

TOWN OF CONCORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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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, 2007 (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of and for the year ended December 31, 2006), 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 39% and 63% 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. 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 Telecommunication and Energy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Additional Offices:

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

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 governmental major fund, each enterprise major fund, and the aggregate remaining fund information of the Town of Concord, as of June 30, 2007 (except the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of December 31, 2006), 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 in the back of this report, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2008 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 compliances. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
January 2, 2008

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, 2007. 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 the 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 services, culture and recreation, employee benefits, debt service interest, intergovernmental, and other. 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, and electric 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 is 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 the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 195,185 (i.e., net assets), a change of \$ 30,210 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 21,109, a change of \$ 19,612 in comparison with the prior year, primarily resulting from the issuance of \$14,200 in long-term debt.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 9,333, a change of \$ 1,955 in comparison with the prior year.
- Total bonds payable as of June 30, 2007 was \$ 55,091, a change of \$ 25,549 in comparison to the prior year. Governmental bonds payable of \$ 29,227 increased by \$ 11,460, primarily from the issuance of bonds for the Alcott and Thoreau School Projects. Business-type bonds payable of \$ 25,864 increased by \$14,089, primarily from the issuance of bonds for sewer projects.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

| | Net Assets | | | | | |
|---------------------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Totals | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Current and other assets | \$ 40,030 | \$ 38,141 | \$ 35,579 | \$ 20,542 | \$ 75,609 | \$ 58,683 |
| Capital assets | 123,877 | 118,587 | 82,974 | 63,194 | 206,851 | 181,781 |
| Total assets | <u>163,907</u> | <u>156,728</u> | <u>118,553</u> | <u>83,736</u> | <u>282,460</u> | <u>240,464</u> |
| Long-term liabilities | | | | | | |
| outstanding | 32,755 | 21,881 | 25,331 | 11,130 | 58,086 | 33,011 |
| Other liabilities | 17,569 | 34,982 | 11,618 | 7,496 | 29,187 | 42,478 |
| Total liabilities | <u>50,324</u> | <u>56,863</u> | <u>36,949</u> | <u>18,626</u> | <u>87,273</u> | <u>75,489</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net | 84,853 | 78,185 | 63,776 | 51,701 | 148,629 | 129,886 |
| Restricted | 13,699 | 13,317 | 2,457 | - | 16,156 | 13,317 |
| Unrestricted | 15,031 | 8,363 | 15,369 | 13,409 | 30,400 | 21,772 |
| Total net assets | <u>\$ 113,583</u> | <u>\$ 99,865</u> | <u>\$ 81,602</u> | <u>\$ 65,110</u> | <u>\$ 195,185</u> | <u>\$ 164,975</u> |

CHANGES IN NET ASSETS

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Totals</u> | |
|---|---------------------|------------------|----------------------|------------------|-------------------|-------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 6,036 | \$ 5,769 | \$ 28,698 | \$ 22,296 | \$ 34,734 | \$ 28,065 |
| Operating grants and contributions | 8,560 | 8,689 | - | 322 | 8,560 | 9,011 |
| Capital grants and contributions | 628 | 569 | - | 359 | 628 | 928 |
| General revenues: | | | | | | |
| Property taxes | 56,045 | 53,747 | - | - | 56,045 | 53,747 |
| Excises | 2,700 | 2,729 | - | - | 2,700 | 2,729 |
| Penalties, interest and other taxes | 352 | 186 | - | - | 352 | 186 |
| Grants and contributions notrestricted to specific programs | 10,327 | 2,490 | - | - | 10,327 | 2,490 |
| Investment income | 3,074 | 2,210 | 832 | 578 | 3,906 | 2,788 |
| Other | 456 | 188 | 721 | - | 1,177 | 188 |
| Total revenues | <u>88,178</u> | <u>76,577</u> | <u>30,251</u> | <u>23,555</u> | <u>118,429</u> | <u>100,132</u> |
| Expenses: | | | | | | |
| General government | 5,750 | 5,116 | - | - | 5,750 | 5,116 |
| Public safety | 9,687 | 9,064 | - | - | 9,687 | 9,064 |
| Education | 46,784 | 44,093 | - | - | 46,784 | 44,093 |
| Public works | 6,025 | 6,461 | - | - | 6,025 | 6,461 |
| Health and human services | 751 | 549 | - | - | 751 | 549 |
| Culture and recreation | 3,813 | 4,177 | - | - | 3,813 | 4,177 |
| Interest on long-term debt | 2,413 | 1,491 | - | - | 2,413 | 1,491 |
| Intergovernmental | 356 | 367 | - | - | 356 | 367 |
| Water services | - | - | 2,337 | 1,967 | 2,337 | 1,967 |
| Sewer operations | - | - | 2,335 | 1,713 | 2,335 | 1,713 |
| Electric operations | - | - | 15,611 | 14,856 | 15,611 | 14,856 |
| Swim operations | - | - | 1,783 | 640 | 1,783 | 640 |
| Total expenses | <u>75,579</u> | <u>71,318</u> | <u>22,066</u> | <u>19,176</u> | <u>97,645</u> | <u>89,854</u> |
| Excess before special items and transfers | 12,599 | 5,259 | 8,185 | 4,379 | 20,784 | 9,638 |
| Special item-capital contribution | - | - | 9,135 (a) | - | 9,135 | - |
| Transfer in (out) | 1,119 | 1,156 | (828) | (932) | 291 | 224 |
| Change in net assets | <u>13,718</u> | <u>6,415</u> | <u>16,492</u> | <u>3,447</u> | <u>30,210</u> | <u>9,862</u> |
| Net assets - beginning of year, as restated | <u>99,865</u> | <u>93,450</u> | <u>65,110</u> | <u>61,663</u> | <u>164,975</u> | <u>155,113</u> |
| Net assets - end of year | <u>\$ 113,583</u> | <u>\$ 99,865</u> | <u>\$ 81,602</u> | <u>\$ 65,110</u> | <u>\$ 195,185</u> | <u>\$ 164,975</u> |

(a) This amount includes a one-time capital contribution of \$ 9,135 for the Beede Swim Center.

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 \$ 195,185, a change of \$ 30,210 from the prior year.

The largest portion of net assets \$ 148,629 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 \$ 18,743 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, \$ 16,157, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$ 11,648; and
- Expendable and nonexpendable trust fund assets, \$ 4,509.

The remaining balance of unrestricted net assets \$ 30,399 may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$ 15,031 is in governmental activity funds a change of \$ 6,668 from the prior year;
- \$ 15,369 is in business-type activity funds a change of \$ 1,960 from the prior year.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 13,718. The key elements of this change are as follows:

Entity wide highlights

| | |
|---|------------------|
| General fund revenues exceeding expenditures | \$ 765 |
| Transfers from Enterprise funds, net | 1,119 |
| Depreciation expense exceeding Debt service principal payments | (218) |
| MSBA grants used for the acquisition of capital assets | 7,462 |
| Other current year revenue used for the acquisition of capital assets | 1,368 |
| Community preservation fund revenues exceeding expenditures | 1,172 |
| Pension reserve fund revenues exceeding expenditures | 965 |
| Other special revenue fund revenues exceeding expenditures | 623 |
| Trust fund revenues exceeding expenditures | 601 |
| Other | <u>(139)</u> |
| Total | <u>\$ 13,718</u> |

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 16,492. The majority of this change is attributed the capital contribution of the Swim Beede Center totaling \$ 9,135. The remainder of the 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.

- The Water Fund had revenues of \$ 3,598 and expenses and transfers of \$ 2,817, resulting in a change in net assets of \$ 781.
- The Sewer Fund had revenues of \$ 4,999 and expenses and transfers of \$ 2,492, resulting in a change in net assets of \$ 2,507, primarily from the recognition of one-time betterment revenue of \$2,457.
- The Light Fund had revenues of \$ 18,913 and expenses and transfers of \$ 15,951, resulting in a change in net assets of \$ 2,962.
- The Swim Fund had revenues and transfers of \$ 12,031^(a) and expenses and transfers of \$ 1,787, resulting in a change in net assets of \$ 10,242.

(a) This amount includes a one-time capital contribution of \$ 9,135 for the Beede Swim Center.

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 \$ 21,109, a change of \$ 19,612 in comparison with the prior year. Key elements of this change are as follows:

Governmental fund highlights

| | |
|--|-------------------------|
| General fund revenues exceeding expenditures, net | \$ 765 |
| General fund transfers in from Enterprise funds, net (indirect costs) | 828 |
| Alcott School project fund revenues and bond proceeds exceeding expenditures | 7,314 |
| Thoreau School project fund revenues and bond proceeds exceeding expenditures | 8,647 |
| Non-major Capital project fund expenditures exceeding revenues and bond proceeds | (1,182) |
| Community preservation fund revenues exceeding expenditures | 1,172 |
| Pension reserve fund revenues exceeding expenditures | 965 |
| Other special revenue fund revenues exceeding expenditures | 623 |
| Trust fund revenues exceeding expenditures | 601 |
| Other | <u>(121)</u> |
| Total | \$ <u>19,612</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 \$ 9,333, while total fund balance was \$ 12,734. 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>06/30/07</u> | <u>06/30/06</u> | <u>Change</u> |
|---|-----------------|-----------------|---------------|
| Unreserved fund balance | \$ 9,333 | \$ 7,378 | \$ 1,995 |
| Total fund balance | 12,734 | 10,785 | 1,949 |
| Unreserved fund balance as of % of total General Fund expenditures | 13.4% | 11.2% | 2.2% |
| Total fund balance as of % of total General Fund expenditures | 18.3% | 16.4% | 1.9% |

The total fund balance of the General Fund increased by \$ 1,949 during the current fiscal year. Key factors in this change are as follows:

General fund highlights

| | |
|---------------------------------|-----------------|
| Use of free cash | \$ (500) |
| Raising of a prior year deficit | 112 |
| Revenues greater than budget | 1,800 |
| Expenditures less than budget | 442 |
| Other | 95 |
| Total | <u>\$ 1,949</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 \$ 15,369. Total net assets of the enterprise funds at the end of the year amounted to \$ 81,602, a change of \$ 16,492 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.

There were no supplemental appropriations made after the originally enacted budget for fiscal 2007.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 206,851 (net of accumulated depreciation), a change of \$ 25,070 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:

- \$ 2,471 New Alcott Elementary School construction in progress;
- 1,353 New Thoreau Elementary School construction in progress;
- 1,633 Various road improvements;
- 610 Willard school design.

Business-type activities:

- \$ 7,251 Sewer related infrastructure;
- 4,607 Water related infrastructure;
- 9,135 Beede Swim Center gift.

A comparison to the three prior years is as follows:

| | Capital Purchases | Disposals | Depreciation Expense | Accumulated Depreciation on Disposals | Net Activity |
|---------------------------------|----------------------|-----------|-------------------------|---|-----------------|
| <u>Governmental activities:</u> | | | | | |
| Fiscal year 2007 | \$ 8,249 | \$ - | \$ (2,959) | \$ - | \$ 5,290 |
| Fiscal year 2006 | 15,216 | - | (2,193) | - | 13,023 |
| Fiscal year 2005 | 12,326 | - | (2,188) | - | 10,138 |
| <u>Business-type activities</u> | | | | | |
| <i>Water</i> | | | | | |
| Fiscal year 2007 | 4,607 | - | (605) | - | 4,002 |
| Fiscal year 2006 | 1,509 | - | (527) | - | 982 |
| Fiscal year 2005 | 1,177 | - | (474) | - | 703 |
| <i>Sewer</i> | | | | | |
| Fiscal year 2007 | 7,251 | - | (1,114) | - | 6,137 |
| Fiscal year 2006 | 6,001 | - | (842) | - | 5,159 |
| Fiscal year 2005 | 3,064 | - | (628) | - | 2,436 |
| <i>Light</i> | | | | | |
| Fiscal year 2007 | 1,943 | (499) | (1,273) | 406 | 577 |
| Fiscal year 2006 | 1,999 | (296) | (1,194) | 218 | 727 |
| Fiscal year 2005 | 1,206 | (2,662) | (1,179) | 2,288 | (347) |
| <i>Swim</i> | | | | | |
| Fiscal year 2007 | 9,173 | - | (109) | - | 9,064 |
| Fiscal year 2006 | 459 | - | - | - | 459 |
| Fiscal year 2005 | - | - | - | - | - |

| <u>Capital Assets net of Accumulated depreciation</u> | <u>@ 6/30/07</u> | <u>@ 6/30/06</u> | <u>Change</u> |
|---|-------------------|-------------------|------------------|
| Governmental activities | \$ 123,877 | \$ 118,587 | \$ 5,290 |
| Business activities | | | |
| Water | 18,275 | 14,272 | 4,003 |
| Sewer | 24,527 | 18,390 | 6,137 |
| Electric | 30,649 | 30,072 | 577 |
| Swim | 9,523 | 460 | 9,063 |
| Subtotal | <u>82,974</u> | <u>63,194</u> | <u>19,780</u> |
| Grand Total | <u>\$ 206,851</u> | <u>\$ 181,781</u> | <u>\$ 25,070</u> |

Long-term debt. As of June 30, 2007, total bonded debt outstanding was \$ 55,091, 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.

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

The adopted FY08 General Fund budget of \$ 69,449 is a 4.8% increase over the prior year. The FY08 budget was balanced with a \$ 500 allocation from unreserved fund balance. An override of the property tax levy limit for operating purposes was not placed before the voters, the first time in the past seven years, as operating budgets were successfully financed within the levy limit. The property tax levy for FY08, estimated at \$ 58,958, is a 5.2% increase over the prior year. Almost half of the increase is derived from new construction, and other change of property use added to the tax rolls. The property tax rate has not yet been set, but is expected to be approximately \$ 10.71 per thousand, compared to the prior year rate of \$ 10.56.

On November 5, 2007, a Special Town Meeting approved a \$ 29.4 million debt authorization for a new elementary school building to replace the current Willard Elementary School. On November 14, 2007, a town-wide ballot approved the exclusion of this debt from the property tax levy limit. This follows action at the April 2006 Town meeting that had authorized design of the new building. The new school building is expected to be completed and ready for use in the fall of 2009. The permanent debt issuance will occur at that time, with short-term notes financing the construction period.

The Town's business-type activities include the Water, Sewer, Light and Swim & Fitness Center 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 small negative net income due to substantial recent investment in 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.

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, 2007

(Except for the Electric Enterprise Fund, which is as of December 31, 2006)

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|------------------------------|
| ASSETS | | | |
| Current: | | | |
| Cash and short-term investments | \$ 17,881,639 | \$ 18,333,489 | \$ 36,215,128 |
| Investments | 19,965,911 | 2,165,624 | 22,131,535 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 713,352 | - | 713,352 |
| Excises | 64,021 | - | 64,021 |
| User fees | - | 4,913,503 | 4,913,503 |
| Betterments | - | 103,100 | 103,100 |
| Departmental and other | 473,297 | - | 473,297 |
| Intergovernmental | 255,064 | 6,599,537 | 6,854,601 |
| Inventory | - | 34,842 | 34,842 |
| Materials and supplies | - | 829,071 | 829,071 |
| Prepaid expenses | - | 489,593 | 489,593 |
| Other assets | 386,761 | 159,708 | 546,469 |
| Noncurrent: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 290,825 | - | 290,825 |
| Betterments | - | 1,951,439 | 1,951,439 |
| Capital assets being depreciated, net | 65,036,189 | 72,861,652 | 137,897,841 |
| Capital assets not being depreciated | <u>58,840,322</u> | <u>10,111,848</u> | <u>68,952,170</u> |
| TOTAL ASSETS | 163,907,381 | 118,553,406 | 282,460,787 |
| LIABILITIES | | | |
| Current: | | | |
| Warrants payable | 1,876,319 | 3,316,594 | 5,192,913 |
| Accrued liabilities | 3,159,953 | 1,317,711 | 4,477,664 |
| Unearned revenue | - | 1,142,663 | 1,142,663 |
| Customer deposits | - | 244,572 | 244,572 |
| Provision for rate stabilization | - | 3,916,568 | 3,916,568 |
| Notes payable | 12,175,000 | 1,450,000 | 13,625,000 |
| Other current liabilities | 357,329 | 231,502 | 588,831 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 3,605,852 | 1,798,827 | 5,404,679 |
| Accrued employee benefits | 161,735 | 14,604 | 176,339 |
| Estimated landfill closure and postclosure care costs | 10,000 | - | 10,000 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 25,620,829 | 23,300,648 | 48,921,477 |
| Accrued employee benefits, net of current portion | 3,117,097 | 217,390 | 3,334,487 |
| Estimated landfill closure and postclosure care costs, net of current portion | <u>240,000</u> | <u>-</u> | <u>240,000</u> |
| TOTAL LIABILITIES | 50,324,114 | 36,951,079 | 87,275,193 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 84,852,742 | 63,776,577 | 148,629,319 |
| Restricted for: | | | |
| Grants and other statutory restrictions | 9,190,791 | 2,456,995 | 11,647,786 |
| Permanent funds: | | | |
| Expendable | 88,738 | - | 88,738 |
| Nonexpendable | 4,420,310 | - | 4,420,310 |
| Unrestricted | <u>15,030,686</u> | <u>15,368,755</u> | <u>30,399,441</u> |
| TOTAL NET ASSETS | \$ <u>113,583,267</u> | \$ <u>81,602,327</u> | \$ <u>195,185,594</u> |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

(Except for the Electric Enterprise Fund, which is for the year ended December 31, 2006)

| | <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> |
| Governmental Activities: | | | | | | | |
| General government | \$ 5,749,925 | \$ 350,593 | \$ 614,071 | \$ - | \$ (4,785,261) | \$ - | \$ (4,785,261) |
| Public safety | 9,686,770 | 1,919,448 | 306,229 | - | (7,461,093) | - | (7,461,093) |
| Education | 46,783,893 | 373,132 | 7,239,299 | 294,395 | (38,877,067) | - | (38,877,067) |
| Public works | 6,024,518 | 1,660,651 | 76,735 | 333,968 | (3,953,164) | - | (3,953,164) |
| Health and human services | 750,760 | 105,388 | 86,697 | - | (558,675) | - | (558,675) |
| Culture and recreation | 3,813,464 | 1,627,264 | 236,626 | - | (1,949,574) | - | (1,949,574) |
| Debt service interest | 2,413,411 | - | - | - | (2,413,411) | - | (2,413,411) |
| Intergovernmental | 356,345 | - | - | - | (356,345) | - | (356,345) |
| Total Governmental Activities | 75,579,086 | 6,036,476 | 8,559,657 | 628,363 | (60,354,590) | - | (60,354,590) |
| Business-Type Activities: | | | | | | | |
| Water services | 2,337,209 | 3,441,791 | - | - | - | 1,104,582 | 1,104,582 |
| Sewer services | 2,334,776 | 4,750,385 | - | - | - | 2,415,609 | 2,415,609 |
| Electric services | 15,611,386 | 17,829,056 | - | - | - | 2,217,670 | 2,217,670 |
| Swim Services | 1,782,892 | 2,677,069 | - | - | - | 894,177 | 894,177 |
| Total Business-Type Activities | 22,066,263 | 28,698,301 | - | - | - | 6,632,038 | 6,632,038 |
| Total | \$ 97,645,349 | \$ 34,734,777 | \$ 8,559,657 | \$ 628,363 | (60,354,590) | 6,632,038 | (53,722,552) |
| General Revenues, Special Items, and Transfers: | | | | | | | |
| Property taxes | | | | | 56,045,058 | - | 56,045,058 |
| Excises | | | | | 2,700,326 | - | 2,700,326 |
| Penalties, interest and other taxes | | | | | 351,433 | - | 351,433 |
| Grants and contributions not restricted to specific programs | | | | | 10,326,801 | - | 10,326,801 |
| Investment income | | | | | 3,074,400 | 831,752 | 3,906,152 |
| Other | | | | | 455,521 | 722,057 | 1,177,578 |
| Special item - capital contribution | | | | | - | 9,135,000 | 9,135,000 |
| Transfers, net | | | | | 1,119,108 | (828,458) | 290,650 |
| Total general revenues, special items, and transfers | | | | | 74,072,647 | 9,860,351 | 83,932,998 |
| Change in Net Assets | | | | | 13,718,057 | 16,492,389 | 30,210,446 |
| Net Assets: | | | | | | | |
| Beginning of year, as restated | | | | | 99,865,210 | 65,109,938 | 164,975,148 |
| End of year | | | | | \$ 113,583,267 | \$ 81,602,327 | \$ 195,185,594 |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

| | <u>General</u> | <u>Alcott School Project Fund</u> | <u>Thoreau School Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|--|--|---|
| ASSETS | | | | | |
| Cash and short-term investments | \$ 6,153,635 | \$ 77,716 | \$ 211,943 | \$ 11,438,345 | \$ 17,881,639 |
| Investments | 9,950,811 | - | - | 10,015,100 | 19,965,911 |
| Receivables: | | | | | |
| Property taxes | 1,221,096 | - | - | 7,133 | 1,228,229 |
| Excises | 93,880 | - | - | - | 93,880 |
| Departmental | 129,962 | - | - | 343,335 | 473,297 |
| Intergovernmental | 54,723 | - | - | 200,341 | 255,064 |
| Accrued interest and other | 386,761 | - | - | - | 386,761 |
| TOTAL ASSETS | \$ 17,990,868 | \$ 77,716 | \$ 211,943 | \$ 22,004,254 | \$ 40,284,781 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Warrants payable | \$ 1,405,304 | \$ - | \$ - | \$ 471,015 | \$ 1,876,319 |
| Accrued liabilities | 2,262,017 | - | - | 719,010 | 2,981,027 |
| Deferred revenue | 1,232,212 | - | - | 554,316 | 1,786,528 |
| Notes payable | - | - | 6,800,000 | 5,375,000 | 12,175,000 |
| Other liabilities | 357,324 | - | - | - | 357,324 |
| TOTAL LIABILITIES | 5,256,857 | - | 6,800,000 | 7,119,341 | 19,176,198 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 2,901,308 | - | - | - | 2,901,308 |
| Expenditures | 500,000 | - | - | - | 500,000 |
| Perpetual (nonexpendable) permanent funds | - | - | - | 4,420,310 | 4,420,310 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General fund | 9,332,703 | - | - | - | 9,332,703 |
| Special revenue funds | - | - | - | 12,187,158 | 12,187,158 |
| Capital project funds | - | 77,716 | (6,588,057) | (1,811,293) | (8,321,634) |
| Permanent funds | - | - | - | 88,738 | 88,738 |
| TOTAL FUND BALANCES | 12,734,011 | 77,716 | (6,588,057) | 14,884,913 | 21,108,583 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 17,990,868 | \$ 77,716 | \$ 211,943 | \$ 22,004,254 | \$ 40,284,781 |

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, 2007

| | |
|---|-----------------------|
| Total governmental fund balances | \$ 21,108,583 |
| <ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 123,876,511 |
| <ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 1,587,979 |
| <ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (234,293) |
| <ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(32,755,513)</u> |
| Net assets of governmental activities | <u>\$ 113,583,267</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, 2007

| | <u>General</u> | <u>Alcott School Project Fund</u> | <u>Thoreau School Project Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|--|--|---|
| Revenues: | | | | | |
| Property taxes | \$ 55,615,101 | \$ - | \$ - | \$ 737,386 | \$ 56,352,487 |
| Excise taxes | 2,636,156 | - | - | - | 2,636,156 |
| Penalties, interest and other taxes | 351,433 | - | - | - | 351,433 |
| Departmental | 1,003,838 | - | - | 3,362,491 | 4,366,329 |
| Licenses and permits | 997,894 | - | - | - | 997,894 |
| Fines and forfeitures | 122,570 | - | - | 2,500 | 125,070 |
| Intergovernmental | 8,166,274 | 7,175,997 | - | 2,859,015 | 18,201,286 |
| Investment income | 1,492,858 | - | - | 1,581,542 | 3,074,400 |
| Contributions | - | - | - | 1,313,535 | 1,313,535 |
| Other | 128,311 | - | - | 327,210 | 455,521 |
| Total Revenues | <u>70,514,435</u> | <u>7,175,997</u> | <u>-</u> | <u>10,183,679</u> | <u>87,874,111</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 3,836,296 | - | - | 582,913 | 4,419,209 |
| Public safety | 6,644,222 | - | - | 344,869 | 6,989,091 |
| Education | 42,204,074 | - | - | 2,102,459 | 44,306,533 |
| Public works | 3,699,423 | - | - | 1,271,271 | 4,970,694 |
| Health and human services | 333,902 | - | - | 259,082 | 592,984 |
| Culture and recreation | 1,818,751 | - | - | 1,616,967 | 3,435,718 |
| Employee benefits | 6,301,513 | - | - | 261,422 | 6,562,935 |
| Debt service | 4,555,024 | - | - | 535,908 | 5,090,932 |
| Capital outlay | - | 2,471,333 | 1,353,196 | 3,031,910 | 6,856,439 |
| Intergovernmental | 356,345 | - | - | - | 356,345 |
| Total Expenditures | <u>69,749,550</u> | <u>2,471,333</u> | <u>1,353,196</u> | <u>10,006,801</u> | <u>83,580,880</u> |
| Excess (Deficiency) of revenues over expenditures | 764,885 | 4,704,664 | (1,353,196) | 176,878 | 4,293,231 |
| Other Financing Sources (Uses): | | | | | |
| Issuance of bonds | - | 2,350,000 | 10,000,000 | 1,850,000 | 14,200,000 |
| Transfers in | 1,734,700 | 259,003 | - | 157,825 | 2,151,528 |
| Transfers out | (550,997) | - | - | (481,423) | (1,032,420) |
| Total Other Financing Sources (Uses) | <u>1,183,703</u> | <u>2,609,003</u> | <u>10,000,000</u> | <u>1,526,402</u> | <u>15,319,108</u> |
| Changes in fund balances | 1,948,588 | 7,313,667 | 8,646,804 | 1,703,280 | 19,612,339 |
| Fund Balances, at Beginning of Year, as restated | <u>10,785,423</u> | <u>(7,235,951)</u> | <u>(15,234,861)</u> | <u>13,181,633</u> | <u>1,496,244</u> |
| Fund Balances, at End of Year | <u>\$ 12,734,011</u> | <u>\$ 77,716</u> | <u>\$ (6,588,057)</u> | <u>\$ 14,884,913</u> | <u>\$ 21,108,583</u> |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

| | | | | | | | | | | | | | | | |
|---|------------------------------------|--------------------------|-----------|--------------|-------------|--|---------|------------------|--------------|--------------------|-----------|--|----------|--|---------------|
| NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 19,612,339 | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">8,248,085</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,958,831)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">303,924</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(14,200,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">2,740,852</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(63,331)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>35,019</u></td> </tr> </table> | | Capital outlay purchases | 8,248,085 | Depreciation | (2,958,831) | | 303,924 | Issuance of debt | (14,200,000) | Repayments of debt | 2,740,852 | | (63,331) | | <u>35,019</u> |
| Capital outlay purchases | 8,248,085 | | | | | | | | | | | | | | |
| Depreciation | (2,958,831) | | | | | | | | | | | | | | |
| | 303,924 | | | | | | | | | | | | | | |
| Issuance of debt | (14,200,000) | | | | | | | | | | | | | | |
| Repayments of debt | 2,740,852 | | | | | | | | | | | | | | |
| | (63,331) | | | | | | | | | | | | | | |
| | <u>35,019</u> | | | | | | | | | | | | | | |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ <u><u>13,718,057</u></u> | | | | | | | | | | | | | | |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| | Original Budget | Final Budget | | |
| Revenues and Transfers: | | | | |
| Taxes | \$ 55,611,729 | \$ 55,611,729 | \$ 55,611,729 | \$ - |
| Excise taxes | 2,611,000 | 2,611,000 | 2,636,156 | 25,156 |
| Penalties, interest and other taxes | 105,000 | 105,000 | 351,433 | 246,433 |
| Departmental | 800,875 | 800,875 | 1,003,838 | 202,963 |
| Licenses and permits | 689,000 | 689,000 | 997,894 | 308,894 |
| Fines and forfeitures | 120,000 | 120,000 | 122,570 | 2,570 |
| Intergovernmental | 4,122,776 | 4,122,776 | 4,727,509 | 604,733 |
| Investment income | 900,000 | 900,000 | 1,322,697 | 422,697 |
| Other | 49,660 | 49,660 | 128,311 | 78,651 |
| Transfers in | 1,826,450 | 1,826,450 | 1,734,700 | (91,750) |
| Total Revenues and Transfers | 66,836,490 | 66,836,490 | 68,636,837 | 1,800,347 |
| Expenditures: | | | | |
| General government | 4,388,803 | 4,374,303 | 4,197,923 | 176,380 |
| Public safety | 6,660,590 | 6,665,090 | 6,664,882 | 208 |
| Education | 38,299,348 | 38,299,348 | 38,295,011 | 4,337 |
| Public works | 3,699,173 | 3,699,173 | 3,686,604 | 12,569 |
| Health and human services | 358,877 | 358,877 | 351,866 | 7,011 |
| Culture and leisure | 1,848,669 | 1,858,669 | 1,850,243 | 8,426 |
| Intergovernmental | 382,744 | 382,744 | 356,345 | 26,399 |
| Employee benefits | 6,616,751 | 6,458,926 | 6,326,860 | 132,066 |
| Debt service | 4,969,677 | 4,710,674 | 4,635,573 | 75,101 |
| Transfers out | - | 416,828 | 416,828 | - |
| Total Expenditures | 67,224,632 | 67,224,632 | 66,782,135 | 442,497 |
| Excess (deficiency) of revenues and other sources over expenditures | (388,142) | (388,142) | 1,854,702 | 2,242,844 |
| Other Financing Sources and (Uses): | | | | |
| Use of free cash | 500,000 | 500,000 | - | (500,000) |
| Other uses (prior year deficit) | (111,858) | (111,858) | - | 111,858 |
| Excess of revenues and other sources over expenditures and other uses | \$ - | \$ - | \$ 1,854,702 | \$ 1,854,702 |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

(DECEMBER 31, 2006 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> | |
| <u>ASSETS</u> | | | | | |
| Current: | | | | | |
| Cash and short-term investments | \$ 4,422,517 | \$ 3,979,899 | \$ 8,021,926 | \$ 1,909,147 | \$ 18,333,489 |
| Investments | - | - | 2,165,624 | - | 2,165,624 |
| User fees, net of allowance for uncollectibles | 681,983 | 340,734 | 3,890,786 | - | 4,913,503 |
| Betterment receivables | - | 103,100 | - | - | 103,100 |
| Intergovernmental receivables | - | 6,599,537 | - | - | 6,599,537 |
| Inventory | 34,842 | - | - | - | 34,842 |
| Materials and supplies, at average cost | - | - | 829,071 | - | 829,071 |
| Prepaid expenses | - | - | 489,593 | - | 489,593 |
| Other assets | - | - | 159,708 | - | 159,708 |
| Total current assets | 5,139,342 | 11,023,270 | 15,556,708 | 1,909,147 | 33,628,467 |
| Noncurrent: | | | | | |
| Betterment receivables, net of current | - | 1,951,439 | - | - | 1,951,439 |
| Capital assets being depreciated, net | 14,698,343 | 19,915,833 | 28,761,753 | 9,485,723 | 72,861,652 |
| Capital assets not being depreciated | 3,576,350 | 4,610,856 | 1,887,117 | 37,525 | 10,111,848 |
| Total noncurrent assets | 18,274,693 | 26,478,128 | 30,648,870 | 9,523,248 | 84,924,939 |
| TOTAL ASSETS | 23,414,035 | 37,501,398 | 46,205,578 | 11,432,395 | 118,553,406 |
| <u>LIABILITIES</u> | | | | | |
| Current: | | | | | |
| Warrants payable | 525,646 | 973,344 | 1,755,004 | 62,600 | 3,316,594 |
| Accrued liabilities | 578,714 | 568,805 | 151,427 | 18,765 | 1,317,711 |
| Unearned revenue | - | - | - | 1,142,663 | 1,142,663 |
| Customer deposits | - | - | 244,572 | - | 244,572 |
| Provision for rate stabilization | - | - | 3,916,568 | - | 3,916,568 |
| Notes payable | 750,000 | - | 700,000 | - | 1,450,000 |
| Other current liabilities | - | - | 231,502 | - | 231,502 |
| Current portion of long-term liabilities: | | | | | |
| Bonds payable | 630,000 | 533,827 | 535,000 | 100,000 | 1,798,827 |
| Accrued employee benefits | 8,924 | 2,231 | - | 3,449 | 14,604 |
| Total current liabilities | 2,493,284 | 2,078,207 | 7,534,073 | 1,327,477 | 13,433,041 |
| Noncurrent: | | | | | |
| Bonds payable, net of current portion | 4,970,000 | 15,400,648 | 2,630,000 | 300,000 | 23,300,648 |
| Accrued employee benefits, net of current portion | 80,320 | 20,081 | 85,952 | 31,037 | 217,390 |
| Total noncurrent liabilities | 5,050,320 | 15,420,729 | 2,715,952 | 331,037 | 23,518,038 |
| TOTAL LIABILITIES | 7,543,604 | 17,498,936 | 10,250,025 | 1,658,514 | 36,951,079 |
| <u>NET ASSETS</u> | | | | | |
| Invested in capital assets, net of related debt | 11,924,693 | 15,226,929 | 27,483,870 | 9,141,085 | 63,776,577 |
| Restricted | - | 2,456,995 | - | - | 2,456,995 |
| Unrestricted | 3,945,738 | 2,318,538 | 8,471,683 | 632,796 | 15,368,755 |
| TOTAL NET ASSETS | \$ 15,870,431 | \$ 20,002,462 | \$ 35,955,553 | \$ 9,773,881 | \$ 81,602,327 |

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, 2007

(DECEMBER 31, 2006 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

| | Business-Type Activities Enterprise Funds | | | | Total |
|--|--|---------------|------------------|--------------|---------------|
| | Water Fund | Sewer Fund | Electric Fund | Swim Fund | |
| Operating Revenues: | | | | | |
| Charges for services | \$ 3,441,791 | \$ 4,750,385 | \$ 17,829,056 | \$ 2,677,069 | \$ 28,698,301 |
| Total Operating Revenues | 3,441,791 | 4,750,385 | 17,829,056 | 2,677,069 | 28,698,301 |
| Operating Expenses: | | | | | |
| Personnel services | 881,612 | 259,706 | - | 1,117,351 | 2,258,669 |
| Non-personnel services | 667,275 | 741,668 | - | 537,457 | 1,946,400 |
| Depreciation | 605,192 | 1,114,055 | 1,273,086 | 108,915 | 3,101,248 |
| Electric operations | - | - | 14,160,751 | - | 14,160,751 |
| Total Operating Expenses | 2,154,079 | 2,115,429 | 15,433,837 | 1,763,723 | 21,467,068 |
| Operating Income | 1,287,712 | 2,634,956 | 2,395,219 | 913,346 | 7,231,233 |
| Nonoperating Revenues (Expenses): | | | | | |
| Investment income | 155,835 | 206,565 | 404,395 | 64,957 | 831,752 |
| Interest expense | (183,130) | (219,347) | (177,549) | (19,169) | (599,195) |
| Other nonoperating income, net | 55 | 41,705 | 680,297 | - | 722,057 |
| Total Nonoperating Revenues (Expenses), Net | (27,240) | 28,923 | 907,143 | 45,788 | 954,614 |
| Income Before Transfers and Capital Contribution | 1,260,472 | 2,663,879 | 3,302,362 | 959,134 | 8,185,847 |
| Capital contribution | - | - | - | 9,135,000 | 9,135,000 |
| Transfers in | - | - | - | 154,169 | 154,169 |
| Transfers out | (479,511) | (157,352) | (340,000) | (5,764) | (982,627) |
| Change in Net Assets | 780,961 | 2,506,527 | 2,962,362 | 10,242,539 | 16,492,389 |
| Net Assets at Beginning of Year, as restated | 15,089,470 | 17,495,935 | 32,993,191 | (468,658) | 65,109,938 |
| Net Assets at End of Year | \$ 15,870,431 | \$ 20,002,462 | \$ 35,955,553 | \$ 9,773,881 | \$ 81,602,327 |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007
(DECEMBER 31, 2006 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

| | Business-Type Activities | | | | Total |
|---|--------------------------|---------------|------------------|--------------|---------------|
| | Enterprise Funds | | | | |
| | Water Fund | Sewer Fund | Electric Fund | Swim Fund | |
| Cash Flows From Operating Activities: | | | | | |
| Receipts from customers and users | \$ 3,327,269 | \$ 3,028,768 | \$ 18,759,181 | \$ 2,335,731 | \$ 27,450,949 |
| Payments to vendors and employees | (768,248) | (234,185) | (15,691,317) | (1,573,463) | (18,267,213) |
| Receipts from noncurrent deposits | - | - | 8,503 | - | 8,503 |
| Net Cash Provided By Operating Activities | 2,559,021 | 2,794,583 | 3,076,367 | 762,268 | 9,192,239 |
| Cash Flows From Noncapital Financing Activities: | | | | | |
| Transfers in | - | - | - | 154,169 | 154,169 |
| Transfers out | (479,511) | (157,352) | (340,000) | (5,764) | (982,627) |
| Other | 55 | 41,705 | - | - | 41,760 |
| Net Cash (Used for) Noncapital Financing Activities | (479,456) | (115,647) | (340,000) | 148,405 | (786,698) |
| Cash Flows From Capital and Related Financing Activities: | | | | | |
| Proceeds from issuance of bonds and notes | 4,250,000 | 4,400,463 | 1,200,000 | - | 9,850,463 |
| Acquisition and construction of capital assets | (4,607,324) | (7,250,840) | - | (37,525) | (11,895,689) |
| Acquisition and construction of utility plant | - | - | (1,610,241) | - | (1,610,241) |
| Net additions to construction in progress | - | - | (340,614) | - | (340,614) |
| Principal payments on bonds and notes | (505,000) | (255,525) | (975,000) | (115,000) | (1,850,525) |
| Interest expense | (183,130) | (219,347) | (177,549) | (19,169) | (599,195) |
| Net additions to customer advances for construction | - | - | 29,219 | - | 29,219 |
| Net Cash (Used For) Capital and Related Financing Activities | (1,045,454) | (3,325,249) | (1,874,185) | (171,694) | (6,416,582) |
| Cash Flows From Investing Activities: | | | | | |
| Investment income | 155,835 | 206,565 | 404,395 | 64,957 | 831,752 |
| Sales of investment shares | - | - | 4,405 | - | 4,405 |
| Net Cash Provided By Investing Activities | 155,835 | 206,565 | 408,800 | 64,957 | 836,157 |
| Net Change in Cash and Short-Term Investments | 1,189,946 | (439,748) | 1,270,982 | 803,936 | 2,825,116 |
| Cash and Short-Term Investments, Beginning of Year | 3,232,571 | 4,419,647 | 6,750,944 | 1,105,211 | 15,508,373 |
| Cash and Short-Term Investments, End of Year | \$ 4,422,517 | \$ 3,979,899 | \$ 8,021,926 | \$ 1,909,147 | \$ 18,333,489 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | | |
| Operating income | \$ 1,287,712 | \$ 2,634,956 | \$ 2,395,219 | \$ 913,346 | \$ 7,231,233 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Other income | - | - | 464,148 | - | 464,148 |
| Depreciation | 605,192 | 1,114,055 | 1,273,086 | 108,915 | 3,101,248 |
| Changes in assets and liabilities: | | | | | |
| User fees receivables | (120,985) | 332,922 | (1,072,714) | - | (860,777) |
| Betterments | - | (2,054,539) | - | - | (2,054,539) |
| Inventory | 8,569 | - | - | - | 8,569 |
| Materials and supplies | - | - | 75,236 | - | 75,236 |
| Deferred costs | - | - | (48,559) | - | (48,559) |
| Prepaid expenses | - | - | (136,077) | - | (136,077) |
| Noncurrent deposits with Town Treasurer | - | - | (571,330) | - | (571,330) |
| Warrants and accounts payable | 341,220 | 290,226 | - | 62,600 | 694,046 |
| Accrued liabilities | 430,849 | 477,374 | (192,088) | 18,765 | 734,900 |
| Other liabilities | 6,464 | (411) | 8,503 | - | 14,556 |
| Unearned revenue | - | - | - | (341,358) | (341,358) |
| Provisions | - | - | 880,943 | - | 880,943 |
| Net Cash Provided By Operating Activities | \$ 2,559,021 | \$ 2,794,583 | \$ 3,076,367 | \$ 762,268 | \$ 9,192,239 |

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

| | Pension Trust Fund (As of <u>December 31, 2006</u>) | Private Purpose Trust Funds | Agency Funds |
|---|---|--------------------------------------|-----------------|
| <u>ASSETS</u> | | | |
| Cash and short-term investments | \$ 2,217,475 | \$ - | \$ 75,205 |
| Investments | 83,550,978 | 1,210,999 | 22,323 |
| Accounts receivable | 327,028 | - | - |
| Other assets | <u>-</u> | <u>-</u> | <u>618,319</u> |
| Total Assets | 86,095,481 | 1,210,999 | 715,847 |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| Other liabilities | <u>166</u> | <u>-</u> | <u>715,847</u> |
| Total Liabilities | <u>166</u> | <u>-</u> | <u>715,847</u> |
| <u>NET ASSETS</u> | | | |
| Total net assets held in trust for pension benefits and other purposes | <u>\$ 86,095,315</u> | <u>\$ 1,210,999</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, 2007

| | Pension Trust Fund (For the Year Ended December 31, 2006) | Private Purpose Trust Funds |
|--|--|-----------------------------------|
| Additions: | | |
| Contributions: | | |
| Employers | \$ 2,992,219 | \$ - |
| Other systems and Commonwealth of Massachusetts | 217,421 | - |
| Plan members | 1,880,722 | - |
| Other | 1,770 | - |
| Total contributions | <u>5,092,132</u> | <u>-</u> |
| Investment Gain: | | |
| Increase in fair value of investments | 10,400,761 | 136,059 |
| Less: management fees | (381,867) | - |
| Net investment gain | <u>10,018,894</u> | <u>136,059</u> |
| Total additions | 15,111,026 | 136,059 |
| Deductions: | | |
| Benefit payments to plan members and beneficiaries | 4,364,969 | - |
| Refunds to plan members | 235,969 | - |
| Administrative expenses | 92,593 | - |
| Other | 296,388 | 42,124 |
| Total deductions | <u>4,989,919</u> | <u>42,124</u> |
| Net increase | 10,121,107 | 93,935 |
| Net assets: | | |
| Beginning of year | <u>75,974,208</u> | <u>1,117,064</u> |
| End of year | <u>\$ 86,095,315</u> | <u>\$ 1,210,999</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 Selectmen. 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 non-fiduciary 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 is 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 or 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 are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60

days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

- 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 *Alcott School Project Fund* accounts for the construction costs related to the new Alcott School.
- The *Thoreau School Project Fund* accounts for the construction costs related to the new Thoreau 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 non-operating 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 *Agency Fund* is used to account for student activity funds and police 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 1/2" 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 2007 tax levy reflected an excess capacity of approximately \$ 1,151,139.

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 | 50 - 75 |

I. Compensated Absences

The government's policy is 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) | \$ 70,514,435 | \$ 69,749,550 |
| Other financing sources/uses (GAAP basis) | <u>1,734,700</u> | <u>550,997</u> |
| Subtotal (GAAP basis) | 72,249,135 | 70,300,547 |
| Adjust tax revenue to accrual basis | (3,372) | - |

(continued)

(continued)

| <u>General Fund</u> | Revenues and Other <u>Financing Sources</u> | Expenditures and Other <u>Financing Uses</u> |
|---|---|--|
| Reverse beginning of year appropriation carryforwards from expenditures | - | (2,907,678) |
| Add end of year appropriation carryforwards to expenditures | - | 2,901,038 |
| To reverse the effect of non-budgeted State contributions for teachers retirement | (3,438,765) | (3,438,765) |
| Other | (<u>170,161</u>) | (<u>73,007</u>) |
| Budgetary basis (p.18) | \$ <u>68,636,837</u> | \$ <u>66,782,135</u> |

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2007 (in thousands):

Major governmental funds:

Thoreau School Project \$ 6,588

Nonmajor governmental funds:

Land acquisition \$ 2,500
School design 610
Hunt gym roof 1
Other capital projects 12

The Governmental fund deficits result from the financing of projects with bond anticipation notes that are recorded as liabilities at the fund level. These deficit fund balances will be fully eliminated when the bond anticipation notes are replaced with long-term bonds.

3. Cash and Short-Term Investments

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

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town and system do not have a deposit policy for custodial credit risk.

As of June 30, 2007 and December 31, 2006, \$ 8,293,295 and \$ 178,122 of the Town's and System's bank balance(s) of \$ 41,690,849 and \$ 2,304,397, respectively, was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's and System's name.

4. Investments

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

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Presented below is the actual rating as of June 30, 2007 for each investment of the Town (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Exempt From Disclosure</u> | <u>Average Rating as of Year End</u> | |
|---------------------------|-------------------|-------------------------------|--------------------------------------|-----------------|
| | | | <u>Aaa</u> | <u>Aa</u> |
| Corporate bonds | \$ 202 | \$ - | \$ - | \$ 202 |
| Federal agency securities | 13,599 | - | 13,599 | - |
| Bond mutual funds | 1,850 | - | - | 1,850 |
| Mutual funds | 5,493 | 5,493 | - | - |
| Corporate equities | 2,221 | 2,221 | - | - |
| Total Investments | <u>\$ 23,365</u> | <u>\$ 7,714</u> | <u>\$ 13,599</u> | <u>\$ 2,052</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 average rating and effective duration as of year end for each applicable investment type of the System (in thousands):

| <u>Investment Type</u> | <u>Fair Value*</u> | <u>Average Rating</u> | <u>Average Duration (in Years)</u> |
|----------------------------|--------------------|-----------------------|------------------------------------|
| Debt related securities | \$ 1,870 | Aaa | 12.15 |
| US Treasury notes | 3,144 | Aaa | 11.34 |
| Mortgage-backed securities | 3,017 | Aaa | 17.37 |
| Corporate bonds | 15,724 | A3 | 8.37 |
| Pooled investments | <u>59,796</u> | N/A | - |
| Total | <u>\$ 83,551</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.

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:

| | | |
|--|--------------|-----|
| Federal National Mortgage Association Discount Notes | \$ 9,683,930 | 41% |
| Federal Home Loan Mortgage Corporation Discount Notes | \$ 1,955,500 | 8% |

The System does not have an investment in one issuer greater than 5% of total investments.

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 interest 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>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> |
|---------------------------|-------------------|--------------------|-----------------|-------------|---------------------|
| Debt related securities: | | | | | |
| Corporate bonds | \$ 202 | \$ - | \$ 202 | \$ - | \$ - |
| Federal agency securities | 13,599 | 13,599 | - | - | - |
| Bond mutual funds | <u>1,850</u> | <u>-</u> | <u>1,850</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 15,651</u> | <u>\$ 13,599</u> | <u>\$ 2,052</u> | <u>\$ -</u> | <u>\$ -</u> |

E. Foreign Currency Risk

The policy of the Town and the 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, 2007 consist of the following (in thousands):

| Real Estate | |
|-------------|------------|
| 2007 | \$ 417 |
| 2006 | 13 |
| 2005 | 10 |
| 2004 | 12 |
| Prior | <u>107</u> |
| | 559 |

| | | |
|---|-----------|-----------------|
| Personal Property | | |
| 2007 | 15 | |
| 2006 | 23 | |
| 2005 | 4 | |
| 2004 | 5 | |
| 2003 | <u>11</u> | |
| | | 58 |
| Tax liens, municipal liens, supplementals, and foreclosures | | 330 |
| Deferred taxes | | <u>281</u> |
| Total | | \$ <u>1,228</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 | \$ 224 |

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

8. Interfund 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, 2006, not June 30, 2007. Therefore, a timing difference of \$ 290,650 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, 2007 was as follows (in thousands):

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 30,583 | \$ 32,466 | \$ - | \$ 63,049 |
| Machinery, equipment and furnishings | 9,998 | 401 | - | 10,399 |
| Infrastructure | <u>15,978</u> | <u>505</u> | <u>-</u> | <u>16,483</u> |
| Total capital assets, being depreciated | 56,559 | 33,372 | - | 89,931 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,930) | (1,486) | - | (9,416) |
| Machinery, equipment and furnishings | (7,252) | (658) | - | (7,910) |
| Infrastructure | <u>(6,753)</u> | <u>(815)</u> | <u>-</u> | <u>(7,568)</u> |
| Total accumulated depreciation | <u>(21,935)</u> | <u>(2,959)</u> | <u>-</u> | <u>(24,894)</u> |
| Total capital assets, being depreciated, net | 34,624 | 30,413 | - | 65,037 |
| Capital assets, not being depreciated: | | | | |
| Land | 47,186 | 155 | - | 47,341 |
| Construction in progress | <u>36,777</u> | <u>3,314</u> | <u>(28,592)</u> | <u>11,499</u> |
| Total capital assets, not being depreciated | <u>83,963</u> | <u>3,469</u> | <u>(28,592)</u> | <u>58,840</u> |
| Governmental activities capital assets, net | <u>\$ 118,587</u> | <u>\$ 33,882</u> | <u>\$ (28,592)</u> | <u>\$ 123,877</u> |

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 239 | \$ 9,135 | \$ - | \$ 9,374 |
| Machinery, equipment and furnishings | 3,649 | 306 | - | 3,955 |
| Infrastructure | 34,937 | 10,819 | - | 45,756 |
| Light plant | <u>43,120</u> | <u>1,602</u> | <u>(499)</u> | <u>44,223</u> |
| Total capital assets, being depreciated | 81,945 | 21,862 | (499) | 103,308 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (90) | (124) | - | (214) |
| Machinery, equipment and furnishings | (1,079) | (261) | - | (1,340) |
| Infrastructure | (11,987) | (1,443) | - | (13,430) |
| Light plant | <u>(14,595)</u> | <u>(1,273)</u> | <u>406</u> | <u>(15,462)</u> |
| Total accumulated depreciation | <u>(27,751)</u> | <u>(3,101)</u> | <u>406</u> | <u>(30,446)</u> |
| Total capital assets, being depreciated, net | 54,194 | 18,761 | (93) | 72,862 |
| Capital assets, not being depreciated: | | | | |
| Land | 3,370 | - | - | 3,370 |
| Light plant construction in progress | 1,547 | 340 | - | 1,887 |
| Construction in progress | <u>4,083</u> | <u>772</u> | <u>-</u> | <u>4,855</u> |
| Total capital assets, not being depreciated | <u>9,000</u> | <u>1,112</u> | <u>-</u> | <u>10,112</u> |
| Business-type activities capital assets, net | <u>\$ 63,194</u> | <u>\$ 19,873</u> | <u>\$ (93)</u> | <u>\$ 82,974</u> |

Depreciation expense was charged to functions of the Town as follows:

| | |
|---|-----------------|
| Governmental Activities: | |
| General government | \$ 384 |
| Public safety | 224 |
| Education | 1,120 |
| Public works | 1,151 |
| Culture and recreation | 74 |
| Health and human services | 6 |
| Total depreciation expense - governmental activities | <u>\$ 2,959</u> |
| Business-Type Activities: | |
| Water | \$ 605 |
| Sewer | 1,114 |
| Electric | 1,273 |
| Swim facility | 109 |
| Total depreciation expense - business-type activities | <u>\$ 3,101</u> |

10. Warrants Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 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, 2007 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, 2007:

| | Interest Rate | Date of Issue | Date of Maturity | Balance at June 30, 2007 |
|-------------------|------------------|------------------|---------------------|-----------------------------|
| Thoreau School | 4.00% | 09/28/06 | 09/27/07 | \$ 4,000,000 |
| Thoreau School | 4.00% | 03/01/07 | 09/27/07 | 2,800,000 |
| Burke Land | 4.50% | 07/27/06 | 09/27/07 | 2,500,000 |
| Warners Pond | 4.50% | 06/07/07 | 04/01/08 | 250,000 |
| Town Hall | 4.00% | 06/07/07 | 04/01/08 | 100,000 |
| School Building | 4.00% | 06/07/07 | 04/01/08 | 400,000 |
| Willard School | 4.00% | 06/07/07 | 04/01/08 | 1,840,000 |
| Recreation Fields | 4.00% | 06/07/07 | 04/01/08 | 250,000 |
| Town Buildings | 4.00% | 06/07/07 | 04/01/08 | 35,000 |
| Sewer | 4.00% | 06/07/07 | 04/01/08 | <u>750,000</u> |
| Total | | | | <u>\$ 12,925,000</u> |

The following summarizes activity in notes payable during fiscal year 2007:

| | Balance Beginning of Year | New Issues | Maturities | Balance End of Year |
|-------------------|---------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Bond Anticipation | \$ <u>29,750,000</u> | \$ <u>10,425,000</u> | \$ <u>(27,250,000)</u> | \$ <u>12,925,000</u> |
| Total | \$ <u><u>29,750,000</u></u> | \$ <u><u>10,425,000</u></u> | \$ <u><u>(27,250,000)</u></u> | \$ <u><u>12,925,000</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, 2007, which are not reflected in the Statement(s) of Net Assets. General obligation bonds currently outstanding are as follows:

| <u>Governmental Activities:</u> | Serial Maturities Through | Interest Rate(s)% | Amount Outstanding as of June 30, 2007 |
|---------------------------------|---------------------------------|----------------------|---|
| School | 2008 | 4.00 - 4.10 | \$ 65,000 |
| Road improvements | 2008 | 4.20 - 4.35 | 55,000 |
| Building renovations | 2008 | 4.30 - 4.35 | 20,000 |
| Building renovations | 2008 | 4.00 - 4.10 | 110,000 |
| Road improvements | 2008 | 4.00 - 4.10 | 50,000 |
| Police and fire station | 2008 | 2.25 - 2.40 | 30,000 |
| School | 2009 | 1.50 - 2.15 | 10,000 |
| Planning | 2009 | 1.50 - 2.15 | 120,000 |
| Modular classrooms | 2009 | 1.50 - 2.15 | 80,000 |
| Equipment | 2009 | 1.50 - 2.00 | 160,000 |
| Land acquisition | 2010 | 3.63 - 4.40 | 225,000 |
| Road improvements | 2010 | 5.15 | 150,000 |
| Building | 2010 | 5.15 | 105,000 |
| Building renovations | 2010 | 5.15 | 45,000 |
| Building renovations | 2010 | 5.15 | 45,000 |
| School remodeling | 2011 | 2.25 - 3.30 | 490,000 |
| Drainage | 2011 | 1.50 - 2.88 | 40,000 |

(continued)

(continued)

| | Serial | Interest | Amount |
|---------------------------------|-------------------|-----------------|----------------------|
| <u>Governmental Activities:</u> | <u>Maturities</u> | <u>Rate(s)%</u> | <u>Outstanding</u> |
| | <u>Through</u> | | <u>as of</u> |
| | | | <u>June 30, 2007</u> |
| Road improvements | 2011 | 2.25 - 3.00 | 360,000 |
| Road improvements | 2014 | 1.50 - 3.50 | 420,000 |
| Building renovation (school) | 2016 | 1.50 - 3.75 | 315,000 |
| Title V loans | 2020 | - | 151,681 |
| Building renovation | 2016 | 1.50 - 3.75 | 900,000 |
| Building renovation | 2016 | 1.50 - 3.75 | 880,000 |
| School | 2025 | 2.50 - 4.25 | 6,300,000 |
| School remodeling | 2010 | 3.25 - 3.50 | 180,000 |
| School remodeling | 2011 | 3.25 - 3.50 | 260,000 |
| Road improvements | 2015 | 3.25 - 3.88 | 500,000 |
| Building renovation | 2015 | 3.25 - 3.88 | 1,400,000 |
| Road improvements | 2016 | 3.50 - 3.70 | 810,000 |
| School building | 2016 | 3.50 - 3.70 | 660,000 |
| Land acquisition | 2016 | 3.50 - 3.70 | 30,000 |
| Hunt gymnasium | 2016 | 3.50 - 3.70 | 60,000 |
| Thoreau school | 2025 | 3.75 - 5.00 | 10,000,000 |
| Alcott school | 2022 | 3.75 - 5.00 | 2,350,000 |
| School remodeling | 2014 | 4.00 - 5.00 | 400,000 |
| Road improvements | 2014 | 4.00 - 5.00 | 700,000 |
| Planning | 2009 | 4.25 - 5.00 | 70,000 |
| Equipment | 2012 | 4.00 - 5.00 | 420,000 |
| Recreation | 2012 | 4.00 - 5.00 | 260,000 |
| Total Governmental Activities: | | | <u>\$ 29,226,681</u> |

| <u>Business-Type Activities:</u> | <u>Through</u> | <u>Rate(s)%</u> | <u>June 30, 2007</u> |
|----------------------------------|----------------|-----------------|----------------------|
| Light | 2008 | 5.30 | \$ 30,000 |
| Light | 2008 | 5.30 | 70,000 |
| Water | 2008 | 5.00 | 120,000 |
| Water | 2010 | 5.15 | 80,000 |
| Light | 2011 | 2.25 - 3.30 | 290,000 |
| Light | 2011 | 3.63 - 3.75 | 440,000 |
| Water | 2012 | 3.70 - 4.00 | 1,000,000 |
| Light | 2014 | 4.60 - 5.00 | 2,100,000 |
| Light | 2017 | 4.00 - 5.00 | 1,000,000 |
| Water | 2016 | 3.50 - 5.00 | 900,000 |
| Water | 2027 | 3.75 - 5.00 | 3,500,000 |
| Sewer | 2016 | 3.50 - 5.00 | 900,000 |
| Sewer MWPAT | 2026 | 2.00 | 4,034,475 |
| Sewer MWPAT | 2026 | 2.00 | 11,000,000 |
| Swim Center equipment | 2016 | 3.50 - 3.70 | 400,000 |
| Total Business-Type Activities: | | | <u>\$ 25,864,475</u> |

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

| <u>Governmental</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|----------------------|---------------------|----------------------|
| 2008 | \$ 3,605,852 | \$ 841,199 | \$ 4,447,051 |
| 2009 | 3,060,852 | 1,097,769 | 4,158,621 |
| 2010 | 2,670,852 | 963,192 | 3,634,044 |
| 2011 | 2,330,616 | 856,194 | 3,186,810 |
| 2012 | 2,115,829 | 762,295 | 3,186,810 |
| 2013-2017 | 7,784,143 | 2,697,776 | 10,481,919 |
| 2018-2022 | 5,343,536 | 1,233,964 | 6,577,500 |
| 2023-2026 | 2,315,001 | 166,314 | 2,481,315 |
| Total | <u>\$ 29,226,681</u> | <u>\$ 8,618,703</u> | <u>\$ 38,154,070</u> |

The general fund has been designated as the sole source to repay the government-type obligation debt outstanding as of June 30, 2007.

| <u>Business-Type</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|---------------------|----------------------|
| 2008 | \$ 1,980,128 | \$ 781,555 | \$ 2,761,683 |
| 2009 | 1,791,590 | 691,639 | 2,483,229 |
| 2010 | 1,779,551 | 633,137 | 2,412,688 |
| 2011 | 1,772,775 | 575,649 | 2,348,424 |
| 2012 | 1,721,265 | 518,129 | 2,239,394 |
| 2013-2017 | 6,508,418 | 1,861,588 | 8,370,006 |
| 2018-2022 | 4,873,979 | 975,696 | 5,849,675 |
| 2023-2027 | 5,436,769 | 326,870 | 5,763,639 |
| Total | <u>\$ 25,864,475</u> | <u>\$ 6,364,263</u> | <u>\$ 32,228,738</u> |

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2007 are as follows:

| <u>Purpose</u> | <u>Amount</u> |
|----------------------------------|----------------------|
| CPS building renovations | \$ 400,000 * |
| New Thoreau school | 6,800,000 * |
| Septic system | 1,000,000 * |
| Water | 1,250,000 |
| Alcott school | 1,110,000 |
| Outdoor recreational facility | 40,000 |
| Hunt gym improvements | 20,000 |
| Burke land acquisition | 2,750,000 * |
| Road improvements | 300,000 |
| Warner's pond dam | 250,000 |
| Mill dam culvert | 300,000 |
| Thoreau school | 350,000 |
| Willard school design | 1,840,000 * |
| Police/fire station design | 200,000 * |
| Hunt gym roof | 75,000 |
| Planning | 5,000 |
| Town house sprinkler | 116,000 * |
| School remodeling software | 860,000 |
| Warner's pond dam rehabilitation | 400,000 |
| Ambulance replacement | 195,000 |
| Recreational fields | <u>1,500,000 *</u> |
| Total | <u>\$ 19,761,000</u> |

* Indicates existing outstanding bond anticipation notes.

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, 2007:

| <u>Related Entity</u> | <u>Total Principal</u> | <u>Town's Percent</u> | <u>Town's Share</u> |
|-----------------------|------------------------|-----------------------|---------------------|
| CCRS | \$ 2,926,000 | 72.92% | \$ <u>2,133,639</u> |
| Total | | | \$ <u>2,133,639</u> |

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

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

| | Total Balance <u>7/1/06</u> | <u>Additions</u> | <u>Reductions</u> | Total Balance <u>6/30/07</u> | Less Current Portion | Equals Long-Term Portion <u>6/30/07</u> |
|--|-----------------------------------|------------------|-------------------|------------------------------------|----------------------------|--|
| <u>Governmental Activities</u> | | | | | | |
| Bonds payable | \$ 17,767 | \$ 14,200 | \$ (2,740) | \$ 29,227 | \$ 3,606 | \$ 25,621 |
| Other: | | | | | | |
| Accrued employee benefits | 3,304 | 142 | (167) | 3,279 | 162 | 3,117 |
| Landfill closure | <u>260</u> | <u>-</u> | <u>(10)</u> | <u>250</u> | <u>10</u> | <u>240</u> |
| Governmental Activities | <u>\$ 21,331</u> | <u>\$ 14,342</u> | <u>\$ (2,917)</u> | <u>\$ 32,756</u> | <u>\$ 3,778</u> | <u>\$ 28,978</u> |
| | | | | | | |
| | Total Balance <u>7/1/06</u> | <u>Additions</u> | <u>Reductions</u> | Total Balance <u>6/30/07</u> | Less Current Portion | Equals Long-Term Portion <u>6/30/07</u> |
| <u>Business-Type Activities</u> | | | | | | |
| Bonds payable | \$ 11,775 | \$ 15,500 | \$ (1,411) | \$ 25,864 | \$ 1,980 | \$ 23,884 |
| Other: | | | | | | |
| Accrued employee benefits | <u>195</u> | <u>48</u> | <u>(11)</u> | <u>232</u> | <u>15</u> | <u>217</u> |
| Business-type activities | <u>11,970</u> | <u>15,548</u> | <u>(1,422)</u> | <u>26,096</u> | <u>1,995</u> | <u>24,101</u> |
| Grand Total | <u>\$ 33,301</u> | <u>\$ 29,890</u> | <u>\$ (4,339)</u> | <u>\$ 58,852</u> | <u>\$ 5,773</u> | <u>\$ 53,079</u> |

14. Landfill Closure and Postclosure Care Costs

The Town stopped accepting waste and permanently capped their 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. The Town's landfill has stopped accepting waste, therefore, the Town reports these closure and postclosure care costs as a liability in the government-wide financial statements.

The \$ 250,000 reported as landfill closure and postclosure care liability at June 30, 2007 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of landfill. These amounts are based on what it would cost to perform all postclosure care in 2007. 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 or constitutional 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, 2007:

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.

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**

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents,

or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits is included in the total cost of benefits for both active and retired employees. As of June 30, 2007, there were approximately 252 retirees in the Retiree Group that the net health care benefit costs are paid on the Town's plans at an estimated cost of \$ 1,025,633 (32% of the total insurance cost).

19. Contributory Retirement System

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 each plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

| | |
|--|------------|
| Retirees and beneficiaries receiving benefits | 252 |
| Terminated plan members entitled to but not yet receiving benefits | 93 |
| Active plan members | <u>451</u> |
| Total | <u>796</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, 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 regular compensation paid per pay period at an annual rate of more than \$30,000 per year.

Employers are required to contribute at actuarially determined amounts as accepted by the Public Employee Retirement Administration Commission (PERAC).

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 in accordance with PERAC requirements.

C. 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 2007, the Commonwealth of Massachusetts contributed \$ 3,438,765 to the MTRS on behalf of the Town. This is included in the employee benefit expenditures and intergovernmental revenues in the general fund.

20. Risk Management

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

21. Beginning Fund Balance/Net Assets Restatement

In fiscal 2007, the Town implemented the accounting for the Swim Facility in a separate Enterprise Fund. As such, the beginning net assets were transferred during the implementation process, which required the Town to restate amounts reported in the prior year. The Town's beginning (July 1, 2006) net assets have been restated as follows (in thousands):

Government-Wide Financial Statements:

| | Enterprise Funds | | | | | |
|------------------------|--|-----------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------------|
| | <u>Governmental</u> <u>Activities</u> | <u>Water</u> <u>Fund</u> | <u>Sewer</u> <u>Fund</u> | <u>Electric</u> <u>Fund</u> | <u>Swim</u> <u>Facility</u> | <u>Total</u> <u>Business-Type</u> |
| As previously reported | \$ 99,396 | \$ 15,090 | \$ 17,496 | \$ 32,993 | \$ - | \$ 65,579 |
| Reclass Swim Facility | 469 | - | - | - | (469) | (469) (1) |
| As restated | <u>\$ 99,865</u> | <u>\$ 15,090</u> | <u>\$ 17,496</u> | <u>\$ 32,993</u> | <u>\$ (469)</u> | <u>\$ 65,110</u> |

Fund Basis Financial Statements:

| | <u>General</u> <u>Fund</u> | <u>Alcott School</u> <u>Building</u> <u>Fund</u> | <u>Thoreau School</u> <u>Building</u> <u>Fund</u> | <u>Non-major</u> <u>Governmental</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Total</u> |
|------------------------|-------------------------------|--|---|---|---|
| As previously reported | \$ 10,785 | \$ (7,236) | \$ (15,235) | \$ 12,858 | \$ 1,173 |
| Reclass Swim Facility | - | - | - | 323 | 323 (1) |
| As restated | <u>\$ 10,785</u> | <u>\$ (7,236)</u> | <u>\$ (15,235)</u> | <u>\$ 13,181</u> | <u>\$ 1,496</u> |

(1) Amounts do not offset because of perspective differences (i.e. basis of accounting).

TOWN OF CONCORD, MASSACHUSETTS

**MUNICIPAL LIGHT PLANT
NOTES TO THE FINANCIAL STATEMENTS**

TOWN OF CONCORD, MASSACHUSETTS
MUNICIPAL LIGHT PLANT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **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 Accounting

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 Telecommunications and Energy (DTE), formerly known as the Massachusetts Department of Public Utilities (DPU). While the DTE exercises general supervisory authority over the Light Plant, the Light Plant's rates are not subject to DTE approval.

The Light Plant's policy is to prepare its financial statements in conformity with the accounting practices prescribed by the DTE, 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.

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. Although municipal utilities are not specifically subject to the legislation, the financial impact the changes in the industry will have on the Light Plant is not yet known.

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 2006 and 2005 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 DTE.

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 DTE, 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 2006 and 2005 was \$ 880,943 and \$ 452,949, 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. Post-employment Benefits

In accordance with state statutes and Town policy, post-employment 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 Department 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.

2. **Investment in Associated Companies**

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 \$ 38,504 and \$ 42,909 for 2006 and 2005, respectively.

3. **Related Party Transactions**

The Light Plant sells electricity to various Town departments. Sales to these departments totaled \$ 1,055,024 and \$ 832,618 for 2006 and 2005, respectively.

The Light Plant reimburses the Town for various employee benefits, including health insurance and retirement. Reimbursements for these benefits totaled \$ 439,755 and \$ 408,350 in 2006 and 2005, respectively.

In addition, the Light Plant paid the Town \$ 340,000 for payments in lieu of taxes in 2006 and 2005.

4. Long-Term Debt

A summary of the long-term debt follows:

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| \$ 2,000,000, 5.3% electric bonds, issued April 15, 1991, with annual payments of principal and interest due through April 15, 2008. | \$ 60,000 | \$ 90,000 |
| \$ 500,000, 5.3% electric bonds, issued April 15, 1993, with annual payments of principal and interest due through April 15, 2008. | 140,000 | 210,000 |
| \$ 6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013. | 2,100,000 | 2,400,000 |
| \$ 600,000, 2.7% electric bonds, issued February 15, 2003, with annual payments of principal and interest through February 15, 2011. | 365,000 | 440,000 |
| \$ 500,000, 3.7% electric bonds, issued March 1, 2006, with annual payments of principal and interest through March 1, 2015. | <u>500,000</u> | <u>-</u> |
| Total long-term debt | 3,165,000 | 3,140,000 |
| Less current installments of long-term debt | <u>535,000</u> | <u>475,000</u> |
| Long-Term Debt, Excluding Current Installments | \$ <u>2,630,000</u> | \$ <u>2,665,000</u> |

Long-Term debt activity for the year ended December 31, 2006 was as follows:

| | |
|---|---------------------|
| Balance of long-term debt at 1/1/2006 | \$ 3,140,000 |
| Bonds issued | 500,000 |
| Payments | (<u>475,000</u>) |
| Balance of long-term debt at 12/31/2006 | \$ <u>3,165,000</u> |

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

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|-------------------|
| 2007 | \$ 535,000 | \$ 137,700 |
| 2008 | 530,000 | 114,288 |
| 2009 | 430,000 | 93,244 |
| 2010 | 430,000 | 74,325 |
| 2011 | 420,000 | 55,065 |
| 2012-2015 | <u>820,000</u> | <u>60,847</u> |
| | <u>\$ 3,165,000</u> | <u>\$ 535,469</u> |

5. Bond Anticipation Notes

The Light Plant issued \$ 700,000 of bond anticipation notes (BANs) on May 4, 2006 for a premium of \$ 3,118. The BANs have a coupon rate of 4.5% and mature March 1, 2006. The BANs were issued pursuant to Article 46 of the 2005 annual town meeting for Concord Municipal Light Plan improvements.

6. 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 \$ 14,975 and \$ 14,172 in 2006 and 2005, respectively. Claims and premiums of \$ 15,714 and \$ 12,667 were paid from the Fund in 2006 and 2005, 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 fund, for the purpose of placing existing lines underground, from dividends, purchase power refunds, current operations, and effective June 1, 1999, a 2% charge on all electric bills. Interest earned by this fund has been applied to increase the fund balance.

7. Special Deposits

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

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|---------------------|---------------------|
| Customer advances for construction | \$ 88,682 | \$ 59,463 |
| Customer deposits | 244,572 | 236,069 |
| Funds held to retire long-term debt | 421,900 | 365,455 |
| Emergency reserve fund | 1,130,000 | - |
| Rate stabilization | <u>1,131,824</u> | <u>1,129,322</u> |
| Total Deposits | <u>\$ 3,016,978</u> | <u>\$ 1,790,309</u> |

8. 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.

9. 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 Agreement 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 \$ 89,345 and \$ 64,376 for the years ended December 31, 2006 and 2005.

Purchased power expense under the Constellation Power agreement was \$ 8,663,419 and \$ 8,688,550 in 2006 and 2005, respectively.

B. Contingencies

On June 1, 2002, Boston Edison Company (BECO) began billing the Light Plant for local access network (LNS) transmission charges that the Light Plant believed were not appropriate under the 1980 Antitrust Settlement Agreement and the 1993 Interconnection Agreement. A dispute evolved and Boston Edison filed an unexecuted service agreement with the Federal Energy Regulatory Commission (FERC). The Light Plant protested and in April 2003, appeared before the FERC in Washington, D.C. regarding the matter. The Light Plant filed testimony to the effect that these charges should be reduced by over \$ 100,000/year. After a lengthy hearing, the Administrative Law Judge at FERC ruled in the Light Plant's favor. The FERC Commissioners approved the Administrative Law Judge's decision. BECO appealed to the United States Court of Appeals and on March 20, 2006, the court upheld the FERC decision.

10. Pension Plan

The Light Plant follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, 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 Hall, 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, 2006, 2005 and 2004 were \$ 287,706, \$ 279,120, and \$ 269,483, respectively, which were equal to its annual required contribution.

**TOWN OF CONCORD, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Required Supplementary Information
(Unaudited)

Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with Governmental Accounting Standards Board Statement 25.

Schedule of Funding Progress

(Dollars in Thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b - a)/c] |
|--------------------------|-------------------------------|---|-----------------------------|--------------------|---------------------|---|
| 1/01/06 | \$ 75,974 | \$ 83,989 | \$ 8,015 | 90.5% | \$ 18,925 | 42.0% |
| 1/01/04 | \$ 63,067 | \$ 76,564 | \$ 13,497 | 82.4% | \$ 17,996 | 75.0% |
| 1/01/02 | \$ 56,748 | \$ 67,763 | \$ 11,015 | 83.7% | \$ 16,776 | 65.6% |
| 1/01/00 | \$ 56,251 | \$ 59,720 | \$ 3,469 | 94.2% | \$ 14,807 | 23.4% |
| 1/01/98 | \$ 43,221 | \$ 51,392 | \$ 8,171 | 84.1% | \$ 13,676 | 59.7% |
| 1/01/96 | \$ 33,678 | \$ 42,701 | \$ 9,023 | 78.9% | \$ 11,930 | 75.6% |
| 1/01/94 | \$ 27,603 | \$ 38,207 | \$ 10,604 | 72.2% | \$ 11,314 | 93.7% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|--------------------|------------------------------|------------------------|
| 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% |
| 2000 | \$ 2,120,769 | 117% |

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---|
| Valuation date | 1/01/06 |
| Actuarial cost method | Entry age normal |
| Amortization method | Approximate level percent of payroll |
| Remaining amortization period | 9 years |
| Asset valuation method | Market value adjusted by payables and receivables |
| Actuarial assumptions: | |
| Investment Rate of Return | 7.75% per year |
| Projected Salary Increases | 4.75% per year |

See Independent Auditors' Report.