

TOWN OF CONCORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Concord, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (except for the Concord Municipal Light Plant), and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of and for the year ended June 30, 2012, (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which is as of and for the year ended December 31, 2011) which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Concord's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Concord Municipal Light Plant (Electric Enterprise Fund), a major enterprise fund, which also represents 47% and 75% of the assets and operating revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the Electric Enterprise Fund and its effects on the business-type activities, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Concord Municipal Light Plant, a major proprietary fund, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

The financial statements of the Concord Municipal Light Plant Electric Enterprise Fund are presented in conformity with the accounting practices prescribed by the Massachusetts Department of Public Utilities, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, based on our audit and the report of other auditors, and except for the information described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Concord, as of June 30, 2012, (except the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Equity for nonmajor funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to pre-

pare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson, Heath + Company P.C.

April 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Concord, we offer readers this narrative overview and analysis of the financial activities of the Town of Concord for the fiscal year ended June 30, 2012. Unless otherwise noted, **all amounts reported in this analysis are expressed in thousands.**

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$227,868 (i.e., net assets), a change of \$5,281 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$45,335, a change of \$3,083 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,284, a change of \$84 in comparison to the prior year.
- Total bonds payable as of June 30, 2012 was \$75,394 a change of \$(5,164) in comparison to the prior year. Governmental bonds payable of \$53,562 decreased by \$(2,954). Business-type bonds payable of \$21,832 decreased by \$(2,210).

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 51,996	\$ 49,596	\$ 38,321	\$ 42,935	\$ 90,317	\$ 92,531
Capital assets	155,634	156,698	87,616	85,192	243,250	241,890
Total assets	<u>207,630</u>	<u>206,294</u>	<u>125,937</u>	<u>128,127</u>	<u>333,567</u>	<u>334,421</u>
Long-term liabilities outstanding	64,260	65,798	22,800	20,776	87,060	86,574
Other liabilities	<u>4,576</u>	<u>5,376</u>	<u>14,063</u>	<u>19,884</u>	<u>18,639</u>	<u>25,260</u>
Total liabilities	<u>68,836</u>	<u>71,174</u>	<u>36,863</u>	<u>40,660</u>	<u>105,699</u>	<u>111,834</u>
Net assets:						
Invested in capital assets, net	104,111	100,788	65,319	61,420	169,430	162,208
Restricted	23,909	21,997	3,884	4,138	27,793	26,135
Unrestricted	<u>10,774</u>	<u>12,335</u>	<u>19,871</u>	<u>21,909</u>	<u>30,645</u>	<u>34,244</u>
Total net assets	<u>\$ 138,794</u>	<u>\$ 135,120</u>	<u>\$ 89,074</u>	<u>\$ 87,467</u>	<u>\$ 227,868</u>	<u>\$ 222,587</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,742	\$ 6,249	\$ 36,793	\$ 37,463	\$ 43,535	\$ 43,712
Operating grants and contributions	8,830	9,107	-	-	8,830	9,107
Capital grants and contributions	650	364	-	-	650	364
General revenues:						
Property taxes	68,892	66,848	-	-	68,892	66,848
Excises	3,016	2,823	-	-	3,016	2,823
Penalties and interest on taxes	861	468	-	-	861	468
Grants and contributions not restricted to specific programs	1,681	1,592	-	-	1,681	1,592
Investment income	269	2,147	96	125	365	2,272
Other	2,240	1,515	12	(182)	2,252	1,333
Total revenues	<u>93,181</u>	<u>91,113</u>	<u>36,901</u>	<u>37,406</u>	<u>130,082</u>	<u>128,519</u>
Expenses:						
General government	8,877	7,982	-	-	8,877	7,982
Public safety	11,796	11,405	-	-	11,796	11,405
Education	55,738	55,281	-	-	55,738	55,281
Public works	7,267	7,706	-	-	7,267	7,706
Health and human services	723	757	-	-	723	757
Culture and recreation	4,624	4,828	-	-	4,624	4,828
Interest on long-term debt	1,861	1,940	-	-	1,861	1,940
Intergovernmental	428	423	-	-	428	423
Water services	-	-	2,733	2,817	2,733	2,817
Sewer operations	-	-	3,264	3,091	3,264	3,091
Electric operations	-	-	25,954	26,688	25,954	26,688
Swim operations	-	-	2,179	2,169	2,179	2,169
Total expenses	<u>91,314</u>	<u>90,322</u>	<u>34,130</u>	<u>34,765</u>	<u>125,444</u>	<u>125,087</u>
Change in net assets before transfers	1,867	791	2,771	2,641	4,638	3,432
Transfers in (out)	<u>1,807</u>	<u>1,701</u>	<u>(1,164)</u>	<u>(1,129)</u>	<u>643</u>	<u>572</u>
Change in net assets	3,674	2,492	1,607	1,512	5,281	4,004
Net assets - beginning of year	<u>135,120</u>	<u>132,628</u>	<u>87,467</u>	<u>85,955</u>	<u>222,587</u>	<u>218,583</u>
Net assets - end of year	<u>\$ 138,794</u>	<u>\$ 135,120</u>	<u>\$ 89,074</u>	<u>\$ 87,467</u>	<u>\$ 227,868</u>	<u>\$ 222,587</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$227,868, a change of \$5,281 from the prior year.

The largest portion of net assets \$169,430 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This is a change of \$7,222 over the prior year. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$27,793, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$23,037; and
- Expendable and nonexpendable trust fund assets, \$4,756.

The remaining balance of unrestricted net assets, \$30,645, may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$10,774 is in governmental activities funds, a change of \$(1,561) from the prior year;
- \$19,871 is in business-type activities funds, a change of \$(2,038) from the prior year.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$3,674. Key elements of this change are as follows:

General fund revenues exceeding expenditures	\$ 921
Transfers from Enterprise funds, net	1,807
Sawyer gift fund expenditures exceeding revenues	(453)
Other special revenue fund revenues exceeding expenditures	212
Trust fund expenditures exceeding revenues	(187)
Debt service principal payments exceeding depreciation expense	821
Increase in net OPEB obligation	(1,358)
Current year revenue used for the acquisition of capital assets	1,852
Other	<u>59</u>
Total	<u>\$ 3,674</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$1,607. This change can be attributed to the enterprise funds having program revenues greater than expenses, combined with the Town's informal policy of partially funding capital expenditures through operations in an effort to manage the Town's debt burden. Key elements of this change are as follows:

- The Water fund had revenues of \$4,345 and expenses and transfers of \$3,302, resulting in a change in net assets of \$1,043.
- The Sewer fund had revenues of \$2,521 and expenses and transfers of \$3,456, resulting in a change in net assets of \$(935).
- The Light Fund had revenues of \$27,770 and expenses and transfers of \$26,335, resulting in a change in net assets of \$1,435.
- The Swim Fund had revenues and transfers of \$2,367 and expenses and transfers of \$2,303, resulting in a change in net assets of \$64.
- The unrestricted net assets for each of the Enterprise funds changed as follows:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
Water Fund	\$ 5,415	\$ 6,084	\$ (669)
Sewer Fund	935	980	(45)
Light Fund	10,753	12,356	(1,603)
Swim Fund	<u>2,768</u>	<u>2,489</u>	<u>279</u>
Total	<u>\$ 19,871</u>	<u>\$ 21,909</u>	<u>\$ (2,038)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$45,335, a change of \$3,083 in comparison to the prior year. Key elements of this change are as follows:

Governmental fund highlights

General fund revenues exceeding expenditures	\$ 921
Transfers from Enterprise funds, net	1,807
Sawyer gift fund expenditures exceeding revenues	(453)
Other special revenue fund revenues and bond proceeds exceeding expenditures	509
Non-major Capital project fund bond proceeds exceeding expenditures	486
Trust fund expenditures exceeding revenues	<u>(187)</u>
Total	<u><u>\$ 3,083</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,284, while total fund balance was \$27,007. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
Unassigned fund balance	\$ 10,284	\$ 10,200	\$ 84
Total fund balance ⁽¹⁾	27,007	24,333	2,674
Unassigned fund balance as of % of total General Fund expenditures	12.3%	12.1%	0.2%
Total fund balance as of % of total General Fund expenditures	32.2%	29.0%	3.2%

⁽¹⁾ Includes Stabilization Funds.

The total fund balance of the general fund changed by \$2,674 during the current fiscal year. Key factors in this change are as follows:

<u>General Fund Highlights</u>	<u>General Fund Components</u>			Total General Fund
	<u>Operating</u>	<u>Stabilization</u>	<u>Insurance Reserve</u>	
Use of free cash	\$ (3,850)	\$ 3,000	\$ -	\$ (850)
Use of fund balance restricted for debt service	(427)	-	-	(427)
Use of School debt stabilization fund	-	(700)	-	(700)
Revenues greater than budget	2,748	-	-	2,748
Expenditures less than budget	920	-	-	920
Expenditures of prior year encumbrances less than current year encumbrances	439	-	-	439
Funding from operating component	-	150	-	150
Other	265	71	58	394
Total	<u>\$ 95</u>	<u>\$ 2,521</u>	<u>\$ 58</u>	<u>\$ 2,674</u>

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

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
High School debt stabilization	\$ 2,000	\$ -	\$ 2,000
School debt stabilization	1,199	1,855	(656)
Emergency response stabilization	1,000	-	1,000
School capital stabilization	953	826	127
Other stabilization	79	29	50
Insurance reserve fund	1,527	1,469	58
Total	<u>\$ 6,758</u>	<u>\$ 4,179</u>	<u>\$ 2,579</u>

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$19,871. Total net assets of the enterprise funds at the end of the year amounted to \$89,074, a change of \$1,607 in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final reflect budgeted interfund charges through which other funds (primarily the business-type enterprise funds) reimburse the General Fund for services provided for \$1,514. In addition, the Town created two new stabilization funds appropriating from free cash; a High School Debt stabilization fund for \$2,000 and an Emergency Response

stabilization fund for \$1,000. The school department also had a supplemental appropriation of \$25 for its share of a Minuteman capital expense assessment.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$243,250 (net of accumulated depreciation), a change of \$1,360 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, construction in progress, and infrastructure.

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

Governmental activities:

- \$ 1,272 CPS building improvements
- \$ 934 Police/Fire station renovations
- \$ 873 Various road improvements
- \$ 773 Fire ladder truck
- \$ 340 Hunt Gym HVAC
- \$ 175 Rideout Playground
- \$ 150 Traffic controls
- \$ 127 Sidewalk improvements

Business-type activities:

- \$ 1,801 Water related infrastructure
- \$ 832 Sewer related infrastructure

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

	<u>Capital Asset Additions</u>	<u>Disposals and Reclassifications</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation on Disposals</u>	<u>Net Activity</u>
<u>Governmental activities</u>					
Fiscal year 2012	\$ 6,226	\$ (2,075)	\$ (5,215)	\$ -	\$ (1,064)
Fiscal year 2011	33,522	(27,467)	(4,653)	-	1,402
Fiscal year 2010	9,514	-	(4,059)	-	5,455
<u>Business-type activities</u>					
<i>Water</i>					
Fiscal year 2012	1,803	(3)	(758)	-	1,042
Fiscal year 2011	732	-	(740)	-	(8)
Fiscal year 2010	438	-	(732)	-	(294)
<i>Sewer</i>					
Fiscal year 2012	861	(29)	(1,745)	2	(911)
Fiscal year 2011	149	-	(1,718)	(2)	(1,571)
Fiscal year 2010	382	-	(1,722)	-	(1,340)
<i>Light</i>					
Fiscal year 2012	4,032	(336)	(1,445)	257	2,508
Fiscal year 2011	2,660	(517)	(1,425)	270	988
Fiscal year 2010	1,212	-	(1,065)	-	147
<i>Swim</i>					
Fiscal year 2012	81	-	(296)	-	(215)
Fiscal year 2011	38	-	(286)	-	(248)
Fiscal year 2010	67	-	(273)	-	(206)

<u>Capital Assets net of Accumulated depreciation</u>	<u>@ 6/30/12</u>	<u>@ 6/30/11</u>	<u>Change</u>
Governmental activities	\$ 155,634	\$ 156,698	\$ (1,064)
Business activities			
Water	19,526	18,484	1,042
Sewer	23,382	24,293	(911)
Electric	36,346	33,838	2,508
Swim	8,362	8,577	(215)
Subtotal	<u>87,616</u>	<u>85,192</u>	<u>2,424</u>
Grand Total	<u>\$ 243,250</u>	<u>\$ 241,890</u>	<u>\$ 1,360</u>

Long-term debt. As of June 30, 2012, total bonded debt outstanding was \$75,394, all of which was backed by the full faith and credit of the government.

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

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

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

The adopted FY13 General Fund budget of \$82,259 is a 2.6 % increase over the prior year. It is anticipated that 86.5% of the resources to fund the General Fund budget will be generated by property taxes. Additional funding includes money from state aid (4.5%), local receipts (6.2%), debt stabilization fund (0.6%), Massachusetts School Building Authority Grant (0.5%), investment earnings (0.2%), transfers from the Light Fund (0.5%), and allocation from the unreserved fund balance (1.0%).

The property tax levy for FY13 (\$71,123) represents a 2.9 % increase over the prior year. This rise reflects an increase of 3.6 % in the property tax rate from \$13.58 per thousand to \$14.07 per thousand and a decrease of 0.7% in taxable assessed value from \$5.090 billion to \$5.054 billion. The assessment date for valuing the Town's FY13 real estate and personal property is January 1, 2012. The table below presents a comparison between FY12 and FY13.

	<u>FY12</u>	<u>FY13</u>	<u>% Change</u>
Taxable Assessed Value	\$ 5,090,058	\$ 5,054,970	-0.70%
Tax Rate (per \$1,000)	\$ 13.58	\$ 14.07	3.60%
Property Tax Levy	\$ 69,123	\$ 71,123	2.90%

Increases in the property tax levy for municipalities in Massachusetts are governed by statutory regulations referred to as Proposition 2 ½. The total property tax levy is constrained by a ceiling that cannot be more than 2 ½ percent of the previous year's levy limit plus any new growth resulting from the construction or renovations of residential, commercial, or industrial buildings. The Town has remained well under this levy limit ceiling. Excess levy capacity, the difference between the property tax levy and the levy limit, totaled \$1,994 in FY12 and \$2,876 in FY13.

PENSION FUNDING STATUS

During the last several years, the investment return of the Concord Retirement Fund, managed by the Concord Retirement Board, has shown strong growth. With a market value of \$94,704 as of January 1, 2012, Pension Fund assets have fully recovered the losses experienced in the 2008-09 market decline. In addition,

the Town's Pension Reserve Fund, which is available to support future pension contribution requirements, has shown improved investment performance.

- Market Value of Pension Plan Assets (MVA):

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

*source: Retirement System assets – actuarial valuation reports
Pension Reserve Fund assets – Town Accountant*

- Plan Valuation and Funding

Actuarial Data

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

Funding Policy

Amortization rate of increase	0	1%	2%
Funding Schedule term	2011	2021	2030
	3 yrs	11 yrs	18 yrs
Asset smoothing policy (recognition of gains and losses)	4 yrs	4 yrs	4 yrs

The Concord Retirement Board's current funding policy is to maintain the funding schedule limit at no further than 2030, with an amortization rate on the Unfunded Liability of no greater than 2% and charges made to the participating employers based on an actuarially determined annual required contribution. Any realized earnings over the assumed earnings rate will be applied first to reduce the amortization rate of increase and then to shorten the schedule term.

The Town's current policy in meeting the ARC payment is: (1) increasing the General Fund appropriation at a 3% annual growth rate, (2) utilizing the Town Pension Reserve Fund for supplemental funding of the required General Fund share of the annual employer cost in the event of future investment earnings short of the assumed earnings rate, (3) allocating and fully funding the ARC allocated to the Town's enterprise operations (currently approximately 15.5% of the ARC).

OPEB FUNDING STATUS

The Town updated the actuarial valuation of its non-pension, post-employment benefit liability with an effective date of January 1, 2012. Comparison to the January 1, 2009 valuation is as follows:

	<u>Jan. 1, 2009</u>	<u>Jan. 1, 2012</u>
Actuarial accrued liability	\$ 43,796,093	\$ 29,985,597
Assumed investment rate	4.25%	7.50% for Business-type activities 6.50% for Governmental-type activities
Annual Required Contribution	\$ 3,799,114 (FY2009)	\$ 3,178,557 (FY2012)

The Town has commenced as of FY10 to fully fund the Net OPEB Obligation (NOO) of its Business-type activities (Light, Water, Sewer, and Swim and Fitness Center), about 7% of its total Actuarial Accrued Liability of \$29,985,648 at January 1, 2012. In addition to premium and implicit subsidy payments, a cash contribution to the OPEB Trust Fund from unspent funds in the General Fund Group Insurance appropriation account commenced in FY11, a transfer of \$700,000 was made in FY11 from the Insurance Reserve Fund to the OPEB Trust by Town Meeting vote, and a specific General Fund budget allocation commenced with the FY12 budget. Actual and planned General Fund budget appropriations are:

Actual:	FY12	\$ 150,000
	FY13	\$ 400,000
Planned:	FY14	\$ 650,000

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

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

Date	Governmental-type activities				Business-type activities			
	AAL		UAAL		AAL		UAAL	
	Actuarial Accrued Liability	OPEB Trust Fund Assets	Percent Funded	Unfunded Liability	Actuarial Accrued Liability	OPEB Trust Fund Assets	Percent Funded	Unfunded Liability
Jan. 1, 2009	\$ 39,682,695	\$ -	0.0%	\$ 39,682,695	\$ 4,113,398	\$ -	0.0%	\$ 4,113,398
Jan. 1, 2010	41,977,251	-	0.0%	41,977,251	4,375,958	-	0.0%	4,375,958
Jan. 1, 2012	27,897,554	1,074,234	3.9%	26,823,320	2,088,043	811,007	38.8%	1,277,036
<i>projected:</i>								
Jan. 1, 2013	30,129,122	1,736,294	5.8%	28,392,828	2,262,545	1,213,903	53.7%	1,048,642
Jan. 1, 2014	32,536,599	2,701,153	8.3%	29,835,446	2,443,140	1,381,486	56.5%	1,061,654
				Change in Net OPEB Obligation (NOO)				Change in Net OPEB Obligation (NOO)
	OPEB Cost	Premium & Cash Contributions			OPEB Cost	Premium & Cash Contributions		
Fiscal 2009	\$ 3,446,646	\$ 1,426,896		\$ 2,019,750	\$ 352,467	\$ 118,800		\$ 233,667
Fiscal 2010	3,672,410	1,557,820		2,114,590	376,714	610,380		(233,666)
Fiscal 2011	3,929,059	2,775,835		1,153,224	381,063	381,063		-
Fiscal 2012	3,052,482	1,693,808		1,358,674	185,132	380,320		(195,188)
cumulative NOO				\$ 6,646,238				\$ (195,187)
<i>projected:</i>								
Fiscal 2013	3,242,971	2,027,870		1,215,101	178,273	178,273		-
Fiscal 2014	3,430,570	2,011,257		1,419,313	189,593	189,593		-

FY12 activity and the June 30, 2012 market value (MV) of the OPEB Trust is shown in the following table:

<u>Activity</u>	General <u>Fund</u>	Enterprise <u>Funds</u>	<u>Total</u>
Transfer to trust	\$ 500,000	\$ 287,932	\$ 787,932
Dividends	22,152	16,725	38,877
Unrealized gains	(8,670)	(8,704)	(17,374)
	<u>\$ 513,482</u>	<u>\$ 295,953</u>	<u>\$ 809,435</u>
MV @ 6/30/11	\$ 1,129,166	\$ 852,478	\$ 1,981,644
MV @ 6/30/12	1,642,648	1,148,431	2,791,079

SEWER FUND

The Town's business-type activities include the Water, Sewer, Light, and Swim Enterprises. All except the Sewer Enterprise are expected to report positive net income for the current fiscal period. The Sewer Fund is budgeted to report a negative net income due to a substantial investment beginning in 2007 for the rehabilitation of the Wastewater Treatment Plant and the consequent major increase in depreciation expense. Rate adjustments are planned to continue over a multi-year period to ensure the long-term fiscal health of the Sewer Enterprise. The present ten-year projection anticipates that the Sewer Fund will report positive net income by FY17.

REQUESTS FOR INFORMATION

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

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

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

(Except for the Electric Enterprise Fund, which is as of December 31, 2011)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 37,623,589	\$ 25,444,130	\$ 63,067,719
Investments	11,301,495	2,091,577	13,393,072
Receivables, net of allowance for uncollectibles:			
Property taxes	875,760	-	875,760
Excises	67,098	-	67,098
User fees	-	5,104,194	5,104,194
Betterments	-	74,000	74,000
Departmental and other	478,474	-	478,474
Intergovernmental	914,195	-	914,195
Inventory	-	44,940	44,940
Materials and supplies	-	863,550	863,550
Prepaid expenses	-	3,217,616	3,217,616
Other assets	21,178	299,678	320,856
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	714,808	-	714,808
Betterments	-	1,105,889	1,105,889
Net OPEB asset	-	75,837	75,837
Capital assets being depreciated, net	104,752,811	77,199,956	181,952,767
Capital assets not being depreciated	<u>50,880,923</u>	<u>10,415,596</u>	<u>61,296,519</u>
TOTAL ASSETS	207,630,331	125,936,963	333,567,294
LIABILITIES			
Current:			
Warrants payable	2,042,123	4,155,169	6,197,292
Accrued liabilities	2,174,096	401,244	2,575,340
Unearned revenue	-	1,465,260	1,465,260
Customer deposits	-	332,252	332,252
Provision for rate stabilization	-	7,708,764	7,708,764
Other current liabilities	360,378	-	360,378
Current portion of long-term liabilities:			
Bonds payable	6,076,146	2,023,264	8,099,410
Accrued employee benefits	385,156	19,845	405,001
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	47,485,582	20,273,738	67,759,320
Accrued employee benefits, net of current portion	3,466,402	275,846	3,742,248
Estimated landfill closure and postclosure care costs, net of current portion	190,000	-	190,000
Net OPEB obligation	<u>6,646,238</u>	<u>207,473</u>	<u>6,853,711</u>
TOTAL LIABILITIES	68,836,121	36,862,855	105,698,976
NET ASSETS			
Invested in capital assets, net of related debt	104,111,001	65,318,550	169,429,551
Restricted for:			
Grants and other statutory restrictions	19,152,851	3,884,556	23,037,407
Permanent funds:			
Nonexpendable	4,660,337	-	4,660,337
Expendable	96,383	-	96,383
Unrestricted	<u>10,773,638</u>	<u>19,871,002</u>	<u>30,644,640</u>
TOTAL NET ASSETS	\$ <u>138,794,210</u>	\$ <u>89,074,108</u>	\$ <u>227,868,318</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(Except for the Electric Enterprise Fund, which is as of December 31, 2011)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 8,877,457	\$ 604,839	\$ 246,199	\$ -
Public safety	11,796,092	2,266,546	96,442	-
Education	55,737,840	562,669	8,415,778	-
Public works	7,266,727	1,661,684	15,674	650,154
Health and human services	722,644	12,368	34,850	-
Culture and recreation	4,623,967	1,634,122	20,712	-
Debt service interest	1,861,413	-	-	-
Intergovernmental	427,926	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	91,314,066	6,742,228	8,829,655	650,154
Business-Type Activities:				
Water services	2,733,105	4,325,314	-	-
Sewer services	3,263,652	2,409,318	-	-
Electric services	25,954,481	27,703,175	-	-
Swim Services	2,178,625	2,355,081	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-Type Activities	34,129,863	36,792,888	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ <u>125,443,929</u>	\$ <u>43,535,116</u>	\$ <u>8,829,655</u>	\$ <u>650,154</u>

General Revenues and Transfers:

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

Total general revenues and transfers

Change in Net Assets

Net Assets:

Beginning of year

End of year

See notes to financial statements.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (8,026,419)	\$ -	\$ (8,026,419)
(9,433,104)	-	(9,433,104)
(46,759,393)	-	(46,759,393)
(4,939,215)	-	(4,939,215)
(675,426)	-	(675,426)
(2,969,133)	-	(2,969,133)
(1,861,413)	-	(1,861,413)
<u>(427,926)</u>	<u>-</u>	<u>(427,926)</u>
(75,092,029)	-	(75,092,029)
-	1,592,209	1,592,209
-	(854,334)	(854,334)
-	1,748,694	1,748,694
<u>-</u>	<u>176,456</u>	<u>176,456</u>
<u>-</u>	<u>2,663,025</u>	<u>2,663,025</u>
(75,092,029)	2,663,025	(72,429,004)
68,892,389	-	68,892,389
3,016,201	-	3,016,201
860,581	-	860,581
1,681,121	-	1,681,121
268,967	95,715	364,682
2,239,448	11,980	2,251,428
<u>1,806,979</u>	<u>(1,163,601)</u>	<u>643,378</u>
<u>78,765,686</u>	<u>(1,055,906)</u>	<u>77,709,780</u>
3,673,657	1,607,119	5,280,776
<u>135,120,553</u>	<u>87,466,989</u>	<u>222,587,542</u>
<u>\$ 138,794,210</u>	<u>\$ 89,074,108</u>	<u>\$ 227,868,318</u>

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 27,699,709	\$ 9,923,880	\$ 37,623,589
Investments	2,813,403	8,488,092	11,301,495
Receivables:			
Property taxes	1,993,377	16,607	2,009,984
Excises	115,739	-	115,739
Departmental	-	478,474	478,474
Intergovernmental	125,114	789,081	914,195
Accrued interest and other	21,178	-	21,178
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 32,768,520	\$ 19,696,134	\$ 52,464,654
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 1,512,611	\$ 529,511	\$ 2,042,122
Accrued liabilities	1,990,706	343,338	2,334,044
Deferred revenue	1,897,605	495,081	2,392,686
Other liabilities	360,378	-	360,378
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	5,761,300	1,367,930	7,129,230
Fund Balances:			
Nonspendable	-	4,660,337	4,660,337
Restricted	5,477,457	13,771,777	19,249,234
Committed	6,757,543	-	6,757,543
Assigned	4,488,246	-	4,488,246
Unassigned	10,283,974	(103,910)	10,180,064
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	27,007,220	18,328,204	45,335,424
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,768,520	\$ 19,696,134	\$ 52,464,654
	<u> </u>	<u> </u>	<u> </u>

See notes to 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, 2012

Total governmental fund balances	\$ 45,335,424
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	155,633,734
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,924,628
<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.	(631,188)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(63,468,388)</u>
Net assets of governmental activities	<u><u>\$ 138,794,210</u></u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 68,755,028	\$ 897,355	\$ 69,652,383
Excise taxes	3,062,225	-	3,062,225
Penalties, interest and other taxes	535,777	-	535,777
Departmental	1,352,031	3,708,862	5,060,893
Licenses and permits	1,213,310	-	1,213,310
Fines and forfeitures	159,622	-	159,622
Intergovernmental	8,243,720	2,863,709	11,107,429
Investment income (loss)	345,649	(76,683)	268,966
Contributions	-	75,900	75,900
Other	1,140,490	1,023,048	2,163,538
Total Revenues	<u>84,807,852</u>	<u>8,492,191</u>	<u>93,300,043</u>
Expenditures:			
Current:			
General government	4,851,151	2,157,457	7,008,608
Public safety	7,831,185	1,093,579	8,924,764
Education	48,303,506	3,631,289	51,934,795
Public works	3,702,201	2,372,358	6,074,559
Health and human services	365,947	68,331	434,278
Culture and recreation	2,037,731	1,803,737	3,841,468
Employee benefits	8,495,443	11,130	8,506,573
Debt service	7,872,194	81,146	7,953,340
Intergovernmental	427,926	-	427,926
Total Expenditures	<u>83,887,284</u>	<u>11,219,027</u>	<u>95,106,311</u>
Excess (Deficiency) of revenues over expenditures	920,568	(2,726,836)	(1,806,268)
Other Financing Sources (Uses):			
Issuance of bonds	-	3,081,830	3,081,830
Transfers in	1,856,428	470,422	2,326,850
Transfers out	(103,132)	(416,739)	(519,871)
Total Other Financing Sources (Uses)	<u>1,753,296</u>	<u>3,135,513</u>	<u>4,888,809</u>
Changes in fund balances	2,673,864	408,677	3,082,541
Fund Balances, at Beginning of Year	<u>24,333,356</u>	<u>17,919,527</u>	<u>42,252,883</u>
Fund Balances, at End of Year	<u>\$ 27,007,220</u>	<u>\$ 18,328,204</u>	<u>\$ 45,335,424</u>

See notes to 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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,082,541														
<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%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">4,150,449</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(5,214,835)</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. (2,740) • 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%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Issuance of debt</td> <td style="text-align: right;">(3,081,830)</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">6,036,148</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. 55,779 • 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%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Change in unfunded compensated absences</td> <td style="text-align: right;">(3,176)</td> </tr> <tr> <td style="padding-left: 40px;">Change in landfill liability</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="padding-left: 40px;">Change in OPEB liability</td> <td style="text-align: right;"><u>(1,358,679)</u></td> </tr> </table> 		Capital outlay purchases	4,150,449	Depreciation	(5,214,835)	Issuance of debt	(3,081,830)	Repayments of debt	6,036,148	Change in unfunded compensated absences	(3,176)	Change in landfill liability	10,000	Change in OPEB liability	<u>(1,358,679)</u>
Capital outlay purchases	4,150,449														
Depreciation	(5,214,835)														
Issuance of debt	(3,081,830)														
Repayments of debt	6,036,148														
Change in unfunded compensated absences	(3,176)														
Change in landfill liability	10,000														
Change in OPEB liability	<u>(1,358,679)</u>														
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>3,673,657</u>														

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Taxes	\$ 68,622,813	\$ 68,622,813	\$ 68,622,813	\$ -
Excise taxes	2,731,000	2,731,000	3,062,225	331,225
Penalties, interest and other taxes	120,000	120,000	535,777	415,777
Departmental	1,090,400	1,090,400	1,352,031	261,631
Licenses and permits	815,000	815,000	1,213,310	398,310
Fines and forfeitures	90,000	90,000	159,622	69,622
Intergovernmental	3,580,402	3,580,402	3,712,297	131,895
Investment income	175,000	175,000	274,649	99,649
Other	47,580	47,580	1,140,490	1,092,910
Transfers in	<u>394,500</u>	<u>1,908,646</u>	<u>1,856,428</u>	<u>(52,218)</u>
Total Revenues and Transfers	77,666,695	79,180,841	81,929,642	2,748,801
Expenditures:				
General government	4,366,301	5,004,928	4,817,238	187,690
Public safety	7,639,897	7,794,823	7,755,390	39,433
Education	44,094,370	44,119,192	44,065,324	53,868
Public works	3,060,989	3,667,626	3,657,971	9,655
Snow and ice	513,000	513,000	291,685	221,315
Health and human services	406,351	408,247	396,805	11,442
Culture and recreation	1,989,907	2,101,967	2,093,503	8,464
Employee benefits	8,307,068	8,307,068	8,125,529	181,539
Debt service	7,449,334	7,449,334	7,273,873	175,461
Intergovernmental	459,053	459,053	427,926	31,127
Transfers out	<u>500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>
Total Expenditures	<u>78,786,270</u>	<u>83,325,238</u>	<u>82,405,244</u>	<u>919,994</u>
Excess (deficiency) of revenues and other sources over expenditures	(1,119,575)	(4,144,397)	(475,602)	3,668,795
Other Financing Sources/(Uses):				
Use of free cash:				
For stabilization funding	-	3,000,000	3,000,000	-
For other purposes	850,000	874,822	-	(874,822)
For debt service	427,413	427,413	-	(427,413)
Raise prior year deficit	<u>(157,838)</u>	<u>(157,838)</u>	<u>-</u>	<u>157,838</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,524,398</u>	<u>\$ 2,524,398</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

(DECEMBER 31, 2011 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<u>ASSETS</u>					
Current:					
Cash and short-term investments	\$ 5,167,220	\$ 3,910,281	\$ 12,568,135	\$ 3,798,494	\$ 25,444,130
Investments	-	-	2,091,577	-	2,091,577
User fees, net of allowance for uncollectibles	786,964	372,588	3,944,642	-	5,104,194
Betterment receivables	-	74,000	-	-	74,000
Inventory	44,940	-	-	-	44,940
Materials and supplies, at average cost	-	-	863,550	-	863,550
Prepaid expenses	-	-	3,217,616	-	3,217,616
Other assets	-	-	299,678	-	299,678
Total current assets	5,999,124	4,356,869	22,985,198	3,798,494	37,139,685
Noncurrent:					
Betterment receivables, net of current portion	-	1,105,889	-	-	1,105,889
Net OPEB asset	52,501	13,125	-	10,211	75,837
Capital assets being depreciated, net	16,209,338	23,276,669	29,352,315	8,361,634	77,199,956
Capital assets not being depreciated	3,317,123	105,005	6,993,468	-	10,415,596
Total noncurrent assets	19,578,962	24,500,688	36,345,783	8,371,845	88,797,278
TOTAL ASSETS	25,578,086	28,857,557	59,330,981	12,170,339	125,936,963
<u>LIABILITIES</u>					
Current:					
Warrants payable	440,420	516,929	3,103,346	94,474	4,155,169
Accrued liabilities	102,861	116,361	182,022	-	401,244
Unearned revenue	-	-	570,295	894,965	1,465,260
Customer deposits	-	-	332,252	-	332,252
Provision for rate stabilization	-	-	7,708,764	-	7,708,764
Current portion of long-term liabilities:					
Bonds payable	470,000	788,264	765,000	-	2,023,264
Accrued employee benefits	11,141	2,785	-	5,919	19,845
Total current liabilities	1,024,422	1,424,339	12,661,679	995,358	16,105,798
Noncurrent:					
Bonds payable, net of current portion	4,385,000	11,273,738	4,615,000	-	20,273,738
Accrued employee benefits, net of current portion	82,541	20,636	127,798	44,871	275,846
Net OPEB obligation	-	-	207,473	-	207,473
Total noncurrent liabilities	4,467,541	11,294,374	4,950,271	44,871	20,757,057
TOTAL LIABILITIES	5,491,963	12,718,713	17,611,950	1,040,229	36,862,855
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	14,671,461	11,319,672	30,965,783	8,361,634	65,318,550
Restricted - betterments	-	1,898,025	-	-	1,898,025
Restricted - capital improvements	-	1,986,531	-	-	1,986,531
Unrestricted	5,414,662	934,616	10,753,248	2,768,476	19,871,002
TOTAL NET ASSETS	\$ 20,086,123	\$ 16,138,844	\$ 41,719,031	\$ 11,130,110	\$ 89,074,108

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

(DECEMBER 31, 2011 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Operating Revenues:					
Charges for services	\$ 4,325,314	\$ 2,409,318	\$ 27,703,175	\$ 2,355,081	\$ 36,792,888
Total Operating Revenues	4,325,314	2,409,318	27,703,175	2,355,081	36,792,888
Operating Expenses:					
Personnel services	977,708	355,584	-	1,143,295	2,476,587
Non-personnel services	802,836	892,126	-	739,376	2,434,338
Depreciation	757,794	1,745,139	1,445,356	295,954	4,244,243
Electric operations	-	-	24,348,203	-	24,348,203
Total Operating Expenses	2,538,338	2,992,849	25,793,559	2,178,625	33,503,371
Operating Income (Loss)	1,786,976	(583,531)	1,909,616	176,456	3,289,517
Nonoperating Revenues (Expenses):					
Investment income	19,626	9,821	54,672	11,596	95,715
Interest expense	(194,767)	(270,803)	(160,922)	-	(626,492)
Other nonoperating expense, net	-	-	11,980	-	11,980
Total Nonoperating Revenues (Expenses), Net	(175,141)	(260,982)	(94,270)	11,596	(518,797)
Income Before Transfers	1,611,835	(844,513)	1,815,346	188,052	2,770,720
Transfers in	-	101,679	-	-	101,679
Transfers out - overhead allocations	(568,280)	(192,636)	(380,000)	(124,364)	(1,265,280)
Change in Net Assets	1,043,555	(935,470)	1,435,346	63,688	1,607,119
Net Assets at Beginning of Year	19,042,568	17,074,314	40,283,685	11,066,422	87,466,989
Net Assets at End of Year	\$ 20,086,123	\$ 16,138,844	\$ 41,719,031	\$ 11,130,110	\$ 89,074,108

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012
(DECEMBER 31, 2011 FOR THE ELECTRIC LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 4,380,064	\$ 2,646,736	\$ 26,036,373	\$ 2,323,275	\$ 35,386,448
Payments to vendors and employees	(1,624,583)	(882,911)	(24,955,431)	(1,927,126)	(29,390,051)
Receipts from noncurrent deposits	-	-	(54,871)	-	(54,871)
Net Cash Provided By Operating Activities	2,755,481	1,763,825	1,026,071	396,149	5,941,526
Cash Flows From Noncapital Financing Activities:					
Transfers in	-	101,679	-	-	101,679
Transfers out	(568,280)	(192,636)	(380,000)	(124,364)	(1,265,280)
Net Cash (Used for) Noncapital Financing Activities	(568,280)	(90,957)	(380,000)	(124,364)	(1,163,601)
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets, net of disposals	(1,800,627)	(831,407)	-	(80,165)	(2,712,199)
Acquisition and construction of utility plant	-	-	(1,250,066)	-	(1,250,066)
Net additions to construction in progress	-	-	(2,694,670)	-	(2,694,670)
Transfers from (to) restricted deposits with Town	-	-	2,213,756	-	2,213,756
Principal payments on bonds and notes	(670,000)	(774,635)	(530,000)	-	(1,974,635)
Interest expense	(194,767)	(270,803)	(160,922)	-	(626,492)
Net reductions to customer advances for construction	-	-	(12,718)	-	(12,718)
Net Cash (Used For) Capital and Related Financing Activities	(2,665,394)	(1,876,845)	(2,434,620)	(80,165)	(7,057,024)
Cash Flows From Investing Activities:					
Investment income	19,626	9,821	54,672	11,596	95,715
Sales of investment shares	-	-	3,556	-	3,556
Net Cash Provided By Investing Activities	19,626	9,821	58,228	11,596	99,271
Net Change in Cash and Short-Term Investments	(458,567)	(194,156)	(1,730,321)	203,216	(2,179,828)
Cash and Short-Term Investments, Beginning of Year	5,625,787	4,104,437	14,298,456	3,595,278	27,623,958
Cash and Short-Term Investments, End of Year	\$ 5,167,220	\$ 3,910,281	\$ 12,568,135	\$ 3,798,494	\$ 25,444,130
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 1,786,976	\$ (583,531)	\$ 1,909,616	\$ 176,456	\$ 3,289,517
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	757,794	1,742,653	1,445,356	295,954	4,241,757
Changes in assets and liabilities:					
User fees receivables	54,750	237,418	(49,155)	-	243,013
Inventory	(2,485)	-	-	-	(2,485)
Materials and supplies	-	-	(70,417)	-	(70,417)
Prepaid expenses	-	-	97,455	-	97,455
Noncurrent deposits with Town Treasurer	-	-	(54,871)	-	(54,871)
Warrants payable	180,486	384,279	-	(30,043)	534,722
Accrued liabilities	39,327	(1,653)	(786,542)	-	(748,868)
Other liabilities	(8,866)	(2,216)	-	(4,201)	(15,283)
OPEB	(52,501)	(13,125)	13,076	(10,211)	(62,761)
Unearned revenue	-	-	341,150	(31,806)	309,344
Provisions	-	-	(1,819,597)	-	(1,819,597)
Net Cash Provided By Operating Activities	\$ 2,755,481	\$ 1,763,825	\$ 1,026,071	\$ 396,149	\$ 5,941,526

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund (As of <u>December 31, 2011</u>)	Private Purpose Trust <u>Funds</u>	OPEB Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,301,845	\$ -	\$ -	\$ 192,634
Investments	92,167,737	1,079,573	2,791,079	-
Accounts receivable	<u>304,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	94,774,083	1,079,573	2,791,079	192,634
<u>LIABILITIES AND NET ASSETS</u>				
Accounts payable	69,264	-	-	16,346
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,288</u>
Total Liabilities	<u>69,264</u>	<u>-</u>	<u>-</u>	<u>192,634</u>
<u>NET ASSETS</u>				
Total net assets held in trust for pension benefits and other purposes	<u>\$ 94,704,819</u>	<u>\$ 1,079,573</u>	<u>\$ 2,791,079</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (For the Year Ended December 31, 2011)	Private Purpose Trust Funds	OPEB Trust Fund
Additions:			
Contributions:			
Employers	\$ 3,352,832	\$ -	\$ 787,932
Other systems and Commonwealth of Massachusetts	251,842	-	-
Plan members	<u>2,811,214</u>	<u>-</u>	<u>-</u>
Total contributions	6,415,888	-	787,932
Investment Gain:			
Increase in fair value of investments	2,875,230	(33,542)	21,503
Less: management fees	<u>(425,579)</u>	<u>-</u>	<u>-</u>
Net investment gain	<u>2,449,651</u>	<u>(33,542)</u>	<u>21,503</u>
Total additions	8,865,539	(33,542)	809,435
Deductions:			
Benefit payments to plan members and beneficiaries	5,587,201	-	-
Refunds to plan members	380,106	-	-
Administrative expenses	183,641	-	-
Other	<u>84,187</u>	<u>24,550</u>	<u>-</u>
Total deductions	<u>6,235,135</u>	<u>24,550</u>	<u>-</u>
Net increase	2,630,404	(58,092)	809,435
Net assets:			
Beginning of year	<u>92,074,415</u>	<u>1,137,665</u>	<u>1,981,644</u>
End of year	<u>\$ 94,704,819</u>	<u>\$ 1,079,573</u>	<u>\$ 2,791,079</u>

See notes to financial statements.

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TOWN OF CONCORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectman. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units. The Concord Contributory Retirement System was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 22 Monument Square, Concord, Massachusetts 01742.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

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

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

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

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

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

D. Cash and Short-Term Investments

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

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is

used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of approximately \$1,994,041.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported

in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

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

2013	\$ 409,878
2014	409,878
2015	409,878
2016	409,878
2017	<u>3,837,945</u>
Total	<u>\$ 5,477,457</u>

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

<u>Purpose</u>	<u>Amount</u>
General stabilization	\$ 75,236
Other town stabilization	2,263
School capital stabilization	953,202
School debt stabilization	1,199,447
High school debt stabilization	2,000,032
Emergency response stabilization	1,000,016
Insurance reserve	1,527,347
Total	\$ <u>6,757,543</u>

- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances (\$3,638,246), have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year (\$850,000).
- 5) Unassigned funds are available to be spent in future periods.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

L. Use of Estimates

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

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 84,807,852	\$ 83,887,284
Other financing sources/uses (GAAP Basis)	<u>1,856,428</u>	<u>103,132</u>
Subtotal (GAAP Basis)	86,664,280	83,990,416
Adjust tax revenue to accrual basis	(132,215)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,199,578)
Add end-of-year appropriation carryforwards from expenditures	-	3,638,246
To record the use of free cash	3,000,000	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,531,423)	(4,531,423)
To reflect non-budgeted activity	<u>(71,000)</u>	<u>2,507,583</u>
Budgetary Basis	<u>\$ 84,929,642</u>	<u>\$ 82,405,244</u>

3. Cash and Short-Term Investments

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

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

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

As of June 30, 2012 and December 31, 2011, \$180,783 and \$1,786,970 of the Town's and System's bank balances of \$62,930,565 and \$2,400,911, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the System's total exposed balance, \$1,786,970 was invested in MMDT.

4. Investments

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

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end Aa</u>
Corporate equities	\$ 5,517	N/A	\$ 5,517	\$ -
Long-term C.D.'s	5,024	N/A	5,024	-
Bond mutual funds	2,232		-	2,232
Mutual funds	<u>4,491</u>	N/A	<u>4,491</u>	<u>-</u>
Total investments	\$ <u>17,264</u>		\$ <u>15,032</u>	\$ <u>2,232</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Average Rating as of Year-end</u>	
				<u>Aaa</u>	<u>A3</u>
Federal agency securities	\$ 553		\$ -	\$ 553	\$ -
U.S. Treasury bonds/notes	7,095		-	7,095	-
State investment pool*	36,236	N/A	36,236	-	-
Corporate bonds	15,136		-	-	15,136
Pooled investments	15,343	N/A	15,343	-	-
Corporate equities	10,880	N/A	10,880	-	-
Mortgage-backed securities	<u>6,925</u>		<u>-</u>	<u>6,925</u>	<u>-</u>
Total investments	<u>\$ 92,168</u>		<u>\$ 62,459</u>	<u>\$ 14,573</u>	<u>\$ 15,136</u>

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

B. Custodial Credit Risk

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

Of the System's investment in U.S. Treasury Bonds and Notes of \$7,094,697, Corporate Bonds of \$15,136,395, Corporate Equities of \$10,880,705, Mortgage-backed Securities of \$6,924,717, Federal Agency Securities of \$552,951, and Pooled Funds of \$51,578,270, the System has a custodial credit risk exposure of \$92,167,737 because the related securities are uninsured, unregistered and held by the System's brokerage firm, which is also the counterparty to these securities. The System manages this risk with SIPC, Excess SIPC and because the assets are held in separately identifiable trust accounts. Of the System's total exposure, \$36,235,597 is invested in the State Investment Pool.

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

C. Concentration of Credit Risk

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

Vantagepoint Milestone 202 Mutual Fund	\$ 2,791
Mellon Intermediate Bond Fund	\$ 2,232
Middlesex Savings Long-term C.D.	\$ 2,006
Middlesex Savings Long-term C.D.	\$ 1,009
Middlesex Savings Long-term C.D.	\$ 1,005
Middlesex Savings Long-term C.D.	\$ 1,003

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

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating</u>	<u>Average Duration (in years)</u>
Long-term C.D.'s	\$ 5,024	N/A	0.47
Bond mutual funds	<u>2,232</u>	Aa	4.13
Total	<u>\$ 7,256</u>		

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Duration (in years)</u>
Federal agency securities	\$ 553	5.55
U.S. Treasury bonds/notes	7,095	10.68
Mortgage-backed securities	6,925	21.34
Corporate bonds	<u>15,136</u>	9.02
Total	\$ <u>29,709</u>	

E. Foreign Currency Risk

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

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate		
2012	\$ 593	
2011	19	
2010	12	
2009	13	
2008	12	
2007	13	
Prior	<u>141</u>	
		803
Personal Property		
2012	3	
2011	3	
2010	2	
2009	1	
2008	3	
2007	6	
Prior	<u>44</u>	
		62
Tax Liens, municipal liens, and supplementals		808
Deferred Taxes		320
CPA Real Estate		<u>17</u>
Total		<u>\$ 2,010</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 419
Excise taxes	49

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

8. Interfund Transfers In and (Out)

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers from the enterprise funds to the general fund are made to cover indirect costs of enterprise funds not incurred in but paid by the general fund.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers in the fund financial statements. Although the total of interfund transfers balance throughout the year, the Electric Light Plant Enterprise Fund is presented at December 31, 2011, not June 30, 2012. Therefore, a timing difference of \$643,378 exists in the accompanying Statement of Activities and Statements of Revenues, Expenditures and Changes in Fund Net Assets. The following is an analysis of interfund transfers made in fiscal year 2012.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,856,428	\$ 103,132
Nonmajor Governmental Funds:		
Community Preservation	-	60,000
Parking	-	58,747
Cemetery	-	119,088
Receipts reserved for appropriation	-	14,465
Recreation	-	45,088
Land Acquisition	1,453	-
Solid Waste	-	119,351
Pension reserve fund	408,969	-
Capital project funds	60,000	-
Major Enterprise Funds:		
Water fund	-	568,280
Sewer fund	101,679	192,636
Electric fund	-	380,000
Swim fund	-	124,364
Total	<u>\$ 2,428,529</u>	<u>\$ 1,785,151</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 104,134	\$ 1,874	\$ -	\$ 106,008
Machinery, equipment, and furnishings	15,272	1,410	-	16,682
Infrastructure	<u>25,130</u>	<u>1,891</u>	<u>-</u>	<u>27,021</u>
Total capital assets, being depreciated	144,536	5,175	-	149,711
Less accumulated depreciation for:				
Buildings and improvements	(17,208)	(2,887)	-	(20,095)
Machinery, equipment, and furnishings	(11,051)	(1,157)	-	(12,208)
Infrastructure	<u>(11,485)</u>	<u>(1,170)</u>	<u>-</u>	<u>(12,655)</u>
Total accumulated depreciation	<u>(39,744)</u>	<u>(5,214)</u>	<u>-</u>	<u>(44,958)</u>
Total capital assets, being depreciated, net	104,792	(39)	-	104,753
Capital assets, not being depreciated:				
Land	48,565	-	-	48,565
Construction in progress	<u>3,341</u>	<u>1,050</u>	<u>(2,075)</u>	<u>2,316</u>
Total capital assets, not being depreciated	<u>51,906</u>	<u>1,050</u>	<u>(2,075)</u>	<u>50,881</u>
Governmental activities capital assets, net	<u>\$ 156,698</u>	<u>\$ 1,011</u>	<u>\$ (2,075)</u>	<u>\$ 155,634</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,394	\$ 11	\$ -	\$ 9,405
Machinery, equipment, and furnishings	4,572	451	-	5,023
Infrastructure	49,156	2,231	(29)	51,358
Light plant	<u>48,862</u>	<u>1,338</u>	<u>(336)</u>	<u>49,864</u>
Total capital assets, being depreciated	111,984	4,031	(365)	115,650
Less accumulated depreciation for:				
Buildings and improvements	(1,059)	(241)	-	(1,300)
Machinery, equipment, and furnishings	(2,512)	(312)	-	(2,824)
Infrastructure	(11,571)	(2,246)	2	(13,815)
Light plant	<u>(19,323)</u>	<u>(1,445)</u>	<u>257</u>	<u>(20,511)</u>
Total accumulated depreciation	<u>(34,465)</u>	<u>(4,244)</u>	<u>259</u>	<u>(38,450)</u>
Total capital assets, being depreciated, net	77,519	(213)	(106)	77,200
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plan construction in progress	4,300	2,694	-	6,994
Construction in progress	<u>3</u>	<u>52</u>	<u>(3)</u>	<u>52</u>
Total capital assets, not being depreciated	<u>7,673</u>	<u>2,746</u>	<u>(3)</u>	<u>10,416</u>
Business-type activities capital assets, net	<u>\$ 85,192</u>	<u>\$ 2,533</u>	<u>\$ (109)</u>	<u>\$ 87,616</u>

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

Governmental Activities:	
General government	\$ 432
Public safety	577
Education	2,266
Public works	1,578
Health and human services	77
Culture and recreation	<u>284</u>
Total depreciation expense - governmental activities	<u>\$ 5,214</u>
Business-Type Activities:	
Water	\$ 758
Sewer	1,745
Electric	1,445
Swim facility	<u>296</u>
Total depreciation expense - business-type activities	<u>\$ 4,244</u>

10. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law.

11. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

12. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2012 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental	\$ 210	\$ 2,675	\$ (2,885)	\$ -
Total	\$ 210	\$ 2,675	\$ (2,885)	\$ -

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The bonds as listed below include transactions for the Electric Light Fund through June 30, 2012, which are not reflected in the Statement(s) of Net Assets. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
Equipment	2013	4.00 - 5.00	50,000
Design - Road Improvements	2013	2.00 - 2.50	100,000
Traffic controls	2013	2.00 - 2.50	50,000
Engineering and design	2013	2.00 - 3.00	50,000
Willard School	2013	3.00	10,000
Road Improvements	2014	1.50 - 3.50	120,000
Road Improvements	2014	4.00 - 5.00	30,000
Fire Equipment (Ambulance)	2014	2.00 - 3.00	100,000
Library Equipment	2015	3.00	125,000
Road Improvements	2015	3.25 - 3.88	175,000
Willard School	2015	2.00 - 3.00	275,000
School Building Improvements	2015	3.00	100,000
Sidewalk Improvements	2015	2.00 - 3.00	150,000
Building Renovation	2016	1.50 - 3.75	400,000
Building Renovation (School)	2016	1.50 - 3.75	140,000
Building Renovation	2016	3.25 - 3.88	475,000
Building Renovation	2016	1.50 - 3.75	415,000
Land Acquisition	2016	3.00	150,000
Recreation Facilities	2016	3.00	250,000
Road Improvements	2016	3.50 - 3.70	360,000
Road Improvements	2016	2.00 - 4.25	420,000
School Building	2016	3.50 - 3.70	265,000

(continued)

(continued)

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/12</u>
School Remodeling	2016	2.00 - 4.25	200,000
School Remodeling	2016	2.00 - 4.25	400,000
School Remodeling	2017	2.00 - 2.50	400,000
Road Improvements	2017	2.00 - 2.50	455,000
Building Renovations	2018	2.00 - 4.00	750,000
Land Acquisition	2018	2.00 - 4.00	600,000
Road Improvements	2018	2.00 - 4.00	600,000
General Obligation Bonds	2018	3.00 - 3.75	1,665,000
School Building Improvements	2018	3.00	600,000
Willard School Design	2018	3.00 - 3.75	1,100,000
Fire Equipment (Ladder Truck)	2019	3.00	800,000
Road Improvements	2019	3.00	750,000
Title V Loans	2019	3.50 - 3.70	492,219
Title V Loans	2020	0.00	97,679
Alcott School	2022	3.75 - 5.00	1,550,000
Title V Loans	2023	0.00	296,830
School	2025	2.50 - 4.25	4,550,000
Thoreau School	2025	3.75 - 5.00	5,280,000
Thoreau School	2025	3.75 - 5.00	7,215,000
Willard School	2028	2.00 - 4.25	10,010,000
Willard School Remodeling	2029	2.00 - 4.25	<u>11,540,000</u>
Total Governmental Activities:			<u>\$ 53,561,728</u>

<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/12</u>
Electric	2014	4.60 - 5.00	\$ 600,000
Electric	2015	3.63 - 3.75	165,000
Electric	2017	4.00 - 5.00	450,000
Water	2016	3.50 - 5.00	400,000
Water	2018	3.00 - 3.75	450,000
Sewer	2016	3.50 - 5.00	400,000
Electric	2026	2.00 - 4.00	3,700,000
Water	2026	2.00 - 4.00	1,380,000
Sewer MWPAT	2026	2.00	3,116,627
Sewer MWPAT	2027	2.00	8,545,375
Water	2027	3.75 - 5.00	<u>2,625,000</u>
Total Business-Type Activities:			<u>\$ 21,832,002</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,076,146	\$ 1,870,663	\$ 7,946,809
2014	5,635,629	1,695,863	7,331,492
2015	5,260,672	1,523,347	6,784,019
2016	4,730,718	1,355,880	6,086,598
2017	4,060,762	1,196,499	5,257,261
2018 - 2022	15,062,919	4,139,680	19,202,599
2023 - 2027	10,759,882	1,519,960	12,279,842
2028 - 2029	<u>1,975,000</u>	<u>116,313</u>	<u>2,091,313</u>
Total	<u>\$ 53,561,728</u>	<u>\$ 13,418,205</u>	<u>\$ 66,979,933</u>

The general fund has been designated as the sole source to repay the governmental-type obligation debt outstanding as of June 30, 2012:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,018,264	\$ 529,589	\$ 2,547,853
2014	2,032,168	468,899	2,501,067
2015	1,746,353	419,436	2,165,789
2016	1,705,824	377,001	2,082,825
2017	1,445,588	326,398	1,771,986
2018 - 2022	6,850,054	1,114,526	7,964,580
2023 - 2027	<u>6,033,751</u>	<u>364,645</u>	<u>6,398,396</u>
Total	<u>\$ 21,832,002</u>	<u>\$ 3,600,494</u>	<u>\$ 25,432,496</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2012 are as follows:

<u>Purpose</u>	<u>Amount</u>
Light Plant Expansion	\$ 4,400,000
Septic System	2,000,000
Land Acquisition - WR Grace	1,200,000
Road Improvements	950,000
School Building Improvements	725,000
Police/Fire Station Improvements	700,000
School Building Improvements	675,000
Land Acquisition - Lawsbrook Road	535,000
CMLP Smart Grid	500,000
Water System Improvements	400,000
Land Acquisition - Rogers Parcel	300,000
Fire Equipment	100,000
Road Engineering and Design	50,000
Library Equipment	15,000
Total	<u>\$ 12,550,000</u>

D. Overlapping Debt

The Town is a member community of other governmental agencies which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies, and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages as of June 30, 2012:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRSB	\$ 6,715,000	70.39%	\$ 4,726,689

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

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 56,516	\$ 3,082	\$ (6,036)	\$ 53,562	\$ (6,076)	\$ 47,486
Other:						
Accrued employee benefits	3,784	446	(378)	3,852	(385)	3,467
Landfill closure	210	-	(10)	200	(10)	190
Net OPEB obligation	<u>5,288</u>	<u>3,052</u>	<u>(1,694)</u>	<u>6,646</u>	<u>-</u>	<u>6,646</u>
Governmental Activities	<u>\$ 65,798</u>	<u>\$ 6,580</u>	<u>\$ (8,118)</u>	<u>\$ 64,260</u>	<u>\$ (6,471)</u>	<u>\$ 57,789</u>
	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Business-Type Activities</u>						
Bonds payable ⁽¹⁾	\$ 24,042	\$ -	\$ (2,210)	\$ 21,832	\$ (2,018)	\$ 19,814
Other:						
Accrued employee benefits ⁽¹⁾	310	45	(30)	325	(20)	305
Net OPEB obligation ⁽¹⁾	<u>-</u>	<u>185</u>	<u>(185)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities	<u>24,352</u>	<u>230</u>	<u>(2,425)</u>	<u>22,157</u>	<u>(2,038)</u>	<u>20,119</u>
Grand Total	<u>\$ 90,150</u>	<u>\$ 6,810</u>	<u>\$ (10,543)</u>	<u>\$ 86,417</u>	<u>\$ (8,509)</u>	<u>\$ 77,908</u>

⁽¹⁾ This footnote is presented with all funds as of and for the year ended June 30, 2012. Pages 6, 19, 27, and 28 report the Electric Fund as of December 31, 2011.

14. Landfill Closure and Postclosure Care Costs

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

The \$200,000 reported as landfill closure and postclosure care liability at June 30, 2012 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Restricted Net Assets

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

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

16. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2012:

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

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

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

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

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

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 4,660,337	\$ 4,660,337
Total Nonspendable	-	4,660,337	4,660,337
Restricted			
School debt service	5,477,457	-	5,477,457
Community Preservation	-	1,977,882	1,977,882
Parking	-	329,972	329,972
Cemetery	-	316,056	316,056
Receipts Reserved for Appropriation	-	665,681	665,681
53 G Review	-	7,725	7,725
Miscellaneous Grants and Contributions	-	89,849	89,849
School Lunch	-	143,594	143,594
Gifts	-	985,299	985,299
Recreation	-	343,190	343,190
Other Revolving	-	312,710	312,710
Land Acquisition	-	15,071	15,071
Federal Grants	-	45,805	45,805
State Grants	-	381,446	381,446
Solid Waste	-	157,569	157,569
Pension Reserve Fund	-	6,032,080	6,032,080
Sawyer Gift Fund	-	719,198	719,198
Capital project funds	-	1,152,267	1,152,267
Expendable permanent funds	-	96,383	96,383
Total Restricted	5,477,457	13,771,777	19,249,234

(continued)

(continued)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Committed			
General stabilization	75,236	-	75,236
Other stabilization	2,263	-	2,263
School capital stabilization	953,202	-	953,202
School debt stabilization	1,199,447	-	1,199,447
High school debt stabilization	2,000,032	-	2,000,032
Emergency response stabilization	1,000,016	-	1,000,016
Insurance reserve revolving	<u>1,527,347</u>	<u>-</u>	<u>1,527,347</u>
Total Committed	6,757,543	-	6,757,543
Assigned			
For encumbrances			
General government	923,444	-	923,444
Public safety	278,172	-	278,172
Education	1,189,432	-	1,189,432
Public works	799,459	-	799,459
Health and human services	63,483	-	63,483
Culture and recreation	195,213	-	195,213
Employee benefits	189,043	-	189,043
For next year's expenditures	<u>850,000</u>	<u>-</u>	<u>850,000</u>
Total Assigned	<u>4,488,246</u>	<u>-</u>	<u>4,488,246</u>
Unassigned	<u>10,283,974</u>	<u>(103,910)</u>	<u>10,180,064</u>
Total Fund Balance	<u>\$ 27,007,220</u>	<u>\$ 18,328,204</u>	<u>\$ 45,335,424</u>

17. Commitments and Contingencies

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

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

18. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

The Town provides post-employment health and life insurance benefits for retired employees through the Minuteman-Nashoba Health Group. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2012, the actuarial valuation date, approximately 428 retirees and 649 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute between 37% - 50% of the cost of the medical and prescription drug plan. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Town contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Asset/Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year

ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012.

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Swim Fund	Total
Annual Required Contribution (ARC)	\$ 2,993,424	\$ 28,263	\$ 7,066	\$ 114,616	\$ 35,187	\$ 3,178,556
Interest on net OPEB obligation	343,692	-	-	-	-	343,692
Adjustment to ARC	<u>(284,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,633)</u>
Annual OPEB cost	3,052,483	28,263	7,066	114,616	35,187	3,237,615
Contributions made	(1,193,804)	(6,266)	(1,566)	(82,531)	(2,025)	(1,286,192)
Additional funding to trust	(500,000)	(74,498)	(18,625)	(151,436)	(43,373)	(787,932)
Less: Net OPEB asset	<u>-</u>	<u>52,501</u>	<u>13,125</u>	<u>119,351</u>	<u>10,211</u>	<u>195,188</u>
Change in net OPEB obligation	1,358,679	-	-	-	-	1,358,679
Net OPEB obligation - beginning of year	<u>5,287,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,287,559</u>
Net OPEB obligation - end of year	<u>\$ 6,646,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,646,238</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 3,237,615	64.06%	\$ 6,646,238
2011	\$ 4,310,122	73.24%	\$ 5,287,579
2010	\$ 4,053,093	51.30%	\$ 4,134,335
2009	\$ 3,799,114	40.70%	\$ 2,160,482

The Town's net OPEB obligation as of June 30, 2012 is recorded as a component of the "noncurrent liabilities" line item. The Town's net OPEB asset as of June 30, 2012 is recorded as a component of the "noncurrent assets" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ (29,985,597)
Actuarial value of plan assets	<u>1,885,241</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (28,100,356)</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>6.3%</u>
Covered payroll (active plan members)	<u>\$ 41,453,000</u>
UAAL as a percentage of covered payroll	<u>64.7%</u>

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

F. Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a partially funded 6.50% investment rate of return (fully funded 7.50% investment rate of return for Enterprise Funds) and an initial annual healthcare cost trend rate range of 5.00% to 9.00% which decreases to a 5.00% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3.25% per year for a period of 27 years.

19. Contributory Retirement System

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

A. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Concord Contributory Retirement System (CCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the CCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the CCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The CCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission. Membership of the plan consisted of the following at December 31, 2011:

Retirees and beneficiaries receiving benefits	263
Terminated plan members entitled to but not yet receiving benefits	111
Active plan members	<u>499</u>
Total	<u><u>873</u></u>
Number of participating employers	3

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

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

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

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 3,352,832	100%
2011	\$ 3,226,582	100%
2010	\$ 3,011,632	100%
2009	\$ 2,952,658	100%
2008	\$ 2,896,357	100%
2007	\$ 2,992,219	100%
2006	\$ 2,934,229	100%
2005	\$ 2,818,185	100%
2004	\$ 2,728,786	100%
2003	\$ 2,654,545	100%
2002	\$ 2,516,203	100%

B. Summary of Significant Accounting Policies

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

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

C. Funded Status and Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
1/1/10	\$ 90,445	\$ 106,054	\$ 15,609	85%	\$ 24,097	65%
1/1/12	\$ 94,996	\$ 123,798	\$ 28,802	77%	\$ 25,221	114%

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

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$28.8 million was calculated. The actuarial assumptions included (a) 7.50% investment rate of return and (b) a projected salary increase of 4.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (7.50%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2011, the unfunded actuarially accrued liability is being amortized using an approximate level percent of payroll.

E. Teachers

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

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

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

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

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

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$4,531,423 to the MTRS on behalf of the Town. This is included in the employee benefit expenditures and intergovernmental revenues in the general fund.

20. Risk Management

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

21. Implementation of New GASB Standards

- The GASB has issued Statement 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by eliminating the deferred charges. The Town anticipates that by eliminating the deferred charges, its net assets will be reduced accordingly.
- The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town's actuarially accrued liability.

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

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

Notes Accompanying the Financial Statements
For the Years Ended December 31, 2011 and 2010

1. Nature of Operations and Summary of Significant Accounting Policies

A. Nature of Operations

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

B. Regulation and Basis of Presentation

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

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

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

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

C. Concentrations

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

D. Risks and Uncertainties

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

E. Materials and Supplies

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

F. Utility Plant

The provision for depreciation of utility plant was computed in 2011 and 2010 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts law stipulates that the Light Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU.

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

G. Operating Revenues

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

The Light Plant designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, the Plant has elected to establish a rate stabilization reserve. Each year the Plant will determine a rate stabilization amount to be charged or credited to revenues. The stabilization charged (credited) in 2011 and 2010 was \$(1,819,597) and \$(3,690,643), respectively, and are

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

H. Taxes

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

I. Statement of Cash Flows

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

J. Compensated Absences

The Light Plant's employment benefit plan, consistent with the Town's policy, provides that employees are entitled to a minimum of ten days vacation per year up to twenty-five days per year depending on years of service and employment classification. Employees are allowed to accumulate and carry forward to the following year their unused vacation days for the year plus one week.

K. Post-employment Benefits

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

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

L. Subsequent Events

The Light Plant has evaluated all subsequent events through August 20, 2012, the date the financial statements were available to be issued.

2. Investment in Associated Companies

A. Hydro-Quebec

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Light Plant has funded its equity requirements for the Hydro-Quebec phase II interconnection. The Light Plant's ownership interest is less than one quarter of one percent in both projects. The balances, reflected at cost, were \$19,895 and \$23,451, as of December 31, 2011 and 2010, respectively.

B. Energy New England

The Light Plant purchased a five percent interest in Energy New England, LLC for \$150,000 in 2007. Energy New England is an energy and energy services cooperative established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. Energy New England functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The balance, reflected at cost, was \$150,000 as of December 31, 2011.

3. Long-term Debt

A summary of the long-term debt follows:

	<u>2011</u>	<u>2010</u>
\$ 6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013.	\$ 600,000	\$ 900,000
\$ 600,000, 2.7% electric bonds, issued February 15, 2003, with annual payments of principal and interest through February 15, 2011.	-	65,000
\$ 500,000, 3.7% electric bonds, issued March 1, 2006, with annual payments of principal and interest through March 1, 2015.	220,000	275,000
\$ 1,000,000, 4.2% electric bonds, issued March 1, 2007, with annual payments of principal and interest through March 1, 2017.	560,000	670,000
\$ 4,000,000, 2.52% electric bonds, issued May 17, 2011, with annual payments of principal and interest through May 15, 2026.	<u>4,000,000</u>	<u>-</u>
Total long-term debt	5,380,000	1,910,000
Less current installments of long-term debt	<u>765,000</u>	<u>530,000</u>
Long-term debt, excluding current installments	<u>\$ 4,615,000</u>	<u>\$ 1,380,000</u>

Long-Term debt activity for the year ended December 31, 2011 was as follows:

Balance of long-term debt at January 1, 2011	\$ 1,910,000
Bonds issued	4,000,000
Payments	<u>(530,000)</u>
Balance of long-term debt at December 31, 2011	<u>\$ 5,380,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 765,000	\$ 172,930	\$ 937,930
2013	760,000	142,636	902,636
2014	460,000	113,984	573,984
2015	460,000	101,797	561,797
2016	405,000	88,575	493,575
2017-2021	1,530,000	278,850	1,808,850
2022-2026	<u>1,000,000</u>	<u>83,375</u>	<u>1,083,375</u>
	<u>\$ 5,380,000</u>	<u>\$ 982,147</u>	<u>\$ 6,362,147</u>

4. Bond Anticipation Notes

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

5. Deposits with Town Treasurer

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

A. Depreciation Fund

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

B. Smart Grid Fund

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

C. Underground Fund

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

D. Worker's Compensation Insurance Fund

The Light Plant transfers annual amounts to this fund equal to .09% to 1.4% of certain payroll costs. These transfers amounted to \$16,476 and \$15,460 in 2011 and 2010, respectively. Claims and premiums of \$10,526 and \$11,776 were paid from the Fund in 2011 and 2010, respectively.

6. Special Deposits

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

	<u>2011</u>	<u>2010</u>
Customer advances for construction	\$ 89,863	\$ 101,987
Customer deposits	332,252	387,123
Funds held to retire long-term debt	537,205	401,875
Emergency reserve fund	1,130,000	1,130,000
Rate stabilization	3,313,862	5,661,331
Cares fund	<u>201,950</u>	<u>189,399</u>
Total Deposits	<u>\$ 5,605,132</u>	<u>\$ 7,871,715</u>

7. Deferred Costs

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

8. Related Party Transactions

The Light Plant sells electricity to various Town departments. Sales to these departments totaled \$1,586,585 and \$1,479,749 for 2011 and 2010, respectively.

The Light Plant reimburses the Town for various employee benefits, including health insurance and retirement. Reimbursements for these benefits totaled \$686,645 and \$714,850 in 2011 and 2010, respectively.

In addition, the Light Plant paid the Town \$380,000 for payments in lieu of taxes in 2011 and 2010.

9. Commitments and Contingencies

A. Power Sales Agreements

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

normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts.

In addition, the Light Plant is required to pay its share of the annual operation, maintenance and tax (OM&T) expenses as provided for under the terms of an Interconnection Agreement with Nstar. The Light Plant's tot OM&T charges were \$88,420 and \$66,756 for the years ended December 31, 2011 and 2010, respectively.

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

	<u>MWH</u>	<u>Amount</u>
2012	<u>73,945</u>	\$ <u>5,978,450</u>
	<u>73,945</u>	\$ <u>5,978,450</u>

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

	<u>MWH</u>	<u>Amount</u>
2012	<u>73,948</u>	\$ <u>6,973,333</u>
	<u>73,948</u>	\$ <u>6,973,333</u>

Purchased power expense under these contracts was \$12,128,349 and \$11,745,197 in 2011 and 2010, respectively.

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

	<u>KW</u>	<u>Amount</u>
2012	97,200	\$ 568,620
2013	97,200	568,620
2014	97,200	568,620
2015	<u>40,500</u>	<u>236,925</u>
	<u>332,100</u>	\$ <u>1,942,785</u>

Purchased power expense under this contract was \$368,620 and \$331,695 in 2011 and 2010, respectively.

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

	<u>KW</u>	<u>Amount</u>
2012	120,000	\$ 477,500
2013	120,000	529,600
2014	120,000	563,900
2015	120,000	600,100
2016	120,000	639,400
2017	<u>50,000</u>	<u>273,500</u>
	<u>650,000</u>	<u>\$ 3,084,000</u>

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

	<u>MWH</u>	<u>Amount</u>
2012	8,760	\$ 569,400
2013	<u>2,880</u>	<u>187,200</u>
	<u>11,640</u>	<u>\$ 756,600</u>

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

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

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

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

In 2008, the Light Plant entered into a power contract with Braintree Electric Light Department to purchase an 8.75% entitlement in the Thomas A. Watson Power Plant to begin on the commercial online date of July 1, 2009 and to continue for twenty years from that date. Purchased power expense under this contract was \$1,543,300 and \$2,221,201 in 2011 and 2010, respectively.

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

In 2010, the Light Plant entered into a power contact with Spruce Mountain Wind, LLC to purchase 9.257% of the energy, capacity and environmental attributes of the project starting on the Commercial Operation Date (scheduled for January 1, 2012) and continuing for 15 years from that date. The contract energy price is \$99.25 per MWH which will be offset by the Light Plant's share of the environmental attributes. It is estimated that approximately 6,000 MWH of power will be purchased annually.

B. Contingencies

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

10. Pension Plan

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

A. Plan Description

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

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. The Light Plant is required to pay into the System, its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Light Plant are governed by Chapter 32 of the Massachusetts General Laws. The Light Plant's contributions to the System for the years ended December 31, 2011, 2010 and 2009 were \$314,394, \$256,337, and \$248,130, respectively, which were equal to its annual required contribution.

11. Other Post-Employment Benefits

In addition to providing pension benefits, the Light Plant provides the majority of retired employees with payments for their healthcare and life insurance costs. Benefits paid by the Light Plant are on a pay-as-you-go basis. The detail allocation of benefits paid for retired employees for the years ended December 31, 2011 and 2010 is not available.

A. Plan Description

The Light Plant participates in an agent multi-employer defined benefit healthcare plan administered by the Town of Concord. The Light Plant provides post-employment healthcare benefits to retirees that meet certain requirements. Retirees of the Light Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for Medicare. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan does not issue a publicly available financial report.

At January 1, 2011, the Light Plant's membership consisted of the following:

Current retirees and beneficiaries	14
Current active members	<u>30</u>
Total	<u><u>44</u></u>

B. Funding Policy

The contribution requirements of the plan members and the Light Plant are established and may be amended through collective bargaining. The cost of the benefits provided to retirees is borne 50% by the Light Plant, and 50% by the retiree.

C. Annual OPEB Costs and NET OPEB Obligation

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

Normal cost	\$ 113,673
Amortization of unfunded actuarial accrued liability	<u>117,153</u>
ARC	230,826
Interest on NOO	<u>551</u>
Annual OPEB cost/expense	231,377
Contributions made	<u>(218,301)</u>
Increase/(decrease) in net OPEB obligation	13,076
Net OPEB obligation - beginning of year	<u>194,397</u>
Net OPEB obligation - end of year	<u><u>\$ 207,473</u></u>

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

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

D. Funding Status and Funding Progress

As of January 1, 2011, the Plan was unfunded. The most recent actuarial valuation on January 1, 2011, projected an actuarial accrued liability for the Light Plant of \$2,932,973. There are no assets in the Plan, and the unfunded actuarial accrued liability (UAAL) is projected at \$2,932,973. The covered payroll of the Light Plant (annual payroll of active employees covered by the plan) was \$2,041,593, and the ratio of the UAAL to the covered payroll was 143.7%.

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

E. Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4.25% investment rate of return and annual healthcare cost rate trends ranging from 10% to 5%. The UAAL is being amortized as a level percentage of pay assuming a 3.5% increasing, closed basis. The remaining amortization period at January 1, 2011 was 30 years.

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

**June 30, 2012
(Unaudited)**

Employees' Retirement System

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

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 1,885	\$ 29,985	\$ 28,100	6.3%	\$ 45,709	61.5%
01/01/09	\$ -	\$ 46,353	\$ 46,353	0.0%	\$ 33,707	129.9%

See Independent Auditors' Report.

TOWN OF CONCORD, MA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Community Preservation</u>	<u>Parking</u>	<u>Cemetery</u>	<u>Receipts Reserved for Appropriation</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,001,364	\$ 353,618	\$ 316,056	\$ 675,681
Investments	-	-	-	-
Receivables				
Property taxes	16,607	-	-	-
Departmental	-	-	-	478,474
Intergovernmental	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,017,971</u>	<u>\$ 353,618</u>	<u>\$ 316,056</u>	<u>\$ 1,154,155</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Warrants payable	\$ 23,482	\$ 23,641	\$ -	\$ 10,000
Accrued liabilities	-	5	-	-
Deferred revenue	16,607	-	-	478,474
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	40,089	23,646	-	488,474
Fund Balances:				
Non-spendable	-	-	-	-
Restricted	1,977,882	329,972	316,056	665,681
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,977,882</u>	<u>329,972</u>	<u>316,056</u>	<u>665,681</u>
Total Liabilities and Fund Balances	<u>\$ 2,017,971</u>	<u>\$ 353,618</u>	<u>\$ 316,056</u>	<u>\$ 1,154,155</u>

See Independent Auditors' Report.

Special Revenue Funds					
<u>53 G</u> <u>Review</u>	<u>Miscellaneous</u> <u>Grants and</u> <u>Contributions</u>	<u>School</u> <u>Lunch</u>	<u>Gifts</u>	<u>Recreation</u>	<u>Other</u> <u>Revolving</u>
\$ 7,725	\$ 89,849	\$ 130,055	\$ 1,078,964	\$ 433,427	\$ 326,214
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,501	-	-	-
<u>\$ 7,725</u>	<u>\$ 89,849</u>	<u>\$ 145,556</u>	<u>\$ 1,078,964</u>	<u>\$ 433,427</u>	<u>\$ 326,214</u>
\$ -	-	\$ 1,962	\$ 92,584	\$ 90,237	\$ 13,504
-	-	-	1,081	-	-
-	-	-	-	-	-
-	-	1,962	93,665	90,237	13,504
-	-	-	-	-	-
7,725	89,849	143,594	985,299	343,190	312,710
-	-	-	-	-	-
<u>7,725</u>	<u>89,849</u>	<u>143,594</u>	<u>985,299</u>	<u>343,190</u>	<u>312,710</u>
<u>\$ 7,725</u>	<u>\$ 89,849</u>	<u>\$ 145,556</u>	<u>\$ 1,078,964</u>	<u>\$ 433,427</u>	<u>\$ 326,214</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	<u>Land</u> <u>Acquisition</u>	<u>Federal</u> <u>Grants</u>	<u>State</u> <u>Grants</u>	<u>Highway</u> <u>Grants</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 15,071	\$ (87,504)	\$ 373,005	\$ (490,046)
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Departmental	-	-	-	-
Intergovernmental	-	154,958	38,764	579,858
	<u>-</u>	<u>154,958</u>	<u>38,764</u>	<u>579,858</u>
Total Assets	<u>\$ 15,071</u>	<u>\$ 67,454</u>	<u>\$ 411,769</u>	<u>\$ 89,812</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Warrants payable	\$ -	\$ 7,417	\$ 22,569	\$ 164,983
Accrued liabilities	-	14,232	7,754	28,739
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	21,649	30,323	193,722
Fund Balances:				
Non-spendable	-	-	-	-
Restricted	15,071	45,805	381,446	-
Unassigned	-	-	-	(103,910)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,910)</u>
Total Fund Balances	<u>15,071</u>	<u>45,805</u>	<u>381,446</u>	<u>(103,910)</u>
Total Liabilities and Fund Balances	<u>\$ 15,071</u>	<u>\$ 67,454</u>	<u>\$ 411,769</u>	<u>\$ 89,812</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>Solid Waste</u>	<u>Pension Reserve Fund</u>	<u>Sawyer Gift Fund</u>	<u>Subtotals</u>
\$ 503,393	\$ 2,204,325	\$ 719,198	\$ 8,650,395
-	3,827,755	-	3,827,755
-	-	-	16,607
-	-	-	478,474
-	-	-	789,081
<u>\$ 503,393</u>	<u>\$ 6,032,080</u>	<u>\$ 719,198</u>	<u>\$ 13,762,312</u>
\$ 79,132	\$ -	\$ -	\$ 529,511
266,692	-	-	318,503
-	-	-	495,081
345,824	-	-	1,343,095
-	-	-	-
157,569	6,032,080	719,198	12,523,127
-	-	-	(103,910)
<u>157,569</u>	<u>6,032,080</u>	<u>719,198</u>	<u>12,419,217</u>
<u>\$ 503,393</u>	<u>\$ 6,032,080</u>	<u>\$ 719,198</u>	<u>\$ 13,762,312</u>

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 1,177,102	\$ 1,177,102
Investments	-	-
Receivables		
Property taxes	-	-
Departmental	-	-
Intergovernmental	-	-
	<u>-</u>	<u>-</u>
Total Assets	\$ <u>1,177,102</u>	\$ <u>1,177,102</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Warrants payable	\$ -	\$ -
Accrued liabilities	24,835	24,835
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Total Liabilities	24,835	24,835
Fund Balances:		
Non-spendable	-	-
Restricted	1,152,267	1,152,267
Unassigned	-	-
	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,152,267</u>	<u>1,152,267</u>
Total Liabilities and Fund Balances	\$ <u>1,177,102</u>	\$ <u>1,177,102</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotals	
\$ -	\$ 96,383	\$ 96,383	\$ 9,923,880
4,660,337	-	4,660,337	8,488,092
-	-	-	16,607
-	-	-	478,474
-	-	-	789,081
<u>\$ 4,660,337</u>	<u>\$ 96,383</u>	<u>\$ 4,756,720</u>	<u>\$ 19,696,134</u>
\$ -	\$ -	\$ -	\$ 529,511
-	-	-	343,338
-	-	-	495,081
-	-	-	1,367,930
4,660,337	-	4,660,337	4,660,337
-	96,383	96,383	13,771,777
-	-	-	(103,910)
<u>4,660,337</u>	<u>96,383</u>	<u>4,756,720</u>	<u>18,328,204</u>
<u>\$ 4,660,337</u>	<u>\$ 96,383</u>	<u>\$ 4,756,720</u>	<u>\$ 19,696,134</u>

TOWN OF CONCORD, MA

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	Special Revenue Funds			
	Community Preservation	Parking	Cemetery	Receipts Reserved for Appropriation
Revenues:				
Property taxes	\$ 897,355	\$ -	\$ -	\$ -
Departmental	-	324,255	145,488	-
Intergovernmental	230,656	-	-	10,949
Investment income	6,470	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>1,134,481</u>	<u>324,255</u>	<u>145,488</u>	<u>10,949</u>
Expenditures:				
Current:				
General government	959,710	-	-	-
Public safety	-	264,470	-	-
Education	-	-	-	-
Public works	-	-	-	203,353
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	81,146
Total Expenditures	<u>959,710</u>	<u>264,470</u>	<u>-</u>	<u>284,499</u>
Excess (deficiency) of revenues over (under) expenditures	174,771	59,785	145,488	(273,550)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	296,830
Transfers in	-	-	-	-
Transfers out	<u>(60,000)</u>	<u>(58,747)</u>	<u>(119,088)</u>	<u>(14,465)</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(58,747)</u>	<u>(119,088)</u>	<u>282,365</u>
Changes in fund balances	114,771	1,038	26,400	8,815
Fund balances, at Beginning of Year	<u>1,863,111</u>	<u>328,934</u>	<u>289,656</u>	<u>656,866</u>
Fund balances, at End of Year	<u>\$ 1,977,882</u>	<u>\$ 329,972</u>	<u>\$ 316,056</u>	<u>\$ 665,681</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>53 G</u> <u>Review</u>	<u>Miscellaneous</u> <u>Grants and</u> <u>Contributions</u>	<u>School</u> <u>Lunch</u>	<u>Gifts</u>	<u>Recreation</u>	<u>Other</u> <u>Revolving</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,051	-	454,710	-	1,588,415	72,580
-	-	67,054	-	-	-
50	-	-	-	-	-
-	-	-	75,900	-	-
-	57,671	-	866,127	-	-
<u>19,101</u>	<u>57,671</u>	<u>521,764</u>	<u>942,027</u>	<u>1,588,415</u>	<u>72,580</u>
14,674	66,590	-	598,229	-	27,927
-	-	-	30,706	-	-
-	-	610,509	197,065	-	5,204
-	-	-	44,059	-	29,619
-	-	-	39,167	-	-
-	-	-	50,005	1,461,426	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,674</u>	<u>66,590</u>	<u>610,509</u>	<u>959,231</u>	<u>1,461,426</u>	<u>62,750</u>
4,427	(8,919)	(88,745)	(17,204)	126,989	9,830
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(45,088)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,088)</u>	<u>-</u>
4,427	(8,919)	(88,745)	(17,204)	81,901	9,830
<u>3,298</u>	<u>98,768</u>	<u>232,339</u>	<u>1,002,503</u>	<u>261,289</u>	<u>302,880</u>
<u>\$ 7,725</u>	<u>\$ 89,849</u>	<u>\$ 143,594</u>	<u>\$ 985,299</u>	<u>\$ 343,190</u>	<u>\$ 312,710</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Departmental	-	-	-	-
Intergovernmental	-	646,051	1,258,845	650,154
Investment income	45	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>45</u>	<u>646,051</u>	<u>1,258,845</u>	<u>650,154</u>
Expenditures:				
Current:				
General government	-	-	10,685	-
Public safety	-	10,975	88,359	-
Education	-	645,658	1,113,962	-
Public works	-	996	15,440	754,064
Health and human services	-	-	29,164	-
Culture and recreation	-	-	2,164	-
Employee benefits	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>-</u>	<u>657,629</u>	<u>1,259,774</u>	<u>754,064</u>
Excess (deficiency) of revenues over (under) expenditures	45	(11,578)	(929)	(103,910)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	1,453	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,453</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balances	1,498	(11,578)	(929)	(103,910)
Fund balances, at Beginning of Year	<u>13,573</u>	<u>57,383</u>	<u>382,375</u>	<u>-</u>
Fund balances, at End of Year	<u>\$ 15,071</u>	<u>\$ 45,805</u>	<u>\$ 381,446</u>	<u>\$ (103,910)</u>

See Independent Auditors' Report.

Special Revenue Funds

<u>Solid Waste</u>	<u>Pension Reserve Fund</u>	<u>Sawyer Gift Fund</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ 897,355
1,104,363	-	-	3,708,862
-	-	-	2,863,709
-	72,977	26,709	106,251
-	-	-	75,900
-	-	-	923,798
<u>1,104,363</u>	<u>72,977</u>	<u>26,709</u>	<u>8,575,875</u>
-	-	479,642	2,157,457
-	-	-	394,510
-	-	-	2,572,398
970,752	-	-	2,018,283
-	-	-	68,331
-	-	-	1,513,595
-	11,130	-	11,130
-	-	-	81,146
<u>970,752</u>	<u>11,130</u>	<u>479,642</u>	<u>8,816,850</u>
133,611	61,847	(452,933)	(240,975)
-	-	-	296,830
-	408,969	-	410,422
<u>(119,351)</u>	<u>-</u>	<u>-</u>	<u>(416,739)</u>
<u>(119,351)</u>	<u>408,969</u>	<u>-</u>	<u>290,513</u>
14,260	470,816	(452,933)	49,538
<u>143,309</u>	<u>5,561,264</u>	<u>1,172,131</u>	<u>12,369,679</u>
<u>\$ 157,569</u>	<u>\$ 6,032,080</u>	<u>\$ 719,198</u>	<u>\$ 12,419,217</u>

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotal</u>
Revenues:		
Property taxes	\$ -	\$ -
Departmental	-	-
Intergovernmental	-	-
Investment income	-	-
Contributions	-	-
Other	-	-
	<hr/>	<hr/>
Total Revenues	-	-
Expenditures:		
Current:		
General government	-	-
Public safety	699,069	699,069
Education	1,058,891	1,058,891
Public works	250,559	250,559
Health and human services	-	-
Culture and recreation	290,142	290,142
Employee benefits	-	-
Debt service	-	-
	<hr/>	<hr/>
Total Expenditures	<u>2,298,661</u>	<u>2,298,661</u>
Excess (deficiency) of revenues over (under) expenditures	(2,298,661)	(2,298,661)
Other Financing Sources (Uses):		
Issuance of bonds	2,785,000	2,785,000
Transfers in	60,000	60,000
Transfers out	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<u>2,845,000</u>	<u>2,845,000</u>
Changes in fund balances	546,339	546,339
Fund balances, at Beginning of Year	<u>605,928</u>	<u>605,928</u>
Fund balances, at End of Year	<u>\$ 1,152,267</u>	<u>\$ 1,152,267</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotal	
\$ -	\$ -	\$ -	\$ 897,355
-	-	-	3,708,862
-	-	-	2,863,709
(187,772)	4,838	(182,934)	(76,683)
-	-	-	75,900
<u>99,250</u>	<u>-</u>	<u>99,250</u>	<u>1,023,048</u>
(88,522)	4,838	(83,684)	8,492,191
-	-	-	2,157,457
-	-	-	1,093,579
-	-	-	3,631,289
103,516	-	103,516	2,372,358
-	-	-	68,331
-	-	-	1,803,737
-	-	-	11,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>81,146</u>
<u>103,516</u>	<u>-</u>	<u>103,516</u>	<u>11,219,027</u>
(192,038)	4,838	(187,200)	(2,726,836)
-	-	-	3,081,830
-	-	-	470,422
<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,739)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,135,513</u>
(192,038)	4,838	(187,200)	408,677
<u>4,852,375</u>	<u>91,545</u>	<u>4,943,920</u>	<u>17,919,527</u>
\$ <u>4,660,337</u>	\$ <u>96,383</u>	\$ <u>4,756,720</u>	\$ <u>18,328,204</u>

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