantly from those utilized for General Fund tax-supported reports that are the routine focus of public attention. 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 concepts, and the reporting structure found in the audited financial statements for the same enterprise funds. 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, and do not necessarily follow the same fiscal year as the General Fund. In addition to the Solid Waste Disposal Fund, which is treated as an Enterprise Fund, 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 statute or bylaw, and may require re-authorization each year at Town Meeting. The Town maintains a number of Revolving Funds, such as the Road Repair and Recreation Revolving Funds.

2. **Receipts Reserved for Appropriation:** These receipts are special revenues that are restricted to a specific use, but also require appropriation by Town Meeting, such as sewer betterment fees, monies from the sale of cemetery lots and graves, conservation wetland protection fees, and the proceeds from the sale of Town property.

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 used 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. An example of an expendable trust fund is the Town’s Stabilization Fund.

2. **Non-expendable Trusts:** These trusts are used to account for trusts where the principal must remain intact (that is, cannot be expended). Generally income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. An example is the Cemetery Department’s Principal Care Trust.

3. **Agency Funds:** Agency Funds are used to account for funds that are custodial in nature, and do not involve the measurement of operations, such as the fund for the Town’s deferred compensation plan.

Account Groups

The last category of funds maintained by the Town is the General Long-term Debt Account group, which accounts for the balances due on long-term debt that the Town has financed.

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 capital projects and 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 budget basis and GAAP basis of accounting are that:

1. Budgeted revenues are recorded when cash is received, except for real estate and personal property revenues, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
2. Encumbrances are treated as expenditures in the year the commitment is made. Also, certain appropriations, known as special articles, do not lapse, and are treated as budgetary expenditures in the year they are authorized.

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, Property Tax Levy:</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**.