

**TOWN OF CONCORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2010**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	15
Statement of Activities	16
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	21
<b>Proprietary Funds:</b>	
Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Statement of Cash Flows	24
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Assets	25
Statement of Changes in Fiduciary Net Assets	26
<b>Notes to Financial Statements</b>	27
<b>Municipal Light Plant Notes to the Financial Statements</b>	55
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>Schedule of Funding Progress</b>	68

**SUPPLEMENTARY INFORMATION:**

Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Equity - Nonmajor Governmental Funds	76



# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 107

Andover, MA 01810-1096

(978) 749-0005 • Fax (978) 749-0006

[www.melansonheath.com](http://www.melansonheath.com)

## 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, and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of and for the year ended June 30, 2010, (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which is as of and for the year ended December 31, 2009) 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 69% 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 Electric Enterprise Fund are presented in conformity with the accounting practices prescribed by the Massachusetts Department of Public

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

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, 2010, (except the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of December 31, 2009), 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.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 68, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Town of Concord, Massachusetts' basic financial statements. The supplementary statements, beginning on page 70, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2011 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.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
January 10, 2011

## 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, 2010. 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 \$ 218,584 (i.e., net assets), a change of \$ 9,741 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 42,691, a change of \$ 15,792 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 9,336, a change of \$ 434 in comparison with the prior year.
- Total bonds payable as of June 30, 2010 was \$ 79,600 a change of \$ 8,121 in comparison to the prior year. Governmental bonds payable of \$ 59,117 increased by \$ 10,069, primarily from the issuance of bonds for the Willard School Project. Business-type bonds payable of \$ 20,483 decreased by \$ (1,948).

**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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 51,152	\$ 48,357	\$ 39,295	\$ 36,261	\$ 90,447	\$ 84,618
Capital assets	155,296	149,841	86,031	87,724	241,327	237,565
Total assets	<u>206,448</u>	<u>198,198</u>	<u>125,326</u>	<u>123,985</u>	<u>331,774</u>	<u>322,183</u>
Long-term liabilities outstanding	67,300	55,227	21,139	23,022	88,439	78,249
Other liabilities	6,519	19,490	18,232	15,601	24,751	35,091
Total liabilities	<u>73,819</u>	<u>74,717</u>	<u>39,371</u>	<u>38,623</u>	<u>113,190</u>	<u>113,340</u>
Net assets:						
Invested in capital assets, net	97,387	94,349	65,309	65,053	162,696	159,402
Restricted	20,412	13,318	4,183	4,315	24,595	17,633
Unrestricted	14,830	15,814	16,463	15,994	31,293	31,808
Total net assets	<u>\$ 132,629</u>	<u>\$ 123,481</u>	<u>\$ 85,955</u>	<u>\$ 85,362</u>	<u>\$ 218,584</u>	<u>\$ 208,843</u>

**CHANGES IN NET ASSETS**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,607	\$ 5,208	\$ 28,261	\$ 25,751	\$ 33,868	\$ 30,959
Operating grants and contributions	8,830	9,305	-	-	8,830	9,305
Capital grants and contributions	921	567	-	-	921	567
General revenues:						
Property taxes	66,103	63,402	-	-	66,103	63,402
Excises	2,531	2,799	-	-	2,531	2,799
Penalties, interest and other taxes	228	148	-	-	228	148
Grants and contributions not restricted to specific programs	1,651	1,829	-	-	1,651	1,829
Investment income	1,938	(428)	316	790	2,254	362
Other	729	801	(428)	(429)	301	372
Total revenues	<u>88,538</u>	<u>83,631</u>	<u>28,149</u>	<u>26,112</u>	<u>116,687</u>	<u>109,743</u>
<b>Expenses:</b>						
General government	8,037	8,157	-	-	8,037	8,157
Public safety	11,159	10,892	-	-	11,159	10,892
Education	52,981	51,015	-	-	52,981	51,015
Public works	7,064	6,893	-	-	7,064	6,893
Health and human services	678	642	-	-	678	642
Culture and recreation	4,823	4,856	-	-	4,823	4,856
Interest on long-term debt	1,925	1,837	-	-	1,925	1,837
Intergovernmental	377	354	-	-	377	354
Water services	-	-	2,712	2,617	2,712	2,617
Sewer operations	-	-	3,155	2,849	3,155	2,849
Electric operations	-	-	18,426	15,807	18,426	15,807
Swim operations	-	-	2,252	2,211	2,252	2,211
Total expenses	<u>87,044</u>	<u>84,646</u>	<u>26,545</u>	<u>23,484</u>	<u>113,589</u>	<u>108,130</u>
Excess before special items and transfers	1,494	(1,015)	1,604	2,628	3,098	1,613
Special item - MSBA grant	6,337	-	-	-	6,337	-
Transfers in (out)	<u>1,317</u>	<u>1,597</u>	<u>(1,011)</u>	<u>(1,032)</u>	<u>306</u>	<u>565</u>
Change in net assets	9,148	582	593	1,596	9,741	2,178
Net assets - beginning of year	<u>123,481</u>	<u>122,899</u>	<u>85,362</u>	<u>83,766</u>	<u>208,843</u>	<u>206,665</u>
Net assets - end of year	<u>\$ 132,629</u>	<u>\$ 123,481</u>	<u>\$ 85,955</u>	<u>\$ 85,362</u>	<u>\$ 218,584</u>	<u>\$ 208,843</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 \$ 218,584, a change of \$ 9,741 from the prior year.

The largest portion of net assets \$ 162,696 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This is a change of \$ 3,294 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, \$ 24,595, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$ 20,370; and
- Expendable and nonexpendable trust fund assets, \$ 4,225.

The remaining balance of unrestricted net assets, \$ 31,293, may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$ 14,830 is in governmental activities funds a change of \$ (984) from the prior year;
- \$ 16,463 is in business-type activities funds a change of \$ 469 from the prior year.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 9,148. Key elements of this change are as follows:

MSBA grant used for debt service	\$ 6,337
Other general fund expenditures exceeding revenues	(850)
Transfers from Enterprise funds, net	1,317
Pension reserve fund revenues exceeding expenditures	670
Other special revenue fund revenues exceeding expenditures	353
Trust fund revenues exceeding expenditures	413
Debt service principal payments exceeding depreciation expense	972
Increase in OPEB obligation	(2,207)
Current year revenue used for the acquisition of capital assets	1,966
Other	<u>177</u>
Total	<u>\$ 9,148</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 593. 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 \$ 3,743 and expenses and transfers of \$ 3,265, resulting in a change in net assets of \$ 478.
- The Sewer fund had revenues of \$ 2,471 and expenses and transfers of \$ 3,330, resulting in a change in net assets of \$ (859).
- The Light Fund had revenues of \$ 19,841 and expenses and transfers of \$ 19,210, resulting in a change in net assets of \$ 631.
- The Swim Fund had revenues and transfers of \$ 2,652 and expenses and transfers of \$ 2,309, resulting in a change in net assets of \$ 343.
- The unrestricted net assets for each of the Enterprise funds changed as follows:

Water Fund	\$ 211
Sewer Fund	\$ (136)
Light Fund	\$ (56)
Swim Fund	\$ 450

**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, unreserved 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 \$ 42,691, a change of \$ 15,792 in comparison with the prior year. Key elements of this change are as follows:

**Governmental fund highlights**

MSBA grant used for debt service	\$ 6337
Other general fund expenditures exceeding revenues	(850)
Transfers from Enterprise funds, net	1,317
Pension reserve fund revenues exceeding expenditures	670
Other special revenue fund revenues exceeding expenditures	353
Willard School project fund revenues and bond proceeds exceeding expenditures	7,861
Non-major Capital project fund expenditures exceeding bond proceeds	(309)
Trust fund revenues exceeding expenditures	<u>413</u>
Total	<u>\$ 15,792</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 9,336, while total fund balance was \$ 20,841. 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>6/30/10</u>	<u>6/30/09</u>	<u>Change</u>
Unreserved fund balance	\$ 9,336	\$ 8,902	\$ 434
Total fund balance	20,841	14,241	6,600
Unreserved fund balance as of % of total General Fund expenditures	11.8%	11.7%	0.1%
Total fund balance as of % of total General Fund expenditures	26.4%	18.8%	7.6%

The total fund balance of the general fund changed by \$ 6,600 during the current fiscal year. Key factors in this change are as follows:

**General Fund Highlights**

Non-budgeted MSBA grant	\$ 6,337
Use of free cash	(1,040)
Revenues greater than budget	424
Expenditures less than budget	593
Change in encumbrances	236
Raising prior year snow and ice deficit	240
Other	<u>(190)</u>
Total	<u>\$ 6,600</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 \$ 16,463. Total net assets of the enterprise funds at the end of the year amounted to \$ 85,955, a change of \$ 593 in comparison with 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 solely reflect budgeted interfund charges through which other funds (primarily the business-type enterprise funds) reimburse the General Fund for services provided.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 241,327 (net of accumulated depreciation), a change of \$ 3,762 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:**

- \$ 5,039 New Willard Elementary School construction in progress
- 1,457 Various road improvements
- 435 CPS building improvements

##### **Business-type activities:**

- \$ 382 Sewer related infrastructure
- 438 Water related infrastructure

A comparison to the three prior years is as follows:

	<u>Capital Purchases</u>	<u>Disposals</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation on Disposals</u>	<u>Net Activity</u>
<u>Governmental activities</u>					
Fiscal year 2010	\$ 9,514	\$ -	\$ (4,059)	\$ -	\$ 5,455
Fiscal year 2009	24,374	(2,374)	(3,191)	-	18,809
Fiscal year 2008	10,289	(189)	(2,999)	54	7,155
<u>Business-type activities</u>					
<i>Water</i>					
Fiscal year 2010	438	-	(732)	-	(294)
Fiscal year 2009	804	-	(703)	-	101
Fiscal year 2008	1,112	-	(702)	-	410
<i>Sewer</i>					
Fiscal year 2010	382	-	(1,722)	-	(1,340)
Fiscal year 2009	891	(732)	(1,445)	366	(920)
Fiscal year 2008	4,927	-	(1,330)	-	3,597
<i>Light</i>					
Fiscal year 2010	1,212	-	(1,065)	-	147
Fiscal year 2009	3,579	(859)	(1,343)	444	1,821
Fiscal year 2008	1,929	(953)	(1,306)	564	234
<i>Swim</i>					
Fiscal year 2010	67	-	(273)	-	(206)
Fiscal year 2009	19	-	(267)	-	(248)
Fiscal year 2008	18	-	(263)	-	(245)

Capital Assets net of <u>Accumulated depreciation</u>	<u>@ 6/30/10</u>	<u>@ 6/30/09</u>	<u>Change</u>
Governmental activities	\$ 155,296	\$ 149,841	\$ 5,455
Business activities			
Water	18,492	18,786	(294)
Sewer	25,864	27,204	(1,340)
Electric	32,850	32,703	147
Swim	8,825	9,031	(206)
Subtotal	<u>86,031</u>	<u>87,724</u>	<u>(1,693)</u>
Grand Total	<u>\$ 241,327</u>	<u>\$ 237,565</u>	<u>\$ 3,762</u>

**Long-term debt.** As of June 30, 2010, total bonded debt outstanding was \$ 79,600, 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 footnotes to the financial statements.

**Change in credit rating.** During the fiscal year, the Moody's credit rating did not change.

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

The adopted FY11 General Fund budget of \$ 77,561 is a 2.7 % increase over the prior year. It is anticipated that 85.8% of the resources to fund the General Fund budget will be generated by property taxes. Additional funding includes money from state aid (4.7%), local receipts (5.9%), debt stabilization fund (1.3%), Massachusetts School Building Authority Grant (0.6%), investment earnings (0.4%), transfers from the Light Fund (0.5%), and unreserved fund balance (0.8%).

The property tax levy for FY11 (\$ 66,545) represents a 1.1 % increase over the prior year. This rise reflects an increase of 0.7 % in the property tax rate from \$ 13.09 per thousand to \$ 13.19 per thousand and an increase of 0.4% in taxable assessed value from \$ 5.026 billion to \$ 5.045 billion. The assessment date for valuing the Town's FY11 real estate and personal property is January 1, 2010. The table below presents a comparison between FY10 and FY11.

	<u>FY10</u>	<u>FY11</u>	<u>% Change</u>
Taxable Assessed Value	\$ 5,026,552	\$ 5,045,140	0.4%
Tax Rate (per \$ 1,000)	\$ 13.09	\$ 13.19	0.7%
Property Tax Levy	\$ 65,797	\$ 66,545	1.1%

It should be noted that 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 which 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 made an effort to remain well under this ceiling or levy limit. Excess levy capacity, the difference between the property tax levy and the levy limit, totaled \$ 912 in FY10 and \$ 2,039 in FY11.

During the last three years, the value of assets in the Concord Retirement Fund has fluctuated as the overall economy has experienced first a significant downturn and then a partial recovery. Yet, despite the sharp recession and slow turnaround, the market value of the Town's retirement system assets has decreased just 5.5 % from the all-time peak of \$ 95.3 million at October 31, 2007

to \$ 90.0 million as of October 31, 2010. In addition, the Pension Reserve Fund has recovered its value over this time period.

	Value as of <u>10/31/07</u>	Value as of <u>12/31/08</u>	Value as of <u>12/31/09</u>	Value as of <u>10/31/10</u>
Retirement System	\$ 95,339	\$ 70,518	\$ 82,223	\$ 90,049
Pension Reserve Fund	\$ 5,020	\$ 3,574	\$ 4,409	\$ 5,027

With the prior year's Financial Statements, the Town implemented GASB 45, which addresses issues associated with Other Post-Employment Benefits (OPEB). The net OPEB liability change for governmental-type activities was \$ 2,019 in FY09 and \$ 2,115 in FY10 and for business-type activities \$ 233 in FY09 and \$ 0 in FY10.

At June 30, 2010, the Town funded the cumulative net OPEB liability for the business-type activities in the amount of \$ 480. This amount included \$ 254 contributed to pay down the net OPEB liability for the Electric Fund, a fund which operates on a calendar year. The contribution is shown here and in footnote 18, as part of the current year presentation.

	Governmental-Type <u>Activities</u>	Business-Type <u>Activities</u>
FY09 Change in Net OPEB Obligation	\$ 2,019	\$ 233
FY10 Change in Net OPEB Obligation	<u>2,115</u>	<u>(233)</u>
Total OPEB Obligation	<u>\$ 4,134</u>	<u>\$ -</u>

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 recent investment in 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; the year-end cash position during this time period is projected to remain above \$ 2.4 million.

## **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:

Chief Financial Officer  
Town of Concord, Massachusetts  
22 Monument Square  
Concord, Massachusetts 01742

## TOWN OF CONCORD, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2010

(Except for the Electric Enterprise Fund, which is as of December 31, 2009)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 37,582,319	\$ 27,643,264	\$ 65,225,583
Investments	10,742,576	1,112,192	11,854,768
Receivables, net of allowance for uncollectibles:			
Property taxes	761,237	-	761,237
Excises	65,639	-	65,639
User fees	171,321	4,714,822	4,886,143
Betterments	-	83,000	83,000
Departmental and other	478,894	-	478,894
Intergovernmental	662,224	-	662,224
Inventory	-	38,322	38,322
Materials and supplies	-	750,561	750,561
Prepaid expenses	-	3,202,584	3,202,584
Other assets	35,588	331,727	367,315
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	652,838	-	652,838
Betterments	-	1,417,761	1,417,761
Capital assets being depreciated, net	79,056,941	79,826,051	158,882,992
Capital assets not being depreciated	<u>76,238,647</u>	<u>6,205,507</u>	<u>82,444,154</u>
<b>TOTAL ASSETS</b>	<b>206,448,224</b>	<b>125,325,791</b>	<b>331,774,015</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,221,801	3,033,087	5,254,888
Accrued liabilities	2,421,100	413,857	2,834,957
Unearned revenue	-	1,213,558	1,213,558
Customer deposits	-	353,191	353,191
Provision for rate stabilization	-	13,219,004	13,219,004
Notes payable	1,450,000	-	1,450,000
Other current liabilities	425,086	-	425,086
Current portion of long-term liabilities:			
Bonds payable	5,850,932	1,951,275	7,802,207
Accrued employee benefits	382,944	17,111	400,055
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	53,266,046	18,771,637	72,037,683
Accrued employee benefits, net of current portion	3,446,491	274,182	3,720,673
Estimated landfill closure and postclosure care costs, net of current portion	210,000	-	210,000
Net OPEB obligation	<u>4,134,335</u>	<u>124,449</u>	<u>4,258,784</u>
<b>TOTAL LIABILITIES</b>	<b>73,818,735</b>	<b>39,371,351</b>	<b>113,190,086</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	97,386,783	65,308,646	162,695,429
Restricted for:			
Grants and other statutory restrictions	16,187,039	4,183,090	20,370,129
Permanent funds:			
Nonexpendable	4,135,403	-	4,135,403
Expendable	90,658	-	90,658
Unrestricted	<u>14,829,606</u>	<u>16,462,704</u>	<u>31,292,310</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>132,629,489</u></b>	<b>\$ <u>85,954,440</u></b>	<b>\$ <u>218,583,929</u></b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(Except for the Electric Enterprise Fund, which is as of December 31, 2009)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 8,036,497	\$ 384,477	\$ 328,380	\$ -	\$ (7,323,640)	\$ -	\$ (7,323,640)
Public safety	11,159,206	1,430,738	182,576	-	(9,545,892)	-	(9,545,892)
Education	52,981,052	647,755	8,216,027	-	(44,117,270)	-	(44,117,270)
Public works	7,064,011	1,430,298	74,044	825,410	(4,734,259)	-	(4,734,259)
Health and human services	678,387	137,230	-	-	(541,157)	-	(541,157)
Culture and recreation	4,822,723	1,577,087	29,442	95,100	(3,121,094)	-	(3,121,094)
Debt service interest	1,924,780	-	-	-	(1,924,780)	-	(1,924,780)
Intergovernmental	377,395	-	-	-	(377,395)	-	(377,395)
Total Governmental Activities	87,044,051	5,607,585	8,830,469	920,510	(71,685,487)	-	(71,685,487)
<b>Business-Type Activities:</b>							
Water services	2,711,990	3,719,334	-	-	-	1,007,344	1,007,344
Sewer services	3,154,603	2,447,770	-	-	-	(706,833)	(706,833)
Electric services	18,426,381	19,590,144	-	-	-	1,163,763	1,163,763
Swim Services	2,252,483	2,503,352	-	-	-	250,869	250,869
Total Business-Type Activities	26,545,457	28,260,600	-	-	-	1,715,143	1,715,143
Total	\$ <u>113,589,508</u>	\$ <u>33,868,185</u>	\$ <u>8,830,469</u>	\$ <u>920,510</u>	(71,685,487)	1,715,143	(69,970,344)
<b>General Revenues and Transfers:</b>							
Property taxes					66,102,658	-	66,102,658
Excises					2,531,203	-	2,531,203
Penalties, interest and other taxes					227,958	-	227,958
Grants and contributions not restricted to specific programs					1,651,419	-	1,651,419
Investment income					1,937,698	316,470	2,254,168
Other income (expenses)					729,417	(428,483)	300,934
Special item - MSBA grant					6,336,666	-	6,336,666
Transfers, net					1,317,276	(1,010,688)	306,588
Total general revenues and transfers					80,834,295	(1,122,701)	79,711,594
Change in Net Assets					9,148,808	592,442	9,741,250
<b>Net Assets:</b>							
Beginning of year					123,480,681	85,361,998	208,842,679
End of year					\$ <u>132,629,489</u>	\$ <u>85,954,440</u>	\$ <u>218,583,929</u>

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

<b>ASSETS</b>	<u>General</u>	<u>Willard School Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 20,699,803	\$ (150,686)	\$ 17,033,202	\$ 37,582,319
Investments	3,843,820	-	6,898,756	10,742,576
Receivables:				
Property taxes	1,771,194	-	14,213	1,785,407
Excises	105,168	-	-	105,168
Departmental	171,321	-	478,894	650,215
Intergovernmental	103,281	-	558,943	662,224
Accrued interest and other	35,588	-	-	35,588
<b>TOTAL ASSETS</b>	<b>\$ 26,730,175</b>	<b>\$ (150,686)</b>	<b>\$ 24,984,008</b>	<b>\$ 51,563,497</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 1,597,550	\$ -	\$ 624,250	\$ 2,221,800
Accrued liabilities	1,968,407	21,700	394,218	2,384,325
Deferred revenue	1,898,081	-	493,107	2,391,188
Notes payable	-	200,000	1,250,000	1,450,000
Other liabilities	425,086	-	-	425,086
<b>TOTAL LIABILITIES</b>	<b>5,889,124</b>	<b>221,700</b>	<b>2,761,575</b>	<b>8,872,399</b>
Fund Balances:				
Reserved for:				
Encumbrances	4,534,222	-	-	4,534,222
Expenditures	634,430	-	-	634,430
Perpetual (nonexpendable) permanent funds	-	-	4,135,403	4,135,403
Debt service	6,336,666	-	-	6,336,666
Unreserved:				
Undesignated, reported in:				
General fund	9,335,733	-	-	9,335,733
Special revenue funds	-	-	16,415,813	16,415,813
Capital project funds	-	(372,386)	1,580,559	1,208,173
Permanent funds	-	-	90,658	90,658
<b>TOTAL FUND BALANCES</b>	<b>20,841,051</b>	<b>(372,386)</b>	<b>22,222,433</b>	<b>42,691,098</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,730,175</b>	<b>\$ (150,686)</b>	<b>\$ 24,984,008</b>	<b>\$ 51,563,497</b>

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, 2010

<b>Total governmental fund balances</b>	\$ 42,691,098
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	155,295,588
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,980,326
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(749,066)
<ul style="list-style-type: none"><li>• 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.</li></ul>	<u>(66,588,457)</u>
<b>Net assets of governmental activities</b>	<u>\$ 132,629,489</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, 2010

	<u>General</u>	<u>Willard School Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 65,153,434	\$ -	\$ 853,033	\$ 66,006,467
Excise taxes	2,521,254	-	-	2,521,254
Penalties, interest and other taxes	227,958	-	-	227,958
Departmental	1,089,388	-	3,773,299	4,862,687
Licenses and permits	672,011	-	-	672,011
Fines and forfeitures	96,433	-	14,971	111,404
Intergovernmental	14,452,390	-	3,356,018	17,808,408
Investment income	255,727	-	1,509,746	1,765,473
Contributions	-	-	454,694	454,694
Other	104,590	-	247,502	352,092
Total Revenues	<u>84,573,185</u>	<u>-</u>	<u>10,209,263</u>	<u>94,782,448</u>
<b>Expenditures:</b>				
Current:				
General government	4,406,037	-	2,161,359	6,567,396
Public safety	7,190,950	-	459,527	7,650,477
Education	46,782,799	-	2,307,205	49,090,004
Public works	3,413,812	-	2,195,025	5,608,837
Snow and Ice	554,198	-	-	554,198
Health and human services	361,803	-	24,689	386,492
Culture and recreation	1,998,762	-	1,556,978	3,555,740
Employee benefits	7,227,205	-	68,606	7,295,811
Debt service	6,772,750	-	-	6,772,750
Capital outlay	-	5,039,328	2,508,860	7,548,188
Intergovernmental	377,395	-	-	377,395
Total Expenditures	<u>79,085,711</u>	<u>5,039,328</u>	<u>11,282,249</u>	<u>95,407,288</u>
Excess (Deficiency) of revenues over expenditures	5,487,474	(5,039,328)	(1,072,986)	(624,840)
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	12,900,000	2,200,000	15,100,000
Transfers in	1,801,983	100,000	524,532	2,426,515
Transfers out	(689,031)	-	(420,208)	(1,109,239)
Total Other Financing Sources (Uses)	<u>1,112,952</u>	<u>13,000,000</u>	<u>2,304,324</u>	<u>16,417,276</u>
Changes in fund balances	6,600,426	7,960,672	1,231,338	15,792,436
Fund Balances, at Beginning of Year	<u>14,240,625</u>	<u>(8,333,058)</u>	<u>20,991,095</u>	<u>26,898,662</u>
Fund Balances, at End of Year	<u>\$ 20,841,051</u>	<u>\$ (372,386)</u>	<u>\$ 22,222,433</u>	<u>\$ 42,691,098</u>

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, 2010

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 15,792,436</b>
<ul style="list-style-type: none"> <li>• 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:</li> </ul>	
Capital outlay purchases, net of dispositions	9,513,806
Depreciation	(4,059,036)
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	
	106,140
<ul style="list-style-type: none"> <li>• 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:</li> </ul>	
Issuance of debt	(15,100,000)
Repayments of debt	5,031,169
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	
	(183,199)
<ul style="list-style-type: none"> <li>• 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:</li> </ul>	
Change in compensated absences	245,012
Change in landfill liability	10,000
Change in OPEB liability	<u>(2,207,520)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>9,148,808</u></b>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers:</b>				
Taxes	\$ 65,290,712	\$ 65,290,712	\$ 65,290,712	\$ -
Excise taxes	2,371,000	2,371,000	2,521,254	150,254
Penalties, interest and other taxes	100,000	100,000	227,958	127,958
Departmental	1,001,500	1,001,500	1,089,388	87,888
Licenses and permits	639,000	639,000	672,011	33,011
Fines and forfeitures	110,000	110,000	96,433	(13,567)
Intergovernmental	3,808,876	3,808,876	3,811,507	2,631
Investment income	270,000	270,000	255,727	(14,273)
Other	54,480	54,480	104,590	50,110
Transfers in	369,500	1,801,983	1,801,983	-
<b>Total Revenues and Transfers</b>	<b>74,015,068</b>	<b>75,447,551</b>	<b>75,871,563</b>	<b>424,012</b>
<b>Expenditures:</b>				
General government	3,966,282	4,825,990	4,560,046	265,944
Public safety	7,426,067	7,441,067	7,400,076	40,991
Education	42,318,976	42,318,976	42,248,093	70,883
Public works	3,012,450	3,545,525	3,523,467	22,058
Snow and ice	455,000	455,000	554,198	(99,198)
Health and human services	395,635	395,635	376,412	19,223
Culture and recreation	2,024,079	2,048,779	2,046,187	2,592
Employee benefits	7,205,319	7,205,319	7,106,776	98,543
Debt service	7,023,397	7,023,397	6,882,500	140,897
Intergovernmental	408,852	408,852	377,395	31,457
Transfers out	579,281	579,281	579,281	-
<b>Total Expenditures</b>	<b>74,815,338</b>	<b>76,247,821</b>	<b>75,654,431</b>	<b>593,390</b>
Excess (deficiency) of revenues and other sources over expenditures	(800,270)	(800,270)	217,132	1,017,402
<b>Other Financing Sources/(Uses):</b>				
Use of free cash	1,040,000	1,040,000	-	(1,040,000)
Raise prior year deficit	(239,730)	(239,730)	-	239,730
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 217,132	\$ 217,132

## TOWN OF CONCORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2010

(DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Swim Fund</u>	
<b><u>ASSETS</u></b>					
Current:					
Cash and short-term investments	\$ 3,494,851	\$ 3,936,979	\$ 16,928,102	\$ 3,283,332	\$ 27,643,264
Investments	-	-	1,112,192	-	1,112,192
User fees, net of allowance for uncollectibles	815,313	401,400	3,498,109	-	4,714,822
Betterment receivables	-	83,000	-	-	83,000
Inventory	38,322	-	-	-	38,322
Materials and supplies, at average cost	-	-	750,561	-	750,561
Prepaid expenses	-	-	3,202,584	-	3,202,584
Other assets	-	-	331,727	-	331,727
<b>Total current assets</b>	<b>4,348,486</b>	<b>4,421,379</b>	<b>25,823,275</b>	<b>3,283,332</b>	<b>37,876,472</b>
Noncurrent:					
Betterment receivables, net of current portion	-	1,417,761	-	-	1,417,761
Capital assets being depreciated, net	15,221,870	25,762,621	30,016,623	8,824,937	79,826,051
Capital assets not being depreciated	3,270,467	101,625	2,833,415	-	6,205,507
<b>Total noncurrent assets</b>	<b>18,492,337</b>	<b>27,282,007</b>	<b>32,850,038</b>	<b>8,824,937</b>	<b>87,449,319</b>
<b>TOTAL ASSETS</b>	<b>22,840,823</b>	<b>31,703,386</b>	<b>58,673,313</b>	<b>12,108,269</b>	<b>125,325,791</b>
<b><u>LIABILITIES</u></b>					
Current:					
Warrants payable	144,170	249,425	2,511,568	127,924	3,033,087
Accrued liabilities	64,738	125,189	222,335	1,595	413,857
Unearned revenue	-	-	226,669	986,889	1,213,558
Customer deposits	-	-	353,191	-	353,191
Provision for rate stabilization	-	-	13,219,004	-	13,219,004
Current portion of long-term liabilities:					
Bonds payable	550,000	761,275	540,000	100,000	1,951,275
Accrued employee benefits	9,872	2,468	-	4,771	17,111
<b>Total current liabilities</b>	<b>768,780</b>	<b>1,138,357</b>	<b>17,072,767</b>	<b>1,221,179</b>	<b>20,201,083</b>
Noncurrent:					
Bonds payable, net of current portion	4,025,000	12,836,637	1,910,000	-	18,771,637
Accrued employee benefits, net of current portion	88,843	22,211	120,188	42,940	274,182
Net OPEB obligation	-	-	124,449	-	124,449
<b>Total noncurrent liabilities</b>	<b>4,113,843</b>	<b>12,858,848</b>	<b>2,154,637</b>	<b>42,940</b>	<b>19,170,268</b>
<b>TOTAL LIABILITIES</b>	<b>4,882,623</b>	<b>13,997,205</b>	<b>19,227,404</b>	<b>1,264,119</b>	<b>39,371,351</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	13,917,337	12,266,334	30,400,038	8,724,937	65,308,646
Restricted - betterments	-	2,128,342	-	-	2,128,342
Restricted - capital improvements	-	2,054,748	-	-	2,054,748
Unrestricted	4,040,863	1,256,757	9,045,871	2,119,213	16,462,704
<b>TOTAL NET ASSETS</b>	<b>\$ 17,958,200</b>	<b>\$ 17,706,181</b>	<b>\$ 39,445,909</b>	<b>\$ 10,844,150</b>	<b>\$ 85,954,440</b>

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, 2010

(DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<b>Operating Revenues:</b>					
Charges for services	\$ 3,719,334	\$ 2,447,770	\$ 19,590,144	\$ 2,503,352	\$ 28,260,600
Total Operating Revenues	3,719,334	2,447,770	19,590,144	2,503,352	28,260,600
<b>Operating Expenses:</b>					
Personnel services	958,697	312,448	-	1,301,418	2,572,563
Non-personnel services	828,944	915,448	-	668,223	2,412,615
Depreciation	731,506	1,722,262	1,398,264	273,092	4,125,124
Electric operations	-	-	16,904,313	-	16,904,313
Total Operating Expenses	2,519,147	2,950,158	18,302,577	2,242,733	26,014,615
Operating Income (Loss)	1,200,187	(502,388)	1,287,567	260,619	2,245,985
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	23,813	23,080	250,840	18,737	316,470
Interest expense	(192,843)	(204,445)	(123,804)	(9,750)	(530,842)
Other nonoperating expense, net	-	-	(428,483)	-	(428,483)
Total Nonoperating Revenues (Expenses), Net	(169,030)	(181,365)	(301,447)	8,987	(642,855)
Income Before Transfers	1,031,157	(683,753)	986,120	269,606	1,603,130
Transfers in	-	-	-	129,750	129,750
Transfers out - overhead allocations	(513,281)	(175,632)	(355,000)	(56,014)	(1,099,927)
Transfers out - other transfers	(40,511)	-	-	-	(40,511)
Change in Net Assets	477,365	(859,385)	631,120	343,342	592,442
Net Assets at Beginning of Year	17,480,835	18,565,566	38,814,789	10,500,808	85,361,998
Net Assets at End of Year	\$ 17,958,200	\$ 17,706,181	\$ 39,445,909	\$ 10,844,150	\$ 85,954,440

See notes to financial statements.

## TOWN OF CONCORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010  
(DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<b><u>Cash Flows From Operating Activities:</u></b>					
Receipts from customers and users	\$ 3,586,729	\$ 2,572,834	\$ 21,860,958	\$ 2,448,140	\$ 30,468,661
Payments to vendors and employees	(1,802,374)	(1,214,359)	(18,547,368)	(1,966,065)	(23,530,166)
Receipts from noncurrent deposits	-	-	6,003	-	6,003
Net Cash Provided By Operating Activities	1,784,355	1,358,475	3,319,593	482,075	6,944,498
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>					
Transfers in	-	-	-	129,750	129,750
Transfers out	(553,792)	(175,632)	(355,000)	(56,014)	(1,140,438)
Net Cash Provided by (Used for) Noncapital Financing Activities	(553,792)	(175,632)	(355,000)	73,736	(1,010,688)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>					
Acquisition and construction of capital assets	(437,826)	(382,384)	-	(66,679)	(886,889)
Acquisition and construction of utility plant	-	-	(1,652,421)	-	(1,652,421)
Net additions to construction in progress	-	-	(319,834)	-	(319,834)
Principal payments on bonds and notes	(560,000)	(748,179)	(540,000)	(100,000)	(1,948,179)
Interest expense	(192,843)	(204,445)	(123,804)	(9,750)	(530,842)
Net additions to customer advances for construction	-	-	(17,122)	-	(17,122)
Net Cash (Used For) Capital and Related Financing Activities	(1,190,669)	(1,335,008)	(2,653,181)	(176,429)	(5,355,287)
<b><u>Cash Flows From Investing Activities:</u></b>					
Investment income	23,813	23,080	250,840	18,737	316,470
Sales of investment shares	-	-	3,318	-	3,318
Net Cash Provided By Investing Activities	23,813	23,080	254,158	18,737	319,788
Net Change in Cash and Short-Term Investments	63,707	(129,085)	565,570	398,119	898,311
Cash and Short-Term Investments, Beginning of Year	3,431,144	4,066,064	16,362,532	2,885,213	26,744,953
Cash and Short-Term Investments, End of Year	\$ 3,494,851	\$ 3,936,979	\$ 16,928,102	\$ 3,283,332	\$ 27,643,264
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>					
Operating income (loss)	\$ 1,200,187	\$ (502,388)	\$ 1,287,567	\$ 260,619	\$ 2,245,985
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	731,506	1,722,262	1,398,264	273,092	4,125,124
Changes in assets and liabilities:					
User fees receivables	(132,605)	125,064	111,164	-	103,623
Inventory	18,761	-	-	-	18,761
Materials and supplies	-	-	9,831	-	9,831
Deferred costs	-	-	(14,506)	-	(14,506)
Prepaid expenses	-	-	(2,737,773)	-	(2,737,773)
Noncurrent deposits with Town Treasurer	-	-	479,466	-	479,466
Warrants payable	50,916	143,717	-	25,485	220,118
Accrued liabilities	(29,212)	(116,380)	495,479	(12,357)	337,530
Other liabilities	(55,198)	(13,800)	-	(9,552)	(78,550)
OPEB	-	-	124,449	-	124,449
Unearned revenue	-	-	6,003	(55,212)	(49,209)
Provisions	-	-	2,159,649	-	2,159,649
Net Cash Provided By Operating Activities	\$ 1,784,355	\$ 1,358,475	\$ 3,319,593	\$ 482,075	\$ 6,944,498

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (As of <u>December 31, 2009</u> )	Private Purpose Trust Funds	OPEB Trust Fund	Agency Funds
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 1,977,042	\$ -	\$ -	\$ 92,072
Investments	79,904,362	985,909	480,680	-
Accounts receivable	341,156	-	-	-
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,278</u>
Total Assets	82,222,560	985,909	480,680	165,350
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,350</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,350</u>
<b><u>NET ASSETS</u></b>				
Total net assets held in trust for pension benefits and other purposes	<u>\$ 82,222,560</u>	<u>\$ 985,909</u>	<u>\$ 480,680</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, 2010

	Pension Trust Fund (For the Year Ended December 31, 2009)	Private Purpose Trust Funds	OPEB Trust Fund
<b>Additions:</b>			
Contributions:			
Employers	\$ 3,011,632	\$ -	\$ 480,680
Other systems and Commonwealth of Massachusetts	259,310	-	-
Plan members	<u>2,334,977</u>	<u>-</u>	<u>-</u>
Total contributions	5,605,919	-	480,680
Investment Gain:			
Increase in fair value of investments	12,000,859	100,977	-
Less: management fees	<u>(353,508)</u>	<u>-</u>	<u>-</u>
Net investment gain	11,647,351	100,977	-
Total additions	17,253,270	100,977	480,680
<b>Deductions:</b>			
Benefit payments to plan members and beneficiaries	4,999,804	-	-
Refunds to plan members	85,701	-	-
Administrative expenses	149,723	-	-
Other	<u>313,240</u>	<u>25,390</u>	<u>-</u>
Total deductions	5,548,468	25,390	-
Net increase	11,704,802	75,587	480,680
<b>Net assets:</b>			
Beginning of year	<u>70,517,758</u>	<u>910,322</u>	<u>-</u>
End of year	<u>\$ 82,222,560</u>	<u>\$ 985,909</u>	<u>\$ 480,680</u>

See notes to financial statements.

# 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.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Concord Contributory Retirement System which 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 con-

siders 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.
- The *Willard School Project Fund* accounts for the construction costs related to the new Willard School.

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 2 ½" 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 2010 tax levy reflected an excess capacity of approximately \$ 912,195.

*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*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*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 with 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)	\$ 84,573,185	\$ 79,085,711
Other financing sources/uses (GAAP basis)	<u>1,801,983</u>	<u>689,031</u>
Subtotal (GAAP Basis)	86,375,168	79,774,742
Adjust tax revenue to accrual basis	137,278	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(4,298,170)
Add end of year appropriation carryforwards to expenditures	-	4,534,222
To reverse the effect of the non budgeted MSBA grant	(6,336,666)	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(4,304,217)	(4,304,217)
Other	<u>-</u>	<u>(52,146)</u>
Budgetary Basis (p. 21)	<u>\$ 75,871,563</u>	<u>\$ 75,654,431</u>

**D. Excess of Expenditures over Appropriations**

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and Ice	\$ 99,198
--------------	-----------

The above appropriation deficit will need to be raised in subsequent periods.

**E. Deficit Fund Equity**

The following funds reported deficits as of June 30, 2010:



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</u>	
				<u>Aaa</u>	<u>Aa</u>
Corporate equities	\$ 2,142	N/A	\$ 2,142	\$ -	\$ -
Long-term C.D.'s	5,035	N/A	5,035	-	-
Bond mutual funds	2,046		-	-	2,046
Mutual funds	<u>4,098</u>	N/A	<u>4,098</u>	-	-
Total investments	<u>\$ 13,321</u>		<u>\$ 11,275</u>	<u>\$ -</u>	<u>\$ 2,046</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>Rating as of Year End</u>	
				<u>Aaa</u>	<u>A3</u>
Federal agency securities	\$ 680		\$ -	\$ 680	\$ -
U.S. Treasury bonds/notes	6,484		-	6,484	-
State investment pool*	29,710	N/A	29,710	-	-
Corporate bonds	14,808		-	-	14,808
Pooled investments	24,127	N/A	24,127	-	-
Mortgage-backed securities	<u>4,095</u>		<u>-</u>	<u>4,095</u>	<u>-</u>
Total investments	<u>\$ 79,904</u>		<u>\$ 53,837</u>	<u>\$ 11,259</u>	<u>\$ 14,808</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 \$ 6,484,039, Corporate Bonds of \$ 14,807,772, Mortgage-backed Securities of \$ 4,095,117, Federal Agency Securities of \$ 680,207, and Pooled Funds of \$ 53,837,167, the System has a custodial credit risk exposure of \$ 79,904,301 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, \$ 29,709,772 is invested in the State Investment Pool.

Of the Town's investment of \$ 13,321,357, the Town has a custodial credit risk exposure of \$ 13,321,357 because the related securities are uninsured, unregistered and 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 and mutual funds) that represent 5% or more of total investments are as follows:

Mellon Intermediate Bond Fund	\$ 2,046,254
Middlesex Savings Long-term C.D.	\$ 1,013,969
Middlesex Savings Long-term C.D.	\$ 2,011,038
Middlesex Savings Long-term C.D.	\$ 1,004,015
Middlesex Savings Long-term C.D.	\$ 1,006,244
Columbia Disciplined Value Fund	\$ 2,763,353

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating</u>	<u>Average Duration (In Years)</u>
Bond mutual funds	\$ <u>2,046</u>	Aa	3.86
Total	\$ <u><u>2,046</u></u>		

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Duration (In Years)</u>
Federal agency securities	\$ 680	1.42
U.S. Treasury bonds/notes	6,484	10.86
Mortgage-backed securities	4,095	19.59
Corporate bonds	<u>14,808</u>	8.17
Total	\$ <u><u>26,067</u></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, 2010 consist of the following (in thousands):

Real Estate		
2010	\$ 594	
2009	13	
2008	12	
2007	13	
2006	13	
2005	11	
Prior	<u>118</u>	
		774
Personal Property		
2010	3	
2009	1	
2008	4	
2007	6	
2006	23	
2005	4	
Prior	<u>16</u>	
		57
Tax Liens, municipal liens, and supplementals		668
Deferred Taxes		272
CPA Real Estate		<u>14</u>
Total		<u>\$ 1,785</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	\$ 371
Excise taxes	39

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

## 8. Interfund Fund Transfers In and (Out)

Although the total of interfund transfers balance throughout the year, the Municipal Light Plant Enterprise Fund is presented at December 31, 2009, not June 30, 2010. Therefore, a timing difference of \$ 306,588 exists in the accompanying Statement of Activities and Statements of Revenues, Expenditures and Changes in Fund Net Assets.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 76,979	\$ 359	\$ -	\$ 77,338
Machinery, equipment, and furnishings	11,964	1,777	-	13,741
Infrastructure	<u>21,585</u>	<u>1,482</u>	<u>-</u>	<u>23,067</u>
Total capital assets, being depreciated	110,528	3,618	-	114,146
Less accumulated depreciation for:				
Buildings and improvements	(12,571)	(2,141)	-	(14,712)
Machinery, equipment, and furnishings	(9,194)	(844)	-	(10,038)
Infrastructure	<u>(9,265)</u>	<u>(1,074)</u>	<u>-</u>	<u>(10,339)</u>
Total accumulated depreciation	<u>(31,030)</u>	<u>(4,059)</u>	<u>-</u>	<u>(35,089)</u>
Total capital assets, being depreciated, net	79,498	(441)	-	79,057
Capital assets, not being depreciated:				
Land	47,544	-	-	47,544
Construction in progress	<u>22,799</u>	<u>7,060</u>	<u>(1,164)</u>	<u>28,695</u>
Total capital assets, not being depreciated	<u>70,343</u>	<u>7,060</u>	<u>(1,164)</u>	<u>76,239</u>
Governmental activities capital assets, net	<u>\$ 149,841</u>	<u>\$ 6,619</u>	<u>\$ (1,164)</u>	<u>\$ 155,296</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,333	\$ 23	\$ -	\$ 9,356
Machinery, equipment, and furnishings	4,334	149	-	4,483
Infrastructure	56,859	713	-	57,572
Light plant	47,292	892	-	48,184
Total capital assets, being depreciated	<u>117,818</u>	<u>1,777</u>	<u>-</u>	<u>119,595</u>
Less accumulated depreciation for:				
Buildings and improvements	(689)	(233)	-	(922)
Machinery, equipment and furnishings	(1,893)	(316)	-	(2,209)
Infrastructure	(16,293)	(1,065)	-	(17,358)
Light plant	(17,103)	(2,178)	-	(19,281)
Total accumulated depreciation	<u>(35,978)</u>	<u>(3,792)</u>	<u>-</u>	<u>(39,770)</u>
Total capital assets, being depreciated, net	81,840	(2,015)	-	79,825
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plant construction in progress	2,514	320	-	2,834
Construction in progress	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Total capital assets, not being depreciated	<u>5,884</u>	<u>322</u>	<u>-</u>	<u>6,206</u>
Business-type activities capital assets, net	<u>\$ 87,724</u>	<u>\$ (1,693)</u>	<u>\$ -</u>	<u>\$ 86,031</u>

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

**Governmental Activities:**

General government	\$ 356
Public safety	455
Education	1,495
Public works	1,419
Culture and recreation	259
Health and human services	<u>75</u>
Total depreciation expense - governmental activities	<u>\$ 4,059</u>

**Business-Type Activities:**

Water	\$ 732
Sewer	1,722
Electric	1,065
Swim facility	<u>273</u>
Total depreciation expense - business-type activities	<u>\$ 3,792</u>

**10. Warrants Payable**

Warrants payable represent 2010 expenditures paid by July 15, 2010 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, 2010 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2010:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/10</u>
Bond anticipation notes	1.50%	05/27/10	05/26/11	\$ <u>1,450,000</u>
Total				\$ <u><u>1,450,000</u></u>

The following summarizes activity in notes payable during fiscal year 2010 (in thousands):

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond Anticipation	\$ <u>12,500</u>	\$ <u>1,450</u>	\$ <u>(12,500)</u>	\$ <u>1,450</u>
Total	\$ <u><u>12,500</u></u>	\$ <u><u>1,450</u></u>	\$ <u><u>(12,500)</u></u>	\$ <u><u>1,450</u></u>

**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, 2010, which are not reflected in the Statement(s) of Net Assets. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>June 30, 2010</u>
School Remodeling	2011	1.50 - 2.88	190,000
Drainage	2011	2.25 - 3.00	10,000
Road Improvements	2011	1.50 - 3.50	90,000
School Remodeling	2011	1.50 - 3.75	50,000
Equipment	2012	4.00 - 5.00	165,000
Recreation	2012	4.00 - 5.00	55,000
Thoreau School	2012	2.00 - 4.25	90,000
Emerson Playground	2012	2.00 - 4.25	100,000
Fire Engine	2012	2.00 - 2.50	450,000
Design - road improvements	2013	2.00 - 2.50	300,000
Traffic controls	2013	2.00 - 2.50	150,000
Road Improvements	2014	4.00 - 5.00	285,000
Road Improvements	2014	4.00 - 5.00	240,000
Road Improvements	2015	1.50 - 3.75	305,000
Building Renovation	2015	1.50 - 3.75	845,000
Building Renovation (School)	2016	2.50 - 4.25	210,000
Building Renovation	2016	3.25 - 3.50	600,000
Building Renovation	2016	3.25 - 3.50	605,000
Road Improvements	2016	3.25 - 3.88	540,000
School Building	2016	3.25 - 3.88	435,000
School Remodeling	2016	2.00 - 4.25	300,000
School Remodeling	2016	2.00 - 4.25	600,000
Road Improvements	2016	2.00 - 4.25	740,000
School Remodeling	2017	2.00 - 2.50	600,000
Road Improvements	2017	2.00 - 2.50	700,000
General Obligation Bonds	2018	4.00 - 5.00	2,585,000
Willard School Design	2018	4.00 - 5.00	1,470,000
Title V Loans	2019	3.50 - 3.70	632,853
Title V Loans	2020	3.50 - 3.70	119,125
Alcott School	2022	3.75 - 5.00	1,870,000
School	2025	3.50 - 3.70	5,250,000
Thoreau School	2025	3.75 - 5.00	8,325,000
Thoreau School	2025	3.75 - 5.00	6,040,000
Willard School	2029	2.00 - 4.25	11,270,000
Willard School Remodeling	2029	2.00 - 4.25	12,900,000
Total Governmental Activities:			<u>\$ 59,116,978</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2010</u>
Light	2011	2.25 - 3.30	65,000
Light	2011	3.63 - 3.75	275,000
Water	2012	3.70 - 4.00	400,000
Light	2014	4.60 - 5.00	1,200,000
Light	2017	4.00 - 5.00	670,000
Swim Center equipment	2016	3.50 - 3.70	100,000
Water	2016	3.50 - 5.00	600,000
Water	2018	3.00 - 3.75	600,000
Water	2027	3.75 - 5.00	2,975,000
Sewer	2016	3.50 - 5.00	600,000
Sewer MWPAT	2026	2.00	3,494,816
Sewer MWPAT	2026	2.00	<u>9,503,096</u>
Total Business-Type Activities:			<u>\$ 20,482,912</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,850,932	\$ 2,067,610	\$ 7,918,542
2012	5,311,146	1,888,480	7,199,626
2013	4,796,146	1,728,727	6,524,873
2014	4,516,146	1,582,963	6,099,109
2015	4,316,145	1,437,147	5,753,292
2016-2020	16,130,413	5,229,662	21,360,075
2021-2025	13,246,050	2,504,893	15,750,943
2026-2029	<u>4,950,000</u>	<u>463,548</u>	<u>5,413,548</u>
Total	<u>\$ 59,116,978</u>	<u>\$ 16,903,030</u>	<u>\$ 76,020,008</u>

The general fund has been designated as the sole source to repay the governmental-type obligation debt outstanding as of June 30, 2010:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,941,275	\$ 496,633	\$ 2,437,908
2012	1,789,634	435,181	2,224,815
2013	1,598,264	378,464	1,976,728
2014	1,612,168	330,374	1,942,542
2015	1,326,353	289,311	1,615,664
2016-2020	5,239,774	995,709	6,235,483
2021-2025	5,079,942	479,474	5,559,416
2026	<u>1,895,502</u>	<u>42,266</u>	<u>1,937,768</u>
Total	\$ <u>20,482,912</u>	\$ <u>3,447,412</u>	\$ <u>23,930,324</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Amount</u>
CPS building renovations	\$ 600,000
CMLP SmartGrid	4,500,000
Septic system	2,000,000
Septic system	296,830
Police/fire station design	100,000
Burke land acquisition	725,000
Road improvements	700,000
Sidewalk extensions	250,000
Willard school	3,185,000
Police/fire station renovations	900,000
Water system improvements	1,900,000
Ambulance replacement	<u>200,000</u>
Total	\$ <u>15,356,830</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, 2010:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRSB \$	2,655,000	71.91%	\$ 1,909,211

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

**E. Changes in General Long-Term Liabilities**

During the year ended June 30, 2010, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/10</u>	<u>Less Current Portion</u>	<u>Long-Term Portion 6/30/10</u>
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 49,048	\$ 15,100	\$ (5,031)	\$ 59,117	\$ (5,851)	\$ 53,266
Other:						
Accrued employee benefits	4,022	209	(402)	3,829	(383)	3,446
Landfill closure	230	-	(10)	220	(10)	210
Net OPEB obligation	1,927	3,774	(1,567)	4,134	-	4,134
Governmental Activities	<u>\$ 55,227</u>	<u>\$ 19,083</u>	<u>\$ (7,010)</u>	<u>\$ 67,300</u>	<u>\$ (6,244)</u>	<u>\$ 61,056</u>
	<u>Total Balance 7/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/10</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/10</u>
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 22,431	\$ -	\$ (1,948)	\$ 20,483	\$ (1,951)	\$ 18,532
Other:						
Accrued employee benefits	242	63	(14)	291	(17)	274
Net OPEB obligation <sup>(1)</sup>	109	363	(472)	-	-	-
Business-type activities	<u>22,782</u>	<u>426</u>	<u>(2,434)</u>	<u>20,774</u>	<u>(1,968)</u>	<u>18,806</u>
Grand Total	<u>\$ 78,009</u>	<u>\$ 19,509</u>	<u>\$ (9,444)</u>	<u>\$ 88,074</u>	<u>\$ (8,212)</u>	<u>\$ 79,862</u>

(1) This footnote is presented with all funds as of and for the year ended June 30, 2010. Pages 15 and 22 report the Electric Fund as of December 31, 2009.

**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 \$ 220,000 reported as landfill closure and postclosure care liability at June 30, 2010 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 2010. 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. Reserves of Fund Equity**

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2010:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Debt Service - An account used to segregate MSBA grant revenues restricted for debt service. The Town received a one-time MSBA grant in fiscal year 2010. The Town intends on using these reserves to fund debt service as follows:

2011	\$	431,796
2012		427,413
2013		409,878
2014		409,878
2015		409,878
2016-2017		<u>4,247,823</u>
Total	\$	<u><u>6,336,666</u></u>

## 17. **Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits 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 Health Care 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 revenues, expenses, and changes in net assets 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, 2009, the actuarial valuation date, approximately 375

retirees and 611 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 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 Obligation*

The Town's fiscal 2010 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, 2010, 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, 2009.

	Governmental <u>Funds</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Electric <u>Fund</u>	Swim <u>Fund</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 3,676,445	\$ 86,458	\$ 21,614	\$ 231,377	\$ 37,265	\$ 4,053,159
Interest on net OPEB obligation	81,404	-	-	-	-	81,404
Adjustment to ARC	<u>(72,943)</u>	<u>-</u>	<u>-</u>	<u>(8,527)</u>	<u>-</u>	<u>(81,470)</u>
Annual OPEB cost	3,684,906	86,458	21,614	222,850	37,265	4,053,093
Contributions made	<u>(1,477,386)</u>	<u>(146,430)</u>	<u>(36,607)</u>	<u>(347,299)</u>	<u>(71,518)</u>	<u>(2,079,240)</u>
Increase in net OPEB obligation	2,207,520	(59,972)	(14,993)	(124,449)	(34,253)	1,973,853
Net OPEB obligation - beginning of year	<u>1,926,815</u>	<u>59,972</u>	<u>14,993</u>	<u>124,449</u>	<u>34,253</u>	<u>2,160,482</u>
Net OPEB obligation - end of year	<u>\$ 4,134,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,134,335</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation 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>
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, 2010 is recorded as a component of the "noncurrent liabilities" line item.

*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2009, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 46,353,207
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 46,353,207</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 33,707,000</u>
UAAL as a percentage of covered payroll	<u>129.9%</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, 2009 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual health care cost trend rate range of 6.50% to 9.00% which decreases to a 6.00% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 3.50% per year for a period of 30 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, 2009:

Retirees and beneficiaries receiving benefits	255
Terminated plan members entitled to but not yet receiving benefits	133
Active plan members	<u>475</u>
Total	<u>863</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</u> <u>June-30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
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	114%
2001	\$ 2,185,595	118%

**B. Summary of Significant Accounting Policies**

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

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

C. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/10	\$ 90,445	\$ 106,054	\$ 15,609	85%	\$ 24,097	65%

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 \$ 15.6 million was calculated. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a projected salary increase of 4.50% 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 (7.75%) 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, 2009, 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 2010, the Commonwealth of Massachusetts contributed \$ 4,304,217 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.

**TOWN OF CONCORD, MASSACHUSETTS**  
**MUNICIPAL LIGHT PLANT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Town of Concord, Massachusetts  
Municipal Light Plant**

Notes Accompanying the Financial Statements  
For the Years Ended December 31, 2009 and 2008

**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. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails.

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. Utility Plant

The provision for depreciation of utility plant was computed in 2009 and 2008 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.

F. 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.

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 in 2009 and 2008 was \$ 2,159,649 and \$ 3,975,241, and is reflected as an increase 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. Postemployment Benefits*

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

*L. Deferred Compensation Plan*

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.

*M. Reclassification*

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

*N. Subsequent Events*

The Light Plant has evaluated all subsequent events through May 7, 2010, 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 \$ 28,629 and \$ 31,947, as of December 31, 2009 and 2008, 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, 2009.

### 3. Long-term Debt

A summary of the long-term debt follows:

	<u>2009</u>	<u>2008</u>
\$ 6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013.	\$ 1,200,000	\$ 1,500,000
\$ 600,000, 2.7% electric bonds, issued February 15, 2003, with annual payments of principal and interest through February 15, 2011.	140,000	215,000
\$ 500,000, 3.7% electric bonds, issued March 1, 2006, with annual payments of principal and interest through March 1, 2015.	330,000	385,000
\$ 1,000,000, 4.2% electric bonds, issued March 1, 2007, with annual payments of principal and interest through March 1, 2017.	<u>780,000</u>	<u>890,000</u>
Total long-term debt	2,450,000	2,990,000
Less current installments of long-term debt	<u>540,000</u>	<u>540,000</u>
Long-term debt, excluding current installments	<u>\$ 1,910,000</u>	<u>\$ 2,450,000</u>

Long-Term debt activity for the year ended December 31, 2009 was as follows:

Balance of long-term debt at January 1, 2009	\$ 2,990,000
Bonds issued	-
Payments	<u>(540,000)</u>
Balance of long-term debt at December 31, 2009	<u>\$ 2,450,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 540,000	\$ 104,375	\$ 644,375
2011	530,000	80,715	610,715
2012	465,000	58,180	523,180
2013	465,000	36,886	501,886
2014	220,000	15,734	235,734
2015-2017	<u>230,000</u>	<u>13,972</u>	<u>243,972</u>
	<u>\$ 2,450,000</u>	<u>\$ 309,862</u>	<u>\$ 2,759,862</u>

**4. 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. Worker's Compensation Insurance Fund**

The Light Plant transfers annual amounts to this fund equal to .09% to 1.66% of certain payroll costs. These transfers amounted to \$ 15,555 and \$ 15,481 in 2009 and 2008, respectively. Claims and premiums of \$ 13,629 and \$ 9,341 were paid from the Fund in 2009 and 2008, respectively.

**B. 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.

**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.

**5. Special Deposits**

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

	<u>2009</u>	<u>2008</u>
Customer advances for construction	\$ 68,087	\$ 85,209
Customer deposits	353,191	347,188
Funds held to retire long-term debt	407,219	417,674
Emergency reserve fund	1,130,000	1,130,000
Rate stabilization	8,759,067	7,446,198
Cares fund	89,104	67,199
Total Deposits	<u>\$ 10,806,668</u>	<u>\$ 9,493,468</u>

**6. 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.

**7. Related Party Transactions**

The Light Plant sells electricity to various Town departments. Sales to these departments totaled \$ 1,294,837 and \$ 1,219,282 for 2009 and 2008, respectively.

The Light Plant reimburses the Town for various employee benefits, including health insurance and retirement. Reimbursements for these benefits totaled \$ 807,127 and \$ 495,390 in 2009 and 2008, respectively.

In addition, the Light Plant paid the Town \$ 355,000 and \$ 340,000 for payments in lieu of taxes in 2009 and 2008.

**8. Commitments and Contingencies**

*A. Power Sales Agreements*

In 2002, the Light Plant changed power suppliers from Boston Edison Company (Nstar) to Constellation Power Source (CPS). The contract, which runs through September 30, 2009, provides for CPS to supply the Light Plant with Full Requirements Service, the same type of service that was supplied by Boston Edison Company for more than 70 years. The contract contains monthly on-peak and off-peak prices for power, which will provide rate stability for the largest component of the Light Plant's cost of doing business.

The Contract with CPS is for supply only. Nstar continues to transmit the power from the New England Power Grid over its wires to Concord for a fee.

Payments owed by the Light Plant under the Agreements are an electric operating expense paid solely from the Light Plant's electric revenues.

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 Boston Edison. The Light

Plant's total OM&T charges were \$ 76,965 and \$ 111,229 for the years ended December 31, 2009 and 2008.

Purchased power expense under the Constellation Power agreement was \$ 6,568,246 and \$ 8,766,283 in 2009 and 2008, 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>
2010	70,695	\$ 5,655,457
2011	72,091	5,707,470
2012	<u>73,945</u>	<u>5,978,450</u>
	<u>216,731</u>	<u>\$ 17,341,377</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>KW</u>	<u>Amount</u>
2010	70,692	\$ 6,089,549
2011	72,091	6,420,878
2012	<u>73,948</u>	<u>6,973,333</u>
	<u>216,731</u>	<u>\$ 19,483,760</u>

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>
2010	56,700	\$ 331,695
2011	97,200	568,620
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>486,000</u>	<u>\$ 2,843,100</u>

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>
2011	70,000	\$ 252,000
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>720,000</u>	<u>\$ 3,336,000</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.

In 2009 the Light Plant entered into a power contract with Miller Hydro Group, Inc. to purchase 5.975% of power generated starting March 1, 2010 through February 28, 2013. It is estimated that approximately 6,000 MWH of power will be purchased annually at a price of approximately \$ 390,000 per year.

**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.

**9. 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, 2009, 2008 and 2007 were \$ 248,130, \$ 271,950, and \$ 279,736, respectively, which were equal to its annual required contribution.

**10. Other Post-Employment Benefits**

In addition to providing pension benefits, the Light Plant provides the majority of retired employees with payments for their health care 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, 2009 and 2008 is not available.

December 31, 2009 is the initial year that the Light plant has implemented GASB 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. As allowed by GASB 45, the Plant has established the net Other Post-Employment Benefit (OPEB) obligation to zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

**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 health care benefits to retirees that meet certain requirements. Retirees of the Light Plan 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, 2009 the Light Plant's membership consisted of the following:

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

*B. Funding Policy*

The contribution requirements of the plan members and the Light Plan are established and may be amended through collective bargaining. The cost of the benefits provided to retirees is borne 50% by the Light Plan, 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	\$ 109,039
Amortization of unfunded actuarial accrued liability	<u>108,345</u>
Annual OPEB cost/expense	217,384
Contributions made	<u>(92,935)</u>
Increase/(decrease) in net OPEB obligation	124,449
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 124,449</u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 217,384	43%	\$ 124,449

*D. Funding Status and Funding Progress*

As of December 31, 2009 the Plan was unfunded. The most recent actuarial valuation on January 1, 2009, 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, 2009 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 health care 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, 2009 was 30 years.

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

June 30, 2010

(Unaudited)  
(Amounts Expressed in thousands)

**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]
01/01/10	\$ 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]
01/01/09	\$ -	\$ 46,353	\$ 46,353	0.0%	\$ 33,707	129.9%

See Independent Auditors' Report.

(This page intentionally left blank.)

TOWN OF CONCORD, MA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Community Preservation</u>	<u>Parking</u>	<u>Cemetery</u>	<u>Receipts Reserved for Appropriation</u>
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 1,467,269	\$ 305,202	\$ 303,422	\$ 643,405
Investments	-	-	-	-
Property taxes	14,213	-	-	-
Departmental	-	-	-	478,894
Intergovernmental	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 1,481,482</u>	<u>\$ 305,202</u>	<u>\$ 303,422</u>	<u>\$ 1,122,299</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Warrants payable	\$ 29,165	\$ 18,991	\$ -	\$ 4,500
Accrued liabilities	-	5	-	-
Deferred revenue	14,213	-	-	478,894
Notes payable	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	43,378	18,996	-	483,394
Fund Balances:				
Reserved for:				
Perpetual (nonexpendable) permanent	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	1,438,104	286,206	303,422	638,905
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>1,438,104</u>	<u>286,206</u>	<u>303,422</u>	<u>638,905</u>
Total Liabilities and Fund Balances	<u>\$ 1,481,482</u>	<u>\$ 305,202</u>	<u>\$ 303,422</u>	<u>\$ 1,122,299</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>Insurance</u> <u>Reserve</u> <u>Revolving</u>	<u>Other</u> <u>Revolving</u>
\$ 5,291	\$ 155,397	\$ 332,219	\$ 856,791	\$ 287,953	\$ 2,051,223	\$ 334,540
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,233	-	-	-	-
<u>\$ 5,291</u>	<u>\$ 155,397</u>	<u>\$ 337,452</u>	<u>\$ 856,791</u>	<u>\$ 287,953</u>	<u>\$ 2,051,223</u>	<u>\$ 334,540</u>
\$ 768	\$ -	\$ -	\$ 9,233	\$ 76,677	\$ -	\$ 6,088
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
768	-	-	9,233	76,677	-	6,088
-	-	-	-	-	-	-
4,523	155,397	337,452	847,558	211,276	2,051,223	328,452
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,523</u>	<u>155,397</u>	<u>337,452</u>	<u>847,558</u>	<u>211,276</u>	<u>2,051,223</u>	<u>328,452</u>
<u>\$ 5,291</u>	<u>\$ 155,397</u>	<u>\$ 337,452</u>	<u>\$ 856,791</u>	<u>\$ 287,953</u>	<u>\$ 2,051,223</u>	<u>\$ 334,540</u>

See Independent Auditors Report.

(continued)

(continued)

	Special Revenue Funds				
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>	<u>Solid Waste</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 36,057	\$ 23,110	\$ 225,246	\$ (148,378)	\$ 494,813
Investments	-	-	-	-	-
Property taxes	-	-	-	-	-
Departmental	-	-	-	-	-
Intergovernmental	-	118,073	151,804	283,833	-
Total Assets	<u>\$ 36,057</u>	<u>\$ 141,183</u>	<u>\$ 377,050</u>	<u>\$ 135,455</u>	<u>\$ 494,813</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Warrants payable	\$ -	\$ 15,770	\$ 5,701	\$ 135,455	\$ 141,110
Accrued liabilities	-	31,835	8,113	-	244,380
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Total Liabilities	-	47,605	13,814	135,455	385,490
Fund Balances:					
Reserved for:					
Perpetual permanent funds	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds	36,057	93,578	363,236	-	109,323
Capital project funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total Fund Balances	<u>36,057</u>	<u>93,578</u>	<u>363,236</u>	<u>-</u>	<u>109,323</u>
Total Liabilities and Fund Balances	<u>\$ 36,057</u>	<u>\$ 141,183</u>	<u>\$ 377,050</u>	<u>\$ 135,455</u>	<u>\$ 494,813</u>

See Independent Auditors Report.

Special Revenue Funds

School Debt Stabilization Fund	School Capital Needs Stabilization Fund	Other Stabilization Fund	Pension Reserve Fund	Sawyer Gift Fund	Subtotals
\$ 2,787,304	\$ 541,499	\$ 2,258	\$ 1,498,630	\$ 1,618,057	\$ 13,821,308
-	-	-	2,763,353	-	2,763,353
-	-	-	-	-	14,213
-	-	-	-	-	478,894
-	-	-	-	-	558,943
<u>\$ 2,787,304</u>	<u>\$ 541,499</u>	<u>\$ 2,258</u>	<u>\$ 4,261,983</u>	<u>\$ 1,618,057</u>	<u>\$ 17,636,711</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,458
-	-	-	-	-	284,333
-	-	-	-	-	493,107
-	-	-	-	-	-
-	-	-	-	-	1,220,898
-	-	-	-	-	-
2,787,304	541,499	2,258	4,261,983	1,618,057	16,415,813
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,787,304</u>	<u>541,499</u>	<u>2,258</u>	<u>4,261,983</u>	<u>1,618,057</u>	<u>16,415,813</u>
<u>\$ 2,787,304</u>	<u>\$ 541,499</u>	<u>\$ 2,258</u>	<u>\$ 4,261,983</u>	<u>\$ 1,618,057</u>	<u>\$ 17,636,711</u>

See Independent Auditors Report.

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 3,121,236	\$ 3,121,236
Investments	-	-
Property taxes	-	-
Departmental	-	-
Intergovernmental	-	-
	<hr/>	<hr/>
Total Assets	\$ <u>3,121,236</u>	\$ <u>3,121,236</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Warrants payable	\$ 180,792	\$ 180,792
Accrued liabilities	109,885	109,885
Deferred revenue	-	-
Notes payable	<u>1,250,000</u>	<u>1,250,000</u>
	<hr/>	<hr/>
Total Liabilities	1,540,677	1,540,677
Fund Balances:		
Reserved for:		
Perpetual permanent funds	-	-
Unreserved:		
Undesignated, reported in:		
Special revenue funds	-	-
Capital project funds	1,580,559	1,580,559
Permanent funds	-	-
	<hr/>	<hr/>
Total Fund Balances	<u>1,580,559</u>	<u>1,580,559</u>
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ <u>3,121,236</u>	\$ <u>3,121,236</u>

See Independent Auditors Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotals	
\$ -	\$ 90,658	\$ 90,658	\$ 17,033,202
4,135,403	-	4,135,403	6,898,756
-	-	-	14,213
-	-	-	478,894
-	-	-	558,943
<u>\$ 4,135,403</u>	<u>\$ 90,658</u>	<u>\$ 4,226,061</u>	<u>\$ 24,984,008</u>
\$ -	\$ -	\$ -	\$ 624,250
-	-	-	394,218
-	-	-	493,107
-	-	-	1,250,000
-	-	-	2,761,575
4,135,403	-	4,135,403	4,135,403
-	-	-	16,415,813
-	-	-	1,580,559
-	90,658	90,658	90,658
<u>4,135,403</u>	<u>90,658</u>	<u>4,226,061</u>	<u>22,222,433</u>
<u>\$ 4,135,403</u>	<u>\$ 90,658</u>	<u>\$ 4,226,061</u>	<u>\$ 24,984,008</u>

See Independent Auditors Report.

TOWN OF CONCORD, MA

Combining Statement of Revenues, Expenditures  
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	Special Revenue Funds			
	Community Preservation	Parking	Cemetery	Receipts Reserved for Appropriation
Revenues:				
Property taxes	\$ 853,033	\$ -	\$ -	\$ -
Departmental	-	313,107	142,884	283,547
Fines and forfeitures	-	-	-	-
Intergovernmental	286,445	-	-	10,552
Investment income	13,515	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	1,152,993	313,107	142,884	294,099
Expenditures:				
Current:				
General government	1,438,015	-	-	-
Public safety	-	292,031	-	-
Education	-	-	-	-
Public works	-	-	-	144,509
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Employee benefits	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	1,438,015	292,031	-	144,509
Excess (deficiency) of revenues over (under) expenditures	(285,022)	21,076	142,884	149,590
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(55,539)	(165,211)	(14,500)
Total Other Financing Sources (Uses)	-	(55,539)	(165,211)	(14,500)
Changes in fund balances	(285,022)	(34,463)	(22,327)	135,090
Fund balances, at Beginning of Year	1,723,126	320,669	325,749	503,815
Fund balances, at End of Year	\$ 1,438,104	\$ 286,206	\$ 303,422	\$ 638,905

See Independent Auditors' Report.

Special Revenue Funds						
53 G Review	Miscellaneous Grants and Contributions	School Lunch	Gifts	Recreation	Insurance Reserve Revolving	Other Revolving
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	499,836	-	1,528,272	-	13,759
14,971	-	-	-	-	-	-
-	-	69,344	95,100	-	-	43,118
-	-	-	-	-	-	-
-	-	-	454,694	-	-	-
-	<u>172,227</u>	-	-	-	-	-
14,971	172,227	569,180	549,794	1,528,272	-	56,877
14,663	154,291	-	297,965	-	-	20,476
-	-	-	8,799	-	-	-
-	-	419,122	103,039	-	-	4,911
-	-	-	55,427	-	-	104,833
-	-	-	24,689	-	-	-
-	-	-	68,987	1,477,578	-	10,413
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>14,663</u>	<u>154,291</u>	<u>419,122</u>	<u>558,906</u>	<u>1,477,578</u>	<u>-</u>	<u>140,633</u>
308	17,936	150,058	(9,112)	50,694	-	(83,756)
-	-	-	-	-	-	-
-	-	-	-	4,741	464,280	40,511
-	-	-	<u>(22,190)</u>	<u>(44,464)</u>	-	-
-	-	-	<u>(22,190)</u>	<u>(39,723)</u>	<u>464,280</u>	<u>40,511</u>
308	17,936	150,058	(31,302)	10,971	464,280	(43,245)
<u>4,215</u>	<u>137,461</u>	<u>187,394</u>	<u>878,860</u>	<u>200,305</u>	<u>1,586,943</u>	<u>371,697</u>
<u>\$ 4,523</u>	<u>\$ 155,397</u>	<u>\$ 337,452</u>	<u>\$ 847,558</u>	<u>\$ 211,276</u>	<u>\$ 2,051,223</u>	<u>\$ 328,452</u>

See Independent Auditors' Report.

(continued)

(continued)

	Special Revenue Funds				
	<u>Land Acquisition</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Highway Grants</u>	<u>Solid Waste</u>
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Departmental	-	-	-	-	991,894
Fines and forfeitures	-	-	-	-	-
Intergovernmental	-	1,074,118	951,931	825,410	-
Investment income	197	-	-	-	-
Contributions	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>197</u>	<u>1,074,118</u>	<u>951,931</u>	<u>825,410</u>	<u>991,894</u>
Expenditures:					
Current:					
General government	3,150	-	30,884	-	-
Public safety	-	95,867	57,831	-	-
Education	-	913,757	866,376	-	-
Public works	-	-	56,403	825,410	921,416
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Employee benefits	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>3,150</u>	<u>1,009,624</u>	<u>1,011,494</u>	<u>825,410</u>	<u>921,416</u>
Excess (deficiency) of revenues over (under) expenditures	(2,953)	64,494	(59,563)	-	70,478
Other Financing Sources (Uses):					
Issuance of bonds	-	-	-	-	-
Transfers in	15,000	-	-	-	-
Transfers out	-	-	-	-	(115,753)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,753)</u>
Changes in fund balances	12,047	64,494	(59,563)	-	(45,275)
Fund balances, at Beginning of Year	<u>24,010</u>	<u>29,084</u>	<u>422,799</u>	<u>-</u>	<u>154,598</u>
Fund balances, at End of Year	<u>\$ 36,057</u>	<u>\$ 93,578</u>	<u>\$ 363,236</u>	<u>\$ -</u>	<u>\$ 109,323</u>

See Independent Auditors' Report.

Special Revenue Funds					
School Debt Stabilization Fund	School Capital Needs Stabilization Fund	Other Stabilization Funds	Pension Reserve Fund	Sawyer Gift Fund	Subtotals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 853,033
-	-	-	-	-	3,773,299
-	-	-	-	-	14,971
-	-	-	-	-	3,356,018
179,042	34,783	7	738,256	114,022	1,079,822
-	-	-	-	-	454,694
-	-	-	-	-	172,227
<u>179,042</u>	<u>34,783</u>	<u>7</u>	<u>738,256</u>	<u>114,022</u>	<u>9,704,064</u>
-	-	-	-	201,915	2,161,359
-	-	-	-	-	454,528
-	-	-	-	-	2,307,205
-	-	-	-	-	2,107,998
-	-	-	-	-	24,689
-	-	-	-	-	1,556,978
-	-	-	68,606	-	68,606
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>68,606</u>	<u>201,915</u>	<u>8,681,363</u>
179,042	34,783	7	669,650	(87,893)	1,022,701
-	-	-	-	-	-
-	-	-	-	-	524,532
-	-	-	-	-	(417,657)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,875</u>
<u>179,042</u>	<u>34,783</u>	<u>7</u>	<u>669,650</u>	<u>(87,893)</u>	<u>1,129,576</u>
<u>2,608,262</u>	<u>506,716</u>	<u>2,251</u>	<u>3,592,333</u>	<u>1,705,950</u>	<u>15,286,237</u>
\$ <u>2,787,304</u>	\$ <u>541,499</u>	\$ <u>2,258</u>	\$ <u>4,261,983</u>	\$ <u>1,618,057</u>	\$ <u>16,415,813</u>

See Independent Auditors' Report.

(continued)

(continued)

	<u>Capital Project Funds</u>	
	<u>Capital Project Funds</u>	<u>Subtotal</u>
Revenues:		
Property taxes	\$ -	\$ -
Departmental	-	-
Fines and forfeitures	-	-
Intergovernmental	-	-
Investment income	-	-
Contributions	-	-
Other	-	-
	<hr/>	<hr/>
Total Revenues	-	-
Expenditures:		
Current:		
General government	-	-
Public safety	-	-
Education	-	-
Public works	-	-
Health and human services	-	-
Culture and recreation	-	-
Employee benefits	-	-
Capital Outlay	<u>2,508,860</u>	<u>2,508,860</u>
Total Expenditures	<u>2,508,860</u>	<u>2,508,860</u>
Excess (deficiency) of revenues over (under) expenditures	(2,508,860)	(2,508,860)
Other Financing Sources (Uses):		
Issuance of bonds	2,200,000	2,200,000
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<u>2,200,000</u>	<u>2,200,000</u>
Changes in fund balances	(308,860)	(308,860)
Fund balances, at Beginning of Year	<u>1,889,419</u>	<u>1,889,419</u>
Fund balances, at End of Year	<u>\$ 1,580,559</u>	<u>\$ 1,580,559</u>

See Independent Auditors' Report.

Nonexpendable Trust Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Expendable Trust Funds	Subtotal	
\$ -	\$ -	\$ -	\$ 853,033
-	-	-	3,773,299
-	-	-	14,971
-	-	-	3,356,018
418,879	11,045	429,924	1,509,746
-	-	-	454,694
<u>75,275</u>	<u>-</u>	<u>75,275</u>	<u>247,502</u>
494,154	11,045	505,199	10,209,263
-	-	-	2,161,359
-	4,999	4,999	459,527
-	-	-	2,307,205
87,027	-	87,027	2,195,025
-	-	-	24,689
-	-	-	1,556,978
-	-	-	68,606
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,508,860</u>
<u>87,027</u>	<u>4,999</u>	<u>92,026</u>	<u>11,282,249</u>
407,127	6,046	413,173	(1,072,986)
-	-	-	2,200,000
-	-	-	524,532
<u>-</u>	<u>(2,551)</u>	<u>(2,551)</u>	<u>(420,208)</u>
<u>-</u>	<u>(2,551)</u>	<u>(2,551)</u>	<u>2,304,324</u>
407,127	3,495	410,622	1,231,338
<u>3,728,276</u>	<u>87,163</u>	<u>3,815,439</u>	<u>20,991,095</u>
\$ <u>4,135,403</u>	\$ <u>90,658</u>	\$ <u>4,226,061</u>	\$ <u>22,222,433</u>

See Independent Auditors' Report.