

**TOWN OF CONCORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2006**

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## MELANSON HEATH & COMPANY, PC

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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, 2006 (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of and for the year ended December 31, 2005), 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 51% and 74% 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, provide 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, except for the effects of reporting the Electric Enterprise Fund on the basis accounting prescribed by the Massachusetts Department of Telecommunication and Energy as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business Type Activities of the Town of Concord as of June 30, 2006, and the respective changes in net assets thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each governmental major fund, the water and sewer major enterprise funds, and the aggregate remaining fund information of the Town of Concord, as of June 30, 2006 (except the Concord Contributory Retirement System and which is as of December 31, 2005), 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 December 8, 2006 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  
December 8, 2006

## **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, 2006. 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, and electric 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, and electric 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 the financial statements.** The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by the *Governmental Accounting Standards Board*.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 164,975 (i.e., net assets), a change of \$ 9,862 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,173, a change of \$ (7,991) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 7,378, a change of \$ 1,818 in comparison with the prior year.
- Total bonds payable as of June 30, 2006 was \$ 29,543, a change of \$ 4,404 in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 37,213	\$ 32,042	\$ 21,470	\$ 21,852	\$ 58,683	\$ 53,894
Capital assets	<u>119,047</u>	<u>106,022</u>	<u>62,734</u>	<u>55,865</u>	<u>181,781</u>	<u>161,887</u>
Total assets	156,260	138,064	84,204	77,717	240,464	215,781
Long-term liabilities outstanding	21,881	22,695	11,130	5,910	33,011	28,605
Other liabilities	<u>34,982</u>	<u>21,919</u>	<u>7,496</u>	<u>10,144</u>	<u>42,478</u>	<u>32,063</u>
Total liabilities	56,863	44,614	18,626	16,054	75,489	60,668
Net assets:						
Invested in capital assets, net	77,717	75,360	52,169	46,862	129,886	122,222
Restricted	13,317	11,413	-	-	13,317	11,413
Unrestricted	<u>8,363</u>	<u>6,677</u>	<u>13,409</u>	<u>14,801</u>	<u>21,772</u>	<u>21,478</u>
Total net assets	\$ <u>99,397</u>	\$ <u>93,450</u>	\$ <u>65,578</u>	\$ <u>61,663</u>	\$ <u>164,975</u>	\$ <u>155,113</u>

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,941	\$ 5,898	\$ 22,124	\$ 20,055	\$ 28,065	\$ 25,953
Operating grants and contributions	8,689	7,823	322	-	9,011	7,823
Capital grants and contributions	569	152	359	-	928	152
General revenues:						
Property taxes	53,747	50,777	-	-	53,747	50,777
Excises	2,729	2,408	-	-	2,729	2,408
Penalties, interest and other taxes	186	110	-	-	186	110
Grants and contributions not restricted to specific programs	2,490	1,578	-	-	2,490	1,578
Investment income	2,210	1,564	578	282	2,788	1,846
Other	<u>188</u>	<u>626</u>	<u>-</u>	<u>372</u>	<u>188</u>	<u>998</u>
Total revenues	<u>76,749</u>	<u>70,936</u>	<u>23,383</u>	<u>20,709</u>	<u>100,132</u>	<u>91,645</u>
Expenses:						
General government	5,116	4,791	-	-	5,116	4,791
Public safety	9,064	8,330	-	-	9,064	8,330
Education	44,093	40,306	-	-	44,093	40,306
Public works	6,461	6,951	-	-	6,461	6,951
Health and human services	549	538	-	-	549	538
Culture and recreation	4,817	4,087	-	-	4,817	4,087
Interest on long-term debt	1,491	894	-	-	1,491	894
Intergovernmental	367	348	-	-	367	348
Water operations	-	-	1,967	1,978	1,967	1,978
Sewer operations	-	-	1,713	1,543	1,713	1,543
Electric operations	<u>-</u>	<u>-</u>	<u>14,856</u>	<u>14,747</u>	<u>14,856</u>	<u>14,747</u>
Total expenses	<u>71,958</u>	<u>66,245</u>	<u>18,536</u>	<u>18,268</u>	<u>90,494</u>	<u>84,513</u>
Change in net assets before transfers	4,791	4,691	4,847	2,441	9,638	7,132
Transfers in (out)	<u>1,156</u>	<u>1,442</u>	<u>( 932)</u>	<u>( 1,191)</u>	<u>224</u>	<u>251</u>
Change in net assets	5,947	6,133	3,915	1,250	9,862	7,383
Net assets - beginning of year	<u>93,450</u>	<u>87,317</u>	<u>61,663</u>	<u>60,413</u>	<u>155,113</u>	<u>147,730</u>
Net assets - end of year	<u>\$ 99,397</u>	<u>\$ 93,450</u>	<u>\$ 65,578</u>	<u>\$ 61,663</u>	<u>\$ 164,975</u>	<u>\$ 155,113</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 164,975, a change of \$ 9,862 from the prior year.

The largest portion of net assets \$ 129,886 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt

used to acquire those assets that is still outstanding. This is a change of \$ 7,664 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, \$ 13,317, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets and other statutory restrictions, \$ 9,257; and
- Expendable and nonexpendable trust fund assets, \$ 4,060.

The remaining balance of unrestricted net assets \$ 21,772 may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$ 8,363 is in governmental activity funds a change of \$ 1,686 from the prior year;
- \$ 13,409 is in business-type activity funds a change of \$ (1,392) from the prior year.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 5,946. The key elements of this change are as follows:

General fund revenues over expenditures	\$ 235
General fund transfer in from Enterprise funds (indirect costs)	1,156
Special revenue fund revenues over expenditures	1,900
Trust fund revenues over expenditures	732
Fixed assets acquired from current year revenues	651
Debt service principal payment in excess of depreciation expense	1,513
Other	( 241)
<b>Total</b>	<b>\$ <u>5,946</u></b>

Special Revenue Fund revenues over expenditures were derived primarily from the following source:

- Community Preservation Fund – In June 30, 2006, \$ 1,412 was collected from the 1.50 % surcharge on property tax bills combined with the State match. There were no expenditures in this fund for FY06.

Trust Fund revenues over expenditures were derived primarily from the following sources:

- Pension Reserve Fund - A change of \$ 475, including market value appreciation.

- Permanent Trust Funds - A change of \$ 251, including market value appreciation.

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 3,915. This change can be attributed to the enterprise funds having program revenues greater than expenses, combined with the Town’s informal policy of partially funding capital expenditures through operations in an effort to manage the Town’s debt burden.

- The Water Fund had revenues of \$ 3,467 and expenses and transfers of \$ 2,408, resulting in a change in net assets of \$ 1,059.
- The Sewer Fund had revenues of \$ 2,706 and expenses and transfers of \$ 1,864, resulting in a change in net assets of \$ 842.
- The Light Fund had revenues of \$ 17,281 and expenses and transfers of \$ 15,267, resulting in a change in net assets of \$ 2,014.

**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 \$ 1,173, a change of \$ (7,991) in comparison with the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures	\$ 1,728
Special revenue fund revenues exceeding expenditures and transfers out	1,620
Trust fund revenues exceeding expenditures	732
Non-major capital project fund expenditures exceeding revenues and other financing sources	(2,242)
Alcott School Project fund expenditures	(345)
Thoreau School Project fund expenditures	(9,443)
Other	( 41)
Total	\$ <u>(7,991)</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 \$ 7,378, while total fund balance was \$ 10,785. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Refer to the table below:

<u>General Fund:</u>	<u>6/30/06</u>	<u>6/30/05</u>	<u>Change</u>
Unreserved fund balance	\$ 7,378	\$ 5,560	\$ 1,818
Total fund balance	10,785	9,057	1,728
Unreserved fund balance as % of total General Fund expenditures	11.2%	9.0%	2.2%
Total fund balance as % of total General Fund expenditures	16.4%	14.8%	1.6%

The fund balance of the General Fund increased by \$ 1,728 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash	\$ ( 500)
Raising of a prior year deficit	339
Revenues greater than budget	1,025
Expenditures less than budget	662
Excess of tax collections compared to budget	167
Other timing issues	<u>35</u>
Total	<u>\$ 1,728</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 \$ 13,409. Total net assets of the enterprise funds at the end of the year amounted to \$ 65,578, a change of \$ 3,915 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 2006.

## F. CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 181,781 (net of accumulated depreciation), a change of \$ 19,892 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:**

- \$ 345 New Alcott Elementary School construction in progress;
- 9,443 New Thoreau Elementary School construction in progress;
- 2,500 Purchase of the Burke Land;
- 985 Various road improvements;

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

- \$ 2,195 Sewer related construction in progress;
- 3,714 Sewer related infrastructure
- 1,111 Water related infrastructure

A comparison to the three prior years is as follows:

	<u>Capital Purchases</u>	<u>Capital Disposals</u>	<u>Depreciation Expense</u>	<u>Depreciation on Disposal</u>	<u>Net Activity</u>
<b><u>Governmental activities:</u></b>					
Fiscal year 2006	\$ 15,216	\$ -	\$ (2,193)	\$ -	\$ 13,023
Fiscal year 2005	12,326	-	(2,188)	-	10,138
Fiscal year 2004	13,617	-	(1,857)	-	11,760
<b><u>Business-type activities:</u></b>					
<i>Water</i>					
Fiscal year 2006	\$ 1,509	\$ -	\$ ( 527)	\$ -	\$ 982
Fiscal year 2005	1,177	-	( 474)	-	703
Fiscal year 2004	1,481	-	( 426)	-	1,055
<i>Sewer</i>					
Fiscal year 2006	\$ 6,001	\$ -	\$ ( 842)	\$ -	\$ 5,159
Fiscal year 2005	3,064	-	( 628)	-	2,436
Fiscal year 2004	623	-	( 571)	-	52
<i>Light</i>					
Fiscal year 2006	\$ 1,999	\$ ( 296)	\$ (1,194)	\$ 218	\$ 727
Fiscal year 2005	1,206	(2,662)	(1,179)	2,288	( 347)
Fiscal year 2004	2,946	-	(1,163)	-	1,783

Capital Assets net of <u>Accumulated depreciation</u>	<u>@ 6/30/06</u>	<u>@ 6/30/05</u>	<u>Change</u>
Governmental activities	\$ 119,047	\$ 106,024	\$ 13,023
Business-type activities			
Water	\$ 14,273	\$ 13,268	\$ 1,005
Sewer	18,390	14,258	4,132
Electric	<u>30,072</u>	<u>29,345</u>	<u>727</u>
Subtotal	\$ <u>62,735</u>	\$ <u>56,871</u>	\$ <u>5,864</u>
Grand Total	\$ <u>181,782</u>	\$ <u>162,895</u>	\$ <u>18,887</u>

**Long-term debt.** As of June 30, 2006, total bonded debt outstanding was \$ 29,543, 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 FY07 General Fund budget of \$ 66,289 is a 5.8 % increase over the prior year. The FY07 budget was balanced with a \$ 500 allocation from the unreserved fund balance and \$ 657 approved by the voters on June 6, 2006 as an increase in the property tax levy limit to fund operating overrides for the Town government and school budgets. The tax levy for FY07 (\$ 56,066) represents a 5.2 % increase over the prior year, and the tax rate set in December 2006 for the FY07 year was increased from \$ 10.23 to \$ 10.56 per thousand.

The business-type activities include the Water, Sewer, and Light Enterprises. For FY07, they are projected to report positive net income. A newly formed enterprise, the Beede Swim & Fitness Center, is in its first year of operations and has a budget of \$ 2.2 million. At this time, the facility is expected to break-even.

## **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, 2006

(Except for the Electric Enterprise Fund, which is as of December 31, 2005)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 17,721,842	\$ 13,370,667	\$ 31,092,509
Investments	17,680,348	2,626,789	20,307,137
Receivables, net of allowance for uncollectibles:			
Property taxes	575,798	-	575,798
Excises	81,240	-	81,240
User fees	-	3,658,152	3,658,152
Departmental and other	398,609	-	398,609
Intergovernmental	219,913	396,044	615,957
Inventory	-	43,411	43,411
Materials and supplies	-	904,307	904,307
Prepaid expenses	-	353,516	353,516
Other assets	250,373	117,335	367,708
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	284,546	-	284,546
Capital assets being depreciated, net	34,623,895	53,734,603	88,358,498
Capital assets not being depreciated	<u>84,422,999</u>	<u>8,999,640</u>	<u>93,422,639</u>
<b>TOTAL ASSETS</b>	<b>156,259,563</b>	<b>84,204,464</b>	<b>240,464,027</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	676,890	2,594,334	3,271,224
Accrued liabilities	3,274,513	606,728	3,881,241
Unearned revenue	1,484,021	-	1,484,021
Customer deposits	-	236,069	236,069
Provision for Boston Edison overcharge	-	320,076	320,076
Provision for rate stabilization	-	3,035,625	3,035,625
Notes payable	29,050,000	500,000	29,550,000
Other current liabilities	496,717	203,022	699,739
Current portion of long-term liabilities:			
Bonds payable	2,855,852	1,235,525	4,091,377
Accrued employee benefits	166,917	10,550	177,467
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	15,426,681	9,699,475	25,126,156
Accrued employee benefits, net of current portion	3,171,420	184,464	3,355,884
Estimated landfill closure and postclosure care costs, net of current portion	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL LIABILITIES</b>	<b>56,863,011</b>	<b>18,625,868</b>	<b>75,488,879</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	77,716,638	52,169,286	129,885,924
Restricted for:			
Grants and other statutory restrictions	9,257,068	-	9,257,068
Permanent funds:			
Expendable	78,269	-	78,269
Nonexpendable	3,982,032	-	3,982,032
Unrestricted	<u>8,362,545</u>	<u>13,409,310</u>	<u>21,771,855</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>99,396,552</u></b>	<b>\$ <u>65,578,596</u></b>	<b>\$ <u>164,975,148</u></b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

(Except for the Electric Enterprise Fund, which is for the year ended December 31, 2005)

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 5,116,247	\$ 752,951	\$ 26,614	\$ -	\$ (4,336,682)	\$ -	\$ (4,336,682)
Public safety	9,063,909	1,516,923	511,046	-	(7,035,940)	-	(7,035,940)
Education	44,093,138	395,935	7,138,644	148,618	(36,409,941)	-	(36,409,941)
Public works	6,460,574	1,565,325	608,253	420,872	(3,866,124)	-	(3,866,124)
Health and human services	548,561	101,261	332,640	-	(114,660)	-	(114,660)
Culture and recreation	4,816,755	1,608,906	71,679	-	(3,136,170)	-	(3,136,170)
Debt service interest	1,491,310	-	-	-	(1,491,310)	-	(1,491,310)
Intergovernmental	367,733	-	-	-	(367,733)	-	(367,733)
Total Governmental Activities	71,958,227	5,941,301	8,688,876	569,490	(56,758,560)	-	(56,758,560)
<b>Business-Type Activities:</b>							
Water services	1,967,086	3,335,077	-	-	-	1,367,991	1,367,991
Sewer services	1,712,571	2,489,692	12,304	-	-	789,425	789,425
Electric services	14,856,154	16,298,994	309,549	359,164	-	2,111,553	2,111,553
Total Business-Type Activities	18,535,811	22,123,763	321,853	359,164	-	4,268,969	4,268,969
Total	\$ 90,494,038	\$ 28,065,064	\$ 9,010,729	\$ 928,654	(56,758,560)	4,268,969	(52,489,591)
<b>General Revenues and Transfers:</b>							
Property taxes					53,747,261	-	53,747,261
Excises					2,728,936	-	2,728,936
Penalties, interest and other taxes					185,768	-	185,768
Grants and contributions not restricted to specific programs					2,489,539	-	2,489,539
Investment income					2,209,646	578,648	2,788,294
Other					187,730	-	187,730
Transfers, net					1,156,001	(932,427)	223,574
Total general revenues and transfers					62,704,881	(353,779)	62,351,102
Change in Net Assets					5,946,321	3,915,190	9,861,511
<b>Net Assets:</b>							
Beginning of year, as restated					93,450,231	61,663,406	155,113,637
End of year					\$ 99,396,552	\$ 65,578,596	\$ 164,975,148

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

	<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>
<b>ASSETS</b>					
Cash and short-term investments	\$ 2,834,441	\$ 2,589,487	\$ 2,232,612	\$ 10,065,302	\$ 17,721,842
Investments	10,506,927	-	-	7,173,421	17,680,348
Receivables:					
Property taxes	1,059,612	-	-	5,940	1,065,552
Excises	82,214	-	-	-	82,214
Departmental	197,412	-	-	201,197	398,609
Intergovernmental	66,296	-	-	153,617	219,913
Accrued interest and other	250,372	-	-	-	250,372
<b>TOTAL ASSETS</b>	<b><u>\$ 14,997,274</u></b>	<b><u>\$ 2,589,487</u></b>	<b><u>\$ 2,232,612</u></b>	<b><u>\$ 17,599,477</u></b>	<b><u>\$ 37,418,850</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	\$ 274,978	\$ -	\$ -	\$ 401,912	\$ 676,890
Accrued liabilities	2,212,417	125,438	667,473	98,222	3,103,550
Deferred revenue	1,227,739	-	-	1,691,158	2,918,897
Notes payable	-	9,700,000	16,800,000	2,550,000	29,050,000
Other liabilities	496,717	-	-	-	496,717
<b>TOTAL LIABILITIES</b>	<b>4,211,851</b>	<b>9,825,438</b>	<b>17,467,473</b>	<b>4,741,292</b>	<b>36,246,054</b>
Fund Balances:					
Reserved for:					
Encumbrances	2,907,678	-	-	-	2,907,678
Expenditures	500,000	-	-	-	500,000
Perpetual (nonexpendable) permanent funds	-	-	-	3,982,032	3,982,032
Unreserved:					
Undesignated, reported in:					
General fund	7,377,745	-	-	-	7,377,745
Special revenue funds	-	-	-	9,368,905	9,368,905
Capital project funds	-	(7,235,951)	(15,234,861)	(571,021)	(23,041,833)
Permanent funds	-	-	-	78,269	78,269
<b>TOTAL FUND BALANCES</b>	<b><u>10,785,423</u></b>	<b><u>(7,235,951)</u></b>	<b><u>(15,234,861)</u></b>	<b><u>12,858,185</u></b>	<b><u>1,172,796</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 14,997,274</u></b>	<b><u>\$ 2,589,487</u></b>	<b><u>\$ 2,232,612</u></b>	<b><u>\$ 17,599,477</u></b>	<b><u>\$ 37,418,850</u></b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

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

JUNE 30, 2006

<b>Total governmental fund balances</b>	\$ 1,172,796
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	119,046,894
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,228,694
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(170,962)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(21,880,870)</u>
<b>Net assets of governmental activities</b>	<u>\$ 99,396,552</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, 2006

	<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>
<b>Revenues:</b>					
Property taxes	\$ 52,958,402	\$ -	\$ -	\$ 695,181	\$ 53,653,583
Excise taxes	2,710,954	-	-	-	2,710,954
Penalties, interest and other taxes	184,029	-	-	1,740	185,769
Departmental	877,040	-	-	3,724,012	4,601,052
Licenses and permits	924,552	-	-	-	924,552
Fines and forfeitures	118,319	-	-	-	118,319
Intergovernmental	7,008,002	-	-	3,964,868	10,972,870
Investment income	1,106,218	-	-	1,234,858	2,341,076
Other	99,462	-	-	1,029,249	1,128,711
Total Revenues	<u>65,986,978</u>	<u>-</u>	<u>-</u>	<u>10,649,908</u>	<u>76,636,886</u>
<b>Expenditures:</b>					
Current:					
General government	3,562,721	-	-	102,771	3,665,492
Public safety	6,346,705	-	-	442,596	6,789,301
Education	39,005,219	-	-	2,767,343	41,772,562
Public works	3,565,737	-	-	1,869,230	5,434,967
Health and human services	312,501	-	-	87,532	400,033
Culture and recreation	1,891,722	-	-	2,145,702	4,037,424
Employee benefits	5,815,840	-	-	285,216	6,101,056
Debt service	4,884,083	-	-	300,705	5,184,788
Capital outlay	-	344,966	9,443,265	4,541,947	14,330,178
Intergovernmental	367,733	-	-	-	367,733
Total Expenditures	<u>65,752,261</u>	<u>344,966</u>	<u>9,443,265</u>	<u>12,543,042</u>	<u>88,083,534</u>
Excess (Deficiency) of revenues over expenditures	234,717	(344,966)	(9,443,265)	(1,893,134)	(11,446,648)
<b>Other Financing Sources (Uses):</b>					
Issuance of bonds	-	-	-	2,300,000	2,300,000
Transfers in	1,493,003	-	-	-	1,493,003
Transfers out	-	-	-	(337,002)	(337,002)
Total Other Financing Sources (Uses)	<u>1,493,003</u>	<u>-</u>	<u>-</u>	<u>1,962,998</u>	<u>3,456,001</u>
Changes in fund balances	1,727,720	(344,966)	(9,443,265)	69,864	(7,990,647)
Fund Balances, at Beginning of Year	<u>9,057,703</u>	<u>(6,890,985)</u>	<u>(5,791,596)</u>	<u>12,788,321</u>	<u>9,163,443</u>
Fund Balances, at End of Year	<u>\$ 10,785,423</u>	<u>\$ (7,235,951)</u>	<u>\$ (15,234,861)</u>	<u>\$ 12,858,185</u>	<u>\$ 1,172,796</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, 2006

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (7,990,647)</b>
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital outlay purchases	15,216,453
Depreciation	(2,193,132)
<ul style="list-style-type: none"> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</li> </ul>	
	123,661
<ul style="list-style-type: none"> <li>• The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:</li> </ul>	
Issuance of debt	(2,300,000)
Repayments of debt	3,705,851
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	
	(12,374)
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	
	<u>(603,491)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>5,946,321</u></b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Transfers:</b>				
Taxes	\$ 52,791,108	\$ 52,791,108	\$ 52,791,108	\$ -
Excise taxes	2,625,500	2,625,500	2,710,954	85,454
Penalties, interest and other taxes	105,000	105,000	184,029	79,029
Departmental	737,325	737,325	872,307	134,982
Licenses and permits	589,000	589,000	924,552	335,552
Fines and forfeitures	120,000	120,000	123,053	3,053
Intergovernmental	3,644,019	3,644,019	3,788,050	144,031
Investment income	630,000	630,000	1,106,218	476,218
Other	64,420	64,420	99,462	35,042
Transfers in	<u>1,761,082</u>	<u>1,761,082</u>	<u>1,493,003</u>	<u>(268,079)</u>
Total Revenues and Transfers	63,067,454	63,067,454	64,092,736	1,025,282
<b>Expenditures:</b>				
General government	4,093,101	4,041,816	3,673,021	368,795
Public safety	6,284,447	6,294,232	6,294,090	142
Education	35,912,576	35,912,576	35,858,279	54,297
Public works	3,202,909	3,211,709	3,155,605	56,104
Public works (snow & ice)	405,000	405,000	516,858	(111,858)
Health and human services	317,416	334,616	320,514	14,102
Culture and leisure	1,887,209	1,902,709	1,897,854	4,855
Intergovernmental	368,235	368,235	367,733	502
Employee benefits	5,999,250	5,999,250	5,817,656	181,594
Debt service	<u>4,758,374</u>	<u>4,758,374</u>	<u>4,664,864</u>	<u>93,510</u>
Total Expenditures	<u>63,228,517</u>	<u>63,228,517</u>	<u>62,566,474</u>	<u>662,043</u>
Excess (deficiency) of revenues and other sources over expenditures	(161,063)	(161,063)	1,526,262	1,687,325
<b>Other Financing Sources and (Uses):</b>				
Use of free cash	500,000	500,000	-	(500,000)
Other uses (prior year deficit)	<u>(338,937)</u>	<u>(338,937)</u>	<u>-</u>	<u>338,937</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,526,262</u>	\$ <u>1,526,262</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2006

(DECEMBER 31, 2005 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 3,232,571	\$ 4,419,647	\$ 5,718,449	\$ 13,370,667
Investments	-	-	2,626,789	2,626,789
User fees, net of allowance for uncollectibles	560,998	277,612	2,819,542	3,658,152
Intergovernmental receivables	-	396,044	-	396,044
Inventory	43,411	-	-	43,411
Materials and supplies, at average cost	-	-	904,307	904,307
Prepaid expenses	-	-	353,516	353,516
Other assets	-	-	117,335	117,335
Total current assets	3,836,980	5,093,303	12,539,938	21,470,221
Noncurrent:				
Capital assets being depreciated, net	10,854,230	14,355,099	28,525,274	53,734,603
Capital assets not being depreciated	3,418,332	4,034,805	1,546,503	8,999,640
Total noncurrent assets	14,272,562	18,389,904	30,071,777	62,734,243
<b>TOTAL ASSETS</b>	18,109,542	23,483,207	42,611,715	84,204,464
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	184,425	683,118	1,726,791	2,594,334
Accrued liabilities	147,866	91,431	367,431	606,728
Customer deposits	-	-	236,069	236,069
Provision for Boston Edison overcharge	-	-	320,076	320,076
Provision for rate stabilization	-	-	3,035,625	3,035,625
Notes payable	-	-	500,000	500,000
Other current liabilities	-	-	203,022	203,022
Current portion of long-term liabilities:				
Bonds payable	505,000	255,525	475,000	1,235,525
Accrued employee benefits	8,278	2,272	-	10,550
Total current liabilities	845,569	1,032,346	6,864,014	8,741,929
Noncurrent:				
Bonds payable, net of current portion	2,100,000	4,934,475	2,665,000	9,699,475
Accrued employee benefits, net of current portion	74,503	20,451	89,510	184,464
Total noncurrent liabilities	2,174,503	4,954,926	2,754,510	9,883,939
<b>TOTAL LIABILITIES</b>	3,020,072	5,987,272	9,618,524	18,625,868
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	11,667,562	13,569,947	26,931,777	52,169,286
Unrestricted	3,421,908	3,925,988	6,061,414	13,409,310
<b>TOTAL NET ASSETS</b>	<b>\$ 15,089,470</b>	<b>\$ 17,495,935</b>	<b>\$ 32,993,191</b>	<b>\$ 65,578,596</b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

(DECEMBER 31, 2005 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 3,335,077	\$ 2,489,692	\$ 16,298,994	\$ 22,123,763
Total Operating Revenues	3,335,077	2,489,692	16,298,994	22,123,763
<b>Operating Expenses:</b>				
Personnel services	1,019,805	279,282	-	1,299,087
Non-personnel services	322,926	561,798	-	884,724
Depreciation	526,919	841,574	1,193,876	2,562,369
Electric operations	-	-	13,496,188	13,496,188
Total Operating Expenses	1,869,650	1,682,654	14,690,064	18,242,368
Operating Income	1,465,427	807,038	1,608,930	3,881,395
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	132,053	203,641	242,954	578,648
Interest expense	(97,436)	(29,917)	(166,090)	(293,443)
Other nonoperating income, net	-	12,304	668,713	681,017
Total Nonoperating Revenues (Expenses), Net	34,617	186,028	745,577	966,222
Income Before Transfers	1,500,044	993,066	2,354,507	4,847,617
<b>Transfers:</b>				
Transfers out	(440,942)	(151,485)	(340,000)	(932,427)
Change in Net Assets	1,059,102	841,581	2,014,507	3,915,190
Net Assets at Beginning of Year, as restated	14,030,368	16,654,354	30,978,684	61,663,406
Net Assets at End of Year	\$ 15,089,470	\$ 17,495,935	\$ 32,993,191	\$ 65,578,596

See notes to financial statements.

## TOWN OF CONCORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006  
(DECEMBER 31, 2005 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>	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 3,554,364	\$ 2,208,435	\$ 17,071,659	\$ 22,834,458
Payments to vendors and employees	(1,314,266)	(975,050)	(13,745,084)	(16,034,400)
Receipts from noncurrent deposits	-	-	6,715	6,715
Payments of refunds to customers	-	-	(218,706)	(218,706)
Net Cash Provided By Operating Activities	2,240,098	1,233,385	3,114,584	6,588,067
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers out	(440,942)	(151,485)	(340,000)	(932,427)
Net Cash (Used for) Noncapital Financing Activities	(440,942)	(151,485)	(340,000)	(932,427)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Proceeds from issuance of bonds and notes	595,000	5,190,000	500,000	6,285,000
Acquisition and construction of capital assets	(1,508,941)	(6,001,259)	-	(7,510,200)
Acquisition and construction of utility plant	-	-	(2,929,059)	(2,929,059)
Net reductions to construction in progress	-	-	937,128	937,128
Principal payments on bonds and notes	(500,000)	(2,414,019)	(580,000)	(3,494,019)
Interest expense	(97,436)	(29,917)	(166,090)	(293,443)
Cost of bond anticipation note issuance	-	-	(650)	(650)
Net reductions to customer advances for construction	-	-	(25,720)	(25,720)
Net Cash (Used For) Capital and Related Financing Activities	(1,511,377)	(3,255,195)	(2,264,391)	(7,030,963)
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	132,053	203,641	242,954	578,648
Sales of investment shares	-	-	3,595	3,595
Net Cash Provided By Investing Activities	132,053	203,641	246,549	582,243
Net Change in Cash and Short-Term Investments	419,832	(1,969,654)	756,742	(793,080)
Cash and Short-Term Investments, Beginning of Year	2,812,739	6,389,301	4,961,707	14,163,747
Cash and Short-Term Investments, End of Year	\$ 3,232,571	\$ 4,419,647	\$ 5,718,449	\$ 13,370,667
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Operating income	\$ 1,465,427	\$ 807,038	\$ 1,608,930	\$ 3,881,395
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other Income	-	-	384,497	384,497
Depreciation	526,919	841,574	1,193,876	2,562,369
Changes in assets and liabilities:				
User fees receivables	219,287	(293,561)	(64,802)	(139,076)
Inventory	(11,140)	-	-	(11,140)
Materials and supplies	-	-	(6,553)	(6,553)
Prepaid expenses	-	-	(42,331)	(42,331)
Noncurrent deposits with Town Treasurer	-	-	(218,706)	(218,706)
Warrants and accounts payable	51,450	97,187	-	148,637
Accrued liabilities	(19,441)	(222,780)	(200,012)	(442,233)
Other liabilities	7,596	3,927	-	11,523
Provisions	-	-	459,685	459,685
Net Cash Provided By Operating Activities	\$ 2,240,098	\$ 1,233,385	\$ 3,114,584	\$ 6,588,067

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Pension Trust Fund (As of <u>December 31, 2005</u> )	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 828,441	\$ -	\$ 74,247
Investments	74,823,989	1,117,064	21,329
Accounts receivable	346,843	-	-
Other assets	<u>-</u>	<u>-</u>	<u>56,698</u>
Total Assets	75,999,273	1,117,064	152,274
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Other liabilities	<u>25,065</u>	<u>-</u>	<u>152,274</u>
Total Liabilities	<u>25,065</u>	<u>-</u>	<u>152,274</u>
<b><u>NET ASSETS</u></b>			
Total net assets held in trust for pension benefits and other purposes	<u>\$ 75,974,208</u>	<u>\$ 1,117,064</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, 2006

	Pension Trust Fund (For the Year Ended <u>December 31, 2005</u> )	Private Purpose <u>Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ 2,934,229	\$ -
Other systems and Commonwealth of Massachusetts	303,329	-
Plan members	1,666,323	-
Other	333,999	-
Total contributions	<u>5,237,880</u>	<u>-</u>
Investment Gain:		
Increase in fair value of investments	5,887,053	69,140
Less: management fees	(338,878)	-
Net investment gain	<u>5,548,175</u>	<u>69,140</u>
Total additions	10,786,055	69,140
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	4,077,214	-
Refunds to plan members	305,375	-
Administrative expenses	294,995	-
Other	-	33,196
Total deductions	<u>4,677,584</u>	<u>33,196</u>
Net increase	6,108,471	35,944
<b>Net assets:</b>		
Beginning of year	<u>69,865,737</u>	<u>1,081,120</u>
End of year	<u>\$ 75,974,208</u>	<u>\$ 1,117,064</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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

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

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as 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.

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 is 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 2006 tax levy reflected an excess capacity of approximately \$ 893,600.

*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)	\$ 65,986,978	\$ 65,752,261
Other financing sources/uses (GAAP basis)	<u>1,493,003</u>	<u>-</u>
Subtotal (GAAP Basis)	67,479,981	65,752,261
Adjust tax revenue to accrual basis	( 167,294)	-

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<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	-	( 2,107,824)
Add end of year appropriation carryforwards to expenditures	-	2,418,011
To reverse the effect of non-budgeted State contributions for teachers retirement	( 3,219,951)	( 3,219,951)
Other	<u>-</u>	<u>( 276,023)</u>
Budgetary basis (p.18)	\$ <u>64,092,736</u>	\$ <u>62,566,474</u>

*D. Excess of Expenditures Over Appropriations*

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

Public Works (Snow & Ice) \$ 111,858

*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2006 (in thousands):

Major governmental funds:

Alcott School Project Fund \$ ( 7,235,951)  
Thoreau School Project Fund (15,234,861)

Nonmajor governmental funds:

Land Acquisition \$ ( 2,500,000)  
School Design ( 74,245)  
Other capital projects ( 44,032)

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."

As of June 30, 2006 and December 31, 2005, \$ 5,282,474 and \$ 338,740 of the Town's and System's bank balance(s) of \$ 34,602,606 and \$ 901,373, 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, 2006 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	12,617	-	12,617	-
Bond mutual funds	1,747	-	-	1,747
Mutual funds	4,415	4,415	-	-
Corporate equities	<u>1,909</u>	<u>1,909</u>	<u>-</u>	<u>-</u>
Total Investments	\$ <u>20,890</u>	\$ <u>6,324</u>	\$ <u>12,617</u>	\$ <u>1,949</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	\$ 3,814	Aaa	10.50
US Treasury notes	2,105	Aaa	10.70
Mortgage-backed securities	16,727	A3	7.61
Corporate bonds	1,551	Aaa	8.92
Pooled investments	<u>50,627</u>	N/A	
Total	<u>\$ 74,824</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	\$ 6,802,340	33%
Federal Home Loan Mortgage Corporation	\$ 4,838,576	23%

#### **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>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Related Securities:					
U.S. Treasury notes	\$ 202	\$ -	\$ 202	\$ -	\$ -
Federal agency securities	12,617	12,617	-	-	-
Bond mutual funds	<u>1,747</u>	<u>-</u>	<u>1,747</u>	<u>-</u>	<u>-</u>
Total	\$ <u>14,566</u>	\$ <u>12,617</u>	\$ <u>1,949</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 1<sup>st</sup> 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, 2006 consist of the following (in thousands):

Real Estate		
2006	\$ 346	
2005	10	
2004	12	
Prior	<u>106</u>	
		474

Personal Property		
2006	24	
2005	4	
2004	5	
2003	<u>11</u>	
		44
Tax liens, municipal liens, supplementals, and foreclosures		311
Deferred taxes		<u>231</u>
Total		\$ <u>1,060</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	\$ 199

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2006.

**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, 2005, not June 30, 2006. Therefore, a timing difference of \$ 223,574 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, 2006 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 30,559	\$ 24	\$ -	\$ 30,583
Machinery, equipment, and furnishings	9,568	430	-	9,998
Infrastructure	<u>15,441</u>	<u>537</u>	<u>-</u>	<u>15,978</u>
Total capital assets, being depreciated	55,568	991	-	56,559
Less accumulated depreciation for:				
Buildings and improvements	( 7,263)	( 667)	-	( 7,930)
Machinery, equipment, and furnishings	( 6,508)	( 744)	-	( 7,252)
Infrastructure	<u>( 5,971)</u>	<u>( 782)</u>	<u>-</u>	<u>( 6,753)</u>
Total accumulated depreciation	<u>( 19,742)</u>	<u>( 2,193)</u>	<u>-</u>	<u>( 21,935)</u>
Total capital assets, being depreciated, net	35,826	( 1,202)	-	34,624
Capital assets, not being depreciated:				
Land	44,687	2,499	-	47,186
Construction in progress	<u>25,511</u>	<u>11,726</u>	<u>-</u>	<u>37,237</u>
Total capital assets, not being depreciated	<u>70,198</u>	<u>14,225</u>	<u>-</u>	<u>84,423</u>
Governmental activities capital assets, net	\$ <u>106,024</u>	\$ <u>13,023</u>	\$ <u>-</u>	\$ <u>119,047</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 67	\$ -	\$ -	\$ 67
Machinery, equipment, and furnishings	3,105	342	-	3,447
Infrastructure	30,025	4,826	-	34,851
Light plant	<u>40,480</u>	<u>2,936</u>	<u>( 296)</u>	<u>43,120</u>
Total capital assets, being depreciated	73,677	8,104	( 296)	81,485
Less accumulated depreciation for:				
Buildings and improvements	( 63)	( 27)	-	( 90)
Machinery, equipment, and furnishings	( 866)	( 256)	-	( 1,122)
Infrastructure	( 10,858)	( 1,086)	-	( 11,944)
Light plant	<u>( 13,619)</u>	<u>( 1,194)</u>	<u>218</u>	<u>( 14,595)</u>
Total accumulated depreciation	<u>( 25,406)</u>	<u>( 2,563)</u>	<u>218</u>	<u>( 27,751)</u>
Total capital assets, being depreciated, net	48,271	5,541	( 78)	53,734

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plant construction in progress	2,484	-	( 937)	1,547
Construction in progress	<u>1,740</u>	<u>2,343</u>	<u>-</u>	<u>4,083</u>
Total capital assets, not being depreciated	<u>7,594</u>	<u>2,343</u>	<u>( 937)</u>	<u>9,000</u>
Business-type activities capital assets, net \$	<u>55,865</u>	<u>\$ 7,884</u>	<u>\$ (1,015)</u>	<u>\$ 62,734</u>

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

Governmental Activities:

General government	\$ 391
Public safety	254
Education	339
Public works	1,127
Culture and recreation	76
Health and human services	<u>6</u>

Total depreciation expense - governmental activities \$ 2,193

Business-Type Activities:

Water	\$ 527
Sewer	842
Electric	<u>1,194</u>

Total depreciation expense - business-type activities \$ 2,563

**10. Warrants Payable**

Warrants payable represent 2006 expenditures paid by July 15, 2006 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, 2006 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, 2006:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2006</u>
Bond anticipation	3.85%	07/28/05	07/27/06	\$ 2,500,000
Bond anticipation	4.00%	09/29/05	09/28/06	21,200,000
Bond anticipation	4.50%	05/04/06	03/01/07	2,000,000
Bond anticipation	4.38%	05/04/06	03/01/07	<u>4,050,000</u>
Total				\$ <u>29,750,000</u>

The following summarizes activity in notes payable during fiscal year 2006:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>20,389,019</u>	\$ <u>30,250,000</u>	\$ <u>20,889,019</u>	\$ <u>29,750,000</u>
Total	\$ <u>20,389,019</u>	\$ <u>30,250,000</u>	\$ <u>20,889,019</u>	\$ <u>29,750,000</u> (1)

(1) The notes payable above includes transactions for the Electric Light Fund through June 30, 2006, which are not reflected in the Statements(s) of Net Assets.

## 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, 2006, which are not reflected in the Statement(s) of Net Assets. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2006</u>
School	2007	5.00	\$ 80,000
Building Renovations	2007	4.00	15,000
Road Improvements	2007	3.70	200,000
Modular Classrooms	2007	2.25	30,000
School	2008	4.00 - 4.10	145,000
Road Improvements	2008	4.20 - 4.35	110,000
Building Renovations	2008	4.30 - 4.35	40,000
Building Renovations	2008	4.00 - 4.10	220,000

(continued)

(continued)

	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
	Through		as of
<u>Governmental Activities:</u>			<u>June 30, 2006</u>
Road Improvements	2008	4.00 - 4.10	100,000
Police and Fire Station	2008	2.25 - 2.40	80,000
School	2009	1.50 - 2.15	15,000
Planning	2009	1.50 - 2.15	180,000
Modular Classrooms	2009	1.50 - 2.15	120,000
Equipment	2009	1.50 - 2.00	240,000
Land Acquisition	2010	3.63 - 4.40	350,000
Road Improvements	2010	5.15	200,000
Building	2010	5.15	140,000
Building Renovations	2010	5.15	60,000
Building Renovations	2010	5.15	60,000
School Remodeling	2011	2.25 - 3.30	655,000
Drainage	2011	1.50 - 2.88	50,000
Road Improvements	2011	2.25 - 3.00	465,000
Road Improvements	2014	1.50 - 3.50	480,000
Building Renovation (School)	2016	1.50 - 3.75	350,000
Title V Loans	2020	-	162,533
Building Renovation	2016	1.50 - 3.75	1,000,000
Building Renovation	2016	1.50 - 3.75	970,000
School	2025	2.50 - 4.25	6,650,000
School Remodeling	2010	3.25 - 3.50	260,000
School Remodeling	2011	3.25 - 3.50	330,000
Road Improvements	2015	3.25 - 3.88	575,000
Building Renovation	2015	3.25 - 3.88	1,600,000
Planning	2007	3.50	50,000
Road Improvements	2016	3.50 - 3.70	900,000
School Building	2016	3.50 - 3.70	630,000
School Building Remodeling	2016	3.50 - 3.70	100,000
Swim Center Equipment	2016	3.50 - 3.70	515,000
Land Acquisition	2016	3.50 - 3.70	40,000
Hunt Gymnasium	2016	3.50 - 3.70	80,000
School Building	2016	3.50 - 3.70	<u>35,000</u>
Total Governmental Activities:			<u>\$ 18,282,533</u>

	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
	Through		as of
<u>Business-Type Activities:</u>			<u>June 30, 2006</u>
Water	2007	3.50 - 4.00	\$ 50,000
Light	2008	5.30	60,000
Light	2008	5.30	140,000
Water	2008	5.00	240,000
Water	2010	5.15	115,000
Light	2011	2.25 - 3.30	365,000
Water	2012	3.70 - 4.00	1,200,000
Light	2014	4.60 - 5.00	2,400,000

(continued)

(continued)

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2006
<u>Business-Type Activities:</u>			
Light	2011	3.63 - 3.75	500,000
Water	2016	3.50 - 5.00	1,000,000
Sewer	2016	3.50 - 5.00	1,000,000
Sewer	2026	2.00	<u>4,190,000</u>
Total Business-Type Activities:			\$ <u>11,260,000</u>
Grand Total			\$ <u>29,542,533</u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2006 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,855,852	\$ 624,088	\$ 3,479,940
2008	2,330,851	534,756	2,865,607
2009	1,955,852	461,234	2,417,086
2010	1,650,852	399,668	2,050,520
2011	1,315,616	345,806	1,661,422
2012 - 2016	4,969,144	1,128,981	6,098,125
2017 - 2021	1,804,366	474,446	2,278,812
2022 - 2026	<u>1,400,000</u>	<u>117,339</u>	<u>1,517,339</u>
Total	\$ <u>18,282,533</u>	\$ <u>4,086,318</u>	\$ <u>22,368,851</u>

The general fund has been designated as the sole source to repay the government-type obligation debt outstanding as of June 30, 2006.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,295,525	\$ 422,335	\$ 1,717,860
2008	1,261,301	328,111	1,589,412
2009	1,044,863	278,092	1,322,955
2010	1,023,496	238,808	1,262,304
2011	1,007,203	200,045	1,207,248
2012 - 2016	3,314,297	520,410	3,834,707
2017 - 2021	1,098,870	190,561	1,289,431
2022 - 2026	<u>1,214,445</u>	<u>66,320</u>	<u>1,280,765</u>
Total	\$ <u>11,260,000</u>	\$ <u>2,244,682</u>	\$ <u>13,504,682</u>

**C. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2006 are as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer	\$ 11,000,000
Light plant improvements	1,000,000
CPS building renovations	800,000
New Thoreau school	16,800,000
Septic system	1,000,000
Water	4,750,000
Alcott school	10,895,000
Outdoor recreational facility	300,000
Mill dam culvert design	75,000
Hunt gym improvements	20,000
Burke land acquisition	2,750,000
Road improvements	700,000
Warner's pond dam	250,000
Building improvements	116,000
Mill Dam Culvert	300,000
Thoreau school HVAC	350,000
Willard school design	1,840,000
Police/Fire station design	200,000
Fire engine	420,000
Hunt gym roof	<u>75,000</u>
Total	\$ <u>53,641,000</u>

*D. Overlapping Debt*

The Town is a member community of other governmental agencies which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies, and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages as of June 30, 2006:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRSB	\$ 3,723,000	70.69%	\$ <u>2,631,789</u>
Total			\$ <u>2,631,789</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, 2006, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/05</u>	Additions	Reductions	Total Balance <u>6/30/06</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/06</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 19,689	\$ 2,300	\$ (3,706)	\$ 18,283	\$ 2,856	\$ 15,427
Other:						
Accrued employee benefits	2,735	603	-	3,338	167	3,171
Landfill closure	<u>270</u>	<u>-</u>	<u>( 10)</u>	<u>260</u>	<u>10</u>	<u>250</u>
Governmental Activities	\$ <u>22,694</u>	\$ <u>2,903</u>	\$ <u>(3,716)</u>	\$ <u>21,881</u>	\$ <u>3,033</u>	\$ <u>18,848</u>
	Total Balance <u>7/1/05</u>	Additions	Reductions	Total Balance <u>6/30/06</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/06</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,450	\$ 6,690	\$ ( 880)	\$ 11,260	\$ 1,296	\$ 9,964
Other:						
Accrued employee benefits	<u>165</u>	<u>30</u>	<u>-</u>	<u>195</u>	<u>11</u>	<u>184</u>
Business-Type Activities	<u>5,615</u>	<u>6,720</u>	<u>( 880)</u>	<u>11,455</u>	<u>1,307</u>	<u>10,148</u>
Grand total	\$ <u>28,309</u>	\$ <u>9,623</u>	\$ <u>(4,596)</u>	\$ <u>33,336</u>	\$ <u>4,340</u>	\$ <u>28,996</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 \$ 260,000 reported as landfill closure and postclosure care liability at June 30, 2006 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 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## 15. Restricted Net Assets

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

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

## 16. Reserves of Fund Equity

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

The following types of reserves are reported at June 30, 2006:

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 are included in the total cost of benefits for both active and retired employees. As of June 30, 2006, there were approximately 326 retirees in the Retiree Group that the net health care benefit costs are paid on the Town's plans at an estimated cost of \$756,061 (27% 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, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	246
Terminated plan members entitled to but not yet receiving benefits	93
Active plan members	<u>451</u>
Total	<u>790</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 2006, the Commonwealth of Massachusetts contributed \$ 3,219,951 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 Net Asset Restatement**

In fiscal 2006, the Town implemented an automated capital asset accounting system. As such, the depreciation was recalculated during the implementation process, which required the Town to restate amounts reported in the prior year. The Town's beginning (July 1, 2005) net assets have been restated as follows (in thousands):

	Governmental	Enterprise Funds			Total
	<u>Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Business-Type</u>
				<u>Light</u>	<u>Activities</u>
As previously reported	\$ 92,677	\$ 14,007	\$ 17,682	\$ 30,979	\$ 62,668
Recalculated depreciation on capital assets	<u>773</u>	<u>23</u>	<u>(1,028)</u>	<u>-</u>	<u>(1,005)</u>
As restated	<u>\$ 93,450</u>	<u>\$ 14,030</u>	<u>\$ 16,654</u>	<u>\$ 30,979</u>	<u>\$ 61,663</u>

**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, 2005 and 2004

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 2005 and 2004 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. Change in Method of Calculating Purchased Power Adjustment*

During 2004, the Light Plant changed its method of computing the purchased power adjustment. The change was made because the new method better matches revenues with costs and, therefore, is a preferable method. The effect of the change in 2004 is not determinable as the prior method incorporated forecasting assumptions which cannot be determined in retrospect.

*G. 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 cost.

*H. 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 2005 and

2004 was \$ 452,949 and \$ 767,805, and is reflected as an increase in provision for rate stabilization in the accompanying balance sheets.

I. 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.

J. 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.

K. 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.

L. 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.

M. 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 \$ 42,909 and \$ 46,504 for 2005 and 2004, respectively.

### 3. Long-Term Debt

A summary of the long-term debt follows:

	<u>2005</u>	<u>2004</u>
\$ 1,000,000, 5.9% electric bonds, issued April 15, 1991, with annual payments of principal and interest due through April 15, 2005.	\$ -	\$ 100,000
\$ 2,000,000, 5.3% electric bonds, issued April 15, 1993, with annual payments of principal and interest due through April 15, 2008.	90,000	120,000
\$ 500,000, 5.3% electric bonds, issued April 15, 1993, with annual payments of principal and interest through April 15, 2008.	210,000	280,000
\$ 6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013.	2,400,000	2,700,000
\$ 6,000,000, 2.7% electric bonds, issued February 15, 2003, with annual payments of principal and interest through February 15, 2011.	<u>440,000</u>	<u>520,000</u>
Total long-term debt	3,140,000	3,720,000
Less current installments of long-term debt	<u>475,000</u>	<u>580,000</u>
Long-Term Debt, Excluding Current Installments	<u>\$ 2,665,000</u>	<u>\$ 3,140,000</u>

Long-Term debt activity for the year ended December 31, 2005 was as follows:

Balance of long-term debt at 1/1/2005	\$ 3,720,000
Payments	<u>( 580,000)</u>
Balance of long-term debt at 12/31/2005	<u>\$ 3,140,000</u>

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

	<u>Principal</u>	<u>Interest</u>
2006	\$ 475,000	\$ 141,117
2007	475,000	120,401
2008	475,000	99,108
2009	375,000	80,126
2010	375,000	63,270
2011-2015	<u>965,000</u>	<u>91,073</u>
	\$ 3,140,000	\$ 595,095

Total interest cost was \$ 161,650 in 2005 and \$ 181,649 in 2004.

#### 4. **Bond Anticipation Notes**

The Light Plant issued \$ 500,000 of bond anticipation notes (BANs) on July 28, 2005 for a premium of \$ 1,648. The BANs have a coupon rate of 3.5% and mature March 3, 2006. The BANs were issued pursuant to Article 46 of the 2005 annual town meeting for Concord Municipal Light Plan improvements.

#### 5. **Deposits with Town Treasurer**

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

##### A. 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 \$ 14,172 and \$ 12,997 in 2005 and 2004, respectively. Claims and premiums of \$ 12,667 and \$ 5,748 were paid from the Fund in 2005 and 2004, 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.

## 6. Special Deposits

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

	<u>2005</u>	<u>2004</u>
Customer advances for construction	\$ 59,463	\$ 85,183
Customer deposits	236,069	229,354
Funds held to retire long-term debt	365,455	455,292
Rate stabilization	<u>1,129,322</u>	<u>1,129,322</u>
Total Deposits	\$ <u>1,790,309</u>	\$ <u>1,899,151</u>

## 7. 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 \$ 64,376 and \$ 69,000 for the years ended December 31, 2005 and 2004.

Purchased power expense under the Constellation Power agreement was \$ 8,688,550 and \$ 7,914,181 in 2005 and 2004, respectively.

### B. Contingencies

Certain disputes are pending against the Light Plant at December 31, 2005. The potential likelihood of recovery in these cases should there be a liability cannot be estimated at the present time. As a result, the potential loss, if any, on these claims has not been recorded in the financial statements.

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. It is not known yet whether BECO will pursue further action.

## **8. 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, 2005, 2004 and 2003 were \$ 279,120 \$ 269,483, and \$261,984, 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 Percent-age of Covered Payroll [(b - a)/c]
1/01/06	\$ 75,974	\$ 83,989	\$ 8,015	90.0%	\$ 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
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	5.00% per year

See Independent Auditors' Report.