

TOWN OF CONCORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2005

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

10 New England Business Center Suite 112
Andover, MA 01810
Tel (978) 749-0005 • Fax (978) 749-0006
melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Concord, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Concord, Massachusetts, as of and for the year ended June 30, 2005 (except for the Concord Contributory Retirement System and Concord Municipal Light Plant, which are as of and for the year ended December 31, 2004), 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 Electric Enterprise Fund, a major enterprise fund, which also represents 52% 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.

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, 2005, 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, 2005 (except the Concord Contributory Retirement System and which is as of December 31, 2004), 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 February 7, 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
February 7, 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, 2005. 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 \$ 155,347 (i.e., net assets), an increase of \$ 7,383 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,163, an increase of \$ 2,528 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 5,560, an increase of \$ 1,037 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 25,418, an increase of \$ 6,120 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 32,042	\$ 25,416	\$ 21,852	\$ 18,502	\$ 53,894	\$ 43,918
Capital assets	<u>105,250</u>	<u>94,978</u>	<u>56,871</u>	<u>54,079</u>	<u>162,121</u>	<u>149,057</u>
Total assets	137,292	120,394	78,723	72,581	216,015	192,975
Long-term liabilities outstanding	22,695	12,133	5,910	5,877	28,605	18,010
Other liabilities	<u>21,919</u>	<u>21,716</u>	<u>10,144</u>	<u>5,285</u>	<u>32,063</u>	<u>27,001</u>
Total liabilities	44,614	33,849	16,054	11,162	60,668	45,011
Net assets:						
Invested in capital assets, net	74,588	72,258	47,868	46,990	122,456	119,248
Restricted	4,066	3,624	-	-	4,066	3,624
Unrestricted	<u>14,024</u>	<u>10,663</u>	<u>14,801</u>	<u>14,429</u>	<u>28,825</u>	<u>25,092</u>
Total net assets	\$ <u>92,678</u>	\$ <u>86,545</u>	\$ <u>62,669</u>	\$ <u>61,419</u>	\$ <u>155,347</u>	\$ <u>147,964</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,898	\$ 4,228	\$ 20,055	\$ 20,239	\$ 25,953	\$ 24,467
Operating grants and contributions	7,823	8,898	-	-	7,823	8,898
Capital grants and contributions	152	333	-	-	152	333
General revenues:						
Property taxes	50,777	45,916	-	-	50,777	45,916
Excises	2,408	2,348	-	-	2,408	2,348
Penalties and interest on taxes	110	333	-	-	110	333
Grants and contributions not restricted to specific programs	1,578	1,390	-	-	1,578	1,390
Investment income	1,564	1,079	282	227	1,846	1,306
Other	<u>626</u>	<u>147</u>	<u>372</u>	<u>247</u>	<u>998</u>	<u>394</u>
Total revenues	<u>70,936</u>	<u>64,672</u>	<u>20,709</u>	<u>20,713</u>	<u>91,645</u>	<u>85,385</u>
Expenses:						
General government	4,791	4,145	-	-	4,791	4,145
Public safety	8,330	9,780	-	-	8,330	9,780
Education	40,306	37,883	-	-	40,306	37,883
Public works	6,951	4,363	-	-	6,951	4,363
Health and human services	538	680	-	-	538	680
Culture and recreation	4,087	3,733	-	-	4,087	3,733
Interest on long-term debt	894	636	-	-	894	636
Intergovernmental	348	362	-	-	348	362
Miscellaneous	-	659	-	-	-	659
Water operations	-	-	1,978	1,896	1,978	1,896
Sewer operations	-	-	1,543	1,407	1,543	1,407
Electric operations	<u>-</u>	<u>-</u>	<u>14,747</u>	<u>14,190</u>	<u>14,747</u>	<u>14,190</u>
Total expenses	<u>66,245</u>	<u>62,241</u>	<u>18,268</u>	<u>17,493</u>	<u>84,513</u>	<u>79,734</u>
Change in net assets before transfers	4,691	2,431	2,441	3,220	7,132	5,651
Transfers in (out)	<u>1,442</u>	<u>1,451</u>	<u>(1,191)</u>	<u>(943)</u>	<u>251</u>	<u>508</u>
Change in net assets	6,133	3,882	1,250	2,277	7,383	6,159
Net assets - beginning of year	<u>86,545</u>	<u>82,663</u>	<u>61,419</u>	<u>59,142</u>	<u>147,964</u>	<u>141,805</u>
Net assets - end of year	<u>\$ 92,678</u>	<u>\$ 86,545</u>	<u>\$ 62,669</u>	<u>\$ 61,419</u>	<u>\$ 155,347</u>	<u>\$ 147,964</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 \$ 155,347, an increase of \$ 7,383 from the prior year.

The largest portion of net assets \$ 122,456 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 an increase of \$ 3,208 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, \$ 4,066, represents resources that are subject to external restrictions on how they may be used. This includes:

- Restricted grant assets, \$ 334; and
- Expendable and nonexpendable trust fund assets, \$ 3,731.

The remaining balance of unrestricted net assets \$ 28,825 may be used to meet the government's ongoing obligations to citizens and creditors. Of this total:

- \$ 14,024 is in governmental activity funds (up \$ 3,361 from the prior year);
- \$ 14,801 is in business-type activity funds (up \$ 372 from the prior year).

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 6,132. The key elements of this increase are as follows:

General fund revenues over expenditures	\$ 206
General fund transfer in from Enterprise funds (indirect costs)	1,191
Special revenue fund revenues over expenditures	1,495
Trust fund revenues over expenditures	716
Fixed assets acquired from current year revenues	965
Debt service principal payment in excess of depreciation expense	1,057
Other	<u>502</u>
Total	<u>\$ 6,132</u>

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

- Community Preservation Fund - Through June 30, 2005, \$ 652 was collected from the 1.5% surcharge on property tax bills. There were no expenditures in this fund for FY05.
- Cemetery Fund - \$ 150, derived principally from increased cemetery lot sales.

- Land Fund - Sale of a town-owned parcel generated \$ 710. Cash was subsequently applied to reduce the balance of notes outstanding that had financed another land acquisition.

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

- Pension Reserve Fund - An increase of \$ 339, including market value appreciation.
- Permanent Trust Funds - An increase of \$ 347, including market value appreciation.

Business-type activities. Business-type activities for the year resulted in an increase in net assets of \$ 1,250. This increase can be attributed to the enterprise funds having program revenues greater than expenses:

- The Water Fund has program revenues of \$ 3,421 and expenses and transfers of \$ 2,413, resulting in an increase in net assets of \$ 1,008.
- The Sewer Fund has program revenues of \$ 1,994 and expenses and transfers of \$ 1,690, resulting in an increase in net assets of \$ 304.
- The Light Fund has program revenues of \$ 15,294 and expenses and transfers of \$ 15,355, resulting in a decrease in net assets of \$ (61).

Water, Sewer, and Electric rates were raised in the subsequent fiscal period by about 5%.

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 \$ 9,163, an increase of \$ 2,527 in comparison with the prior year. Key elements of this increase are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 1,678
Special revenue fund revenues and transfers in over expenditures	1,018
Trust fund revenues over expenditures	694
Excess of current year capital expenditures over current year bond proceeds	(906)
Other	<u>43</u>
Total	<u>\$ 2,527</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 \$ 5,560, while total fund balance was \$ 9,058. 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>6/30/05</u>	<u>6/30/04</u>	<u>Change</u>
Total fund balance	\$ 9,058	\$ 7,380	\$ 1,678
Unreserved fund balance	5,560	4,523	1,037
Unreserved fund balance as % of total General Fund expenditures	9.0%	7.8%	1.2%
Total fund balance as % of total General Fund expenditures	14.8%	12.8%	2.0%

The fund balance of the General Fund increased by \$ 1,678 during the current fiscal year. The key factor in this change was \$ 819 excess of revenues and other sources over expenditures and other uses.

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 \$ 14,801. Total net assets of the enterprise funds at the end of the year amounted to \$ 62,669, an increase of \$ 1,250 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 2005.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 162,121 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

A comparison to the prior year is as follows:

	<u>Capital Purchases</u>	<u>Capital Disposals</u>	<u>Depreciation Expense</u>	<u>Depreciation on Disposal</u>	<u>Net Activity</u>
<u>Governmental activities:</u>					
Fiscal year 2005	\$ 12,326	\$ -	\$ (2,188)	\$ -	\$ 10,138
Fiscal year 2004	13,617	-	(1,857)	-	11,760
<u>Business-type activities:</u>					
<i>Water</i>					
Fiscal year 2005	1,177	-	(474)	-	703
Fiscal year 2004	1,481	-	(426)	-	1,055
<i>Sewer</i>					
Fiscal year 2005	3,064	-	(628)	-	2,436
Fiscal year 2004	623	-	(571)	-	52
<i>Light</i>					
Fiscal year 2005	1,206	(2,662)	(1,179)	2,288	(347)
Fiscal year 2004	2,946	-	(1,163)	-	1,783
<u>Capital assets net of accumulated depreciation</u>		<u>@ 6/30/05</u>	<u>@ 6/30/04</u>	<u>Change</u>	
Governmental activities		\$ 105,250	\$ 95,112	\$ 10,138	
Business-type activities					
Water		13,268	12,565	703	
Sewer		14,258	11,822	2,434	
Electric		<u>29,345</u>	<u>29,692</u>	<u>(347)</u>	
Subtotal		<u>56,871</u>	<u>54,079</u>	<u>2,790</u>	
Grand Total		<u>\$ 162,121</u>	<u>\$ 149,191</u>	<u>\$ 12,928</u>	

Major capital asset events during the current fiscal year included the following (amounts in thousands):

Governmental activities

- New Alcott Elementary School construction in progress, \$ 2,114;
- New Thoreau Elementary School construction in progress, \$ 5,792;

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 25,418, all of which was backed by the full faith and credit of the town government.

A bond for \$ 7,000 (all for governmental activity purposes) with serial maturities of 1-20 years was issued on September 15, 2004 at a true interest cost of 3.70%.

A bond for \$ 3,365 (all for governmental activity purposes) with serial maturities of 1-12 years was issued on March 1, 2005 at a true interest cost of 3.18%.

Bonds with principal maturities in the sum of \$ 4,246 were retired during the fiscal year (\$ 3,235 governmental activities; \$ 1,011 business-type activities).

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

The adopted FY06 General Fund budget of \$ 62,614 is a 6.7% increase over the prior year. The FY06 budget is balanced with a \$ 500 allocation from the unreserved fund balance, an increase in State Aid of \$ 226, and an additional amount of \$ 752 approved by the Town voters in an operating override election. The tax levy for FY06 (\$ 50,787) represents a 6.2% increase over the prior year, and the FY06 tax rate is \$ 10.23 per thousand compared to \$ 9.80 in the prior year.

The business-type activities, (Water, Sewer, and Light Enterprises) are projected to report positive net income for fiscal year 2006. A new indoor pool and fitness center began operation in April 2006. This facility will be operated as a Town enterprise fund. A budget of \$ 2.2 million has been set for the first full year of operations. The facility is expected to operate at 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, 2005

(Except for the Electric Enterprise Fund, which is as of December 31, 2004)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 25,188,908	\$ 14,830,261	\$ 40,019,169
Investments	5,094,051	1,741,569	6,835,620
Receivables, net of allowance for uncollectibles:			
Property taxes	563,684	-	563,684
Excises	83,766	-	83,766
Inventory	-	32,271	32,271
User fees	89,795	3,930,486	4,020,281
Departmental and other	122,444	-	122,444
Intergovernmental	505,994	-	505,994
Materials and supplies, at average cost	-	897,754	897,754
Prepaid expenses	-	311,185	311,185
Other assets	176,766	108,843	285,609
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	216,627	-	216,627
Capital assets being depreciated, net	38,403,411	49,111,347	87,514,758
Capital assets not being depreciated	<u>66,846,474</u>	<u>7,759,545</u>	<u>74,606,019</u>
TOTAL ASSETS	137,291,920	78,723,261	216,015,181
LIABILITIES			
Current:			
Warrants payable	1,262,419	2,666,367	3,928,786
Accrued liabilities	2,832,900	845,212	3,678,112
Customer deposits	-	229,354	229,354
Provision for Boston Edison overcharge	-	320,055	320,055
Provision for purchased power adjustment	-	1,453,354	1,453,354
Provision for rate stabilization	-	1,129,322	1,129,322
Notes payable	17,475,000	2,914,019	20,389,019
Other current liabilities	349,828	586,401	936,229
Current portion of long-term liabilities:			
Bonds payable	3,705,852	985,000	4,690,852
Accrued employee benefits	136,792	18,287	155,079
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	15,982,532	4,745,000	20,727,532
Accrued employee benefits, net of current portion	2,599,054	162,094	2,761,148
Estimated landfill closure and postclosure care costs, net of current portion	<u>260,000</u>	<u>-</u>	<u>260,000</u>
TOTAL LIABILITIES	44,614,377	16,054,465	60,668,842
NET ASSETS			
Invested in capital assets, net of related debt	74,588,846	47,867,709	122,456,555
Restricted for:			
Grants and other statutory restrictions	334,032	-	334,032
Permanent funds:			
Expendable	525,206	-	525,206
Nonexpendable	3,205,503	-	3,205,503
Unrestricted	<u>14,023,956</u>	<u>14,801,087</u>	<u>28,825,043</u>
TOTAL NET ASSETS	\$ <u>92,677,543</u>	\$ <u>62,668,796</u>	\$ <u>155,346,339</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

(Except for the Electric Enterprise Fund, which is for the year ended December 31, 2004.)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,790,628	\$ 1,168,940	\$ 30,431	\$ -	\$ (3,591,257)	\$ -	\$ (3,591,257)
Public safety	8,330,242	1,310,035	440,341	-	(6,579,866)	-	(6,579,866)
Education	40,306,089	312,881	6,929,937	151,954	(32,911,317)	-	(32,911,317)
Public works	6,951,127	1,482,033	268,200	-	(5,200,894)	-	(5,200,894)
Health and human services	537,924	106,288	105,818	-	(325,818)	-	(325,818)
Culture and recreation	4,085,449	1,517,441	47,829	-	(2,520,179)	-	(2,520,179)
Debt service interest	894,392	-	-	-	(894,392)	-	(894,392)
Intergovernmental	347,327	-	-	-	(347,327)	-	(347,327)
Total Governmental Activities	66,243,178	5,897,618	7,822,556	151,954	(52,371,050)	-	(52,371,050)
Business-Type Activities:							
Water services	1,977,952	3,356,331	-	-	-	1,378,379	1,378,379
Sewer services	1,542,449	1,872,870	-	-	-	330,421	330,421
Electric services	14,747,146	14,825,982	-	-	-	78,836	78,836
Total Business-Type Activities	18,267,547	20,055,183	-	-	-	1,787,636	1,787,636
Total	\$ 84,510,725	\$ 25,952,801	\$ 7,822,556	\$ 151,954	(52,371,050)	1,787,636	(50,583,414)
General Revenues and Transfers:							
					50,776,792	-	50,776,792
					2,407,753	-	2,407,753
					110,211	-	110,211
					1,578,152	-	1,578,152
					1,562,726	282,345	1,845,071
					625,966	372,085	998,051
					1,442,347	(1,191,448)	250,899
Total general revenues and transfers					58,503,947	(537,018)	57,966,929
Change in Net Assets					6,132,897	1,250,618	7,383,515
Net Assets:							
					86,544,646	61,418,178	147,962,824
End of year					\$ 92,677,543	\$ 62,668,796	\$ 155,346,339

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	<u>General</u>	<u>Alcott School Project Fund</u>	<u>Thoreau School Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 11,308,197	\$ 354,015	\$ 5,103,351	\$ 8,541,661	\$ 25,307,224
Investments	-	-	-	4,975,735	4,975,735
Receivables:					
Property taxes	953,541	-	-	6,251	959,792
Excises	102,722	-	-	-	102,722
Departmental	212,239	-	-	-	212,239
Intergovernmental	93,191	-	-	412,803	505,994
Accrued interest and other	176,765	-	-	-	176,765
TOTAL ASSETS	\$ 12,846,655	\$ 354,015	\$ 5,103,351	\$ 13,936,450	\$ 32,240,471
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 999,685	\$ -	\$ -	\$ 262,734	\$ 1,262,419
Accrued liabilities	1,218,999	-	894,947	550,365	2,664,311
Deferred revenue	1,210,439	-	-	105,030	1,315,469
Notes payable	-	7,245,000	10,000,000	230,000	17,475,000
Other liabilities	359,829	-	-	-	359,829
TOTAL LIABILITIES	3,788,952	7,245,000	10,894,947	1,148,129	23,077,028
Fund Balances:					
Reserved for:					
Encumbrances	2,997,684	-	-	-	2,997,684
Expenditures	500,000	-	-	-	500,000
Perpetual (nonexpendable) permanent funds	-	-	-	3,205,503	3,205,503
Unreserved:					
Undesignated, reported in:					
General fund	5,560,019	-	-	-	5,560,019
Special revenue funds	-	-	-	7,346,687	7,346,687
Capital project funds	-	(6,890,985)	(5,791,596)	1,710,925	(10,971,656)
Permanent funds	-	-	-	525,206	525,206
TOTAL FUND BALANCES	9,057,703	(6,890,985)	(5,791,596)	12,788,321	9,163,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,846,655	\$ 354,015	\$ 5,103,351	\$ 13,936,450	\$ 32,240,471

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, 2005

Total governmental fund balances	\$ 9,163,443
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,249,885
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,117,033
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(158,588)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(<u>22,694,230</u>)
Net assets of governmental activities	\$ <u>92,677,543</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, 2005

	<u>General</u>	<u>Alcott School Project Fund</u>	<u>Thoreau School Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 49,565,531	\$ -	\$ -	\$ -	\$ 49,565,531
Excise taxes	2,416,377	-	-	-	2,416,377
Departmental	2,340,286	-	-	3,510,458	5,850,744
Intergovernmental	6,281,202	-	-	2,574,204	8,855,406
Investment income	743,290	-	-	885,972	1,629,262
Other	102,603	-	-	1,824,079	1,926,682
Total Revenues	<u>61,449,289</u>	<u>-</u>	<u>-</u>	<u>8,794,713</u>	<u>70,244,002</u>
Expenditures:					
Current:					
General government	3,338,566	-	-	103,228	3,441,794
Public safety	6,038,643	-	-	376,818	6,415,461
Education	36,330,119	-	-	2,642,822	38,972,941
Public works	3,690,392	-	-	1,347,127	5,037,519
Health and human services	263,840	-	-	73,382	337,222
Culture and recreation	1,669,911	-	-	1,677,505	3,347,416
Employee benefits	5,622,170	-	-	241,715	5,863,885
Debt service	3,942,142	-	-	146,309	4,088,451
Capital outlay	-	2,114,140	5,791,596	3,765,886	11,671,622
Intergovernmental	347,327	-	-	-	347,327
Total Expenditures	<u>61,243,110</u>	<u>2,114,140</u>	<u>5,791,596</u>	<u>10,374,792</u>	<u>79,523,638</u>
Excess/(Deficiency) of revenues over expenditures	206,179	(2,114,140)	(5,791,596)	(1,580,079)	(9,279,636)
Other Financing Sources (Uses):					
Proceeds of bonds	-	7,000,000	-	3,365,000	10,365,000
Operating transfers in	1,521,378	-	-	-	1,521,378
Operating transfers out	(50,000)	-	-	(29,031)	(79,031)
Total Other Financing Sources (Uses)	<u>1,471,378</u>	<u>7,000,000</u>	<u>-</u>	<u>3,335,969</u>	<u>11,807,347</u>
Changes in fund balances	1,677,557	4,885,860	(5,791,596)	1,755,890	2,527,711
Fund Balances, at Beginning of Year, as restated	<u>7,380,146</u>	<u>(11,776,845)</u>	<u>-</u>	<u>11,032,431</u>	<u>6,635,732</u>
Fund Balances, at End 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>

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, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,527,711

<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	12,326,123
Depreciation	(2,188,392)
<ul style="list-style-type: none"> 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. 	577,108
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) 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: 	
Issuance of debt	(10,365,000)
Repayments of debt	3,245,000
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(51,793)
<ul style="list-style-type: none"> 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. 	<u>62,140</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>6,132,897</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>		Positive (Negative)
Revenues and Transfers:				
Taxes	\$ 49,562,928	\$ 49,562,928	\$ 49,562,928	\$ -
Excise taxes	2,600,500	2,600,500	2,679,579	79,079
Departmental	1,398,936	1,398,936	1,862,854	463,918
Intergovernmental	3,418,720	3,418,720	3,429,922	11,202
Investment income	350,000	350,000	566,680	216,680
Transfers in	<u>1,711,244</u>	<u>1,711,244</u>	<u>1,711,244</u>	<u>-</u>
Total Revenues and Transfers	59,042,328	59,042,328	59,813,207	770,879
Expenditures:				
General government	4,304,961	3,875,192	3,646,831	228,361
Public safety	5,803,348	6,035,432	6,028,565	6,867
Education	34,167,114	34,167,114	34,155,923	11,191
Public works	2,839,242	2,992,589	2,964,218	28,371
Public works (snow & ice)	481,203	405,000	743,937	(338,937)
Health and human services	256,829	272,590	264,025	8,565
Culture and leisure	1,581,107	1,685,887	1,668,780	17,107
Intergovernmental	339,902	339,902	347,327	(7,425)
Employee benefits	5,680,500	5,680,500	5,632,713	47,787
Debt service	<u>3,988,388</u>	<u>3,988,388</u>	<u>3,942,227</u>	<u>46,161</u>
Total Expenditures	<u>59,442,594</u>	<u>59,442,594</u>	<u>59,394,546</u>	<u>48,048</u>
Excess (deficiency) of revenues and other sources over expenditures	(400,266)	(400,266)	418,661	818,927
Other Financing Sources and (Uses):				
Use of free cash	459,000	459,000	-	(459,000)
Other uses (prior year deficit)	<u>(58,734)</u>	<u>(58,734)</u>	<u>-</u>	<u>58,734</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,661</u>	<u>\$ 418,661</u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2005

(DECEMBER 31, 2004 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 2,812,739	\$ 6,389,301	\$ 5,628,221	\$ 14,830,261
Investments	-	-	1,741,569	1,741,569
Inventory	32,271	-	-	32,271
User fees, net of allowance for uncollectibles	780,285	380,195	2,770,006	3,930,486
Materials and supplies, at average cost	-	-	897,754	897,754
Prepaid expenses	-	-	311,185	311,185
Other assets	-	-	108,843	108,843
Total current assets	3,625,295	6,769,496	11,457,578	21,852,369
Noncurrent:				
Capital assets being depreciated, net	9,731,922	12,518,215	26,861,210	49,111,347
Capital assets not being depreciated	3,535,865	1,740,049	2,483,631	7,759,545
Total noncurrent assets	13,267,787	14,258,264	29,344,841	56,870,892
TOTAL ASSETS	16,893,082	21,027,760	40,802,419	78,723,261
<u>LIABILITIES</u>				
Current:				
Warrants payable	132,977	585,931	1,947,459	2,666,367
Accrued liabilities	167,306	326,515	351,391	845,212
Customer deposits	-	-	229,354	229,354
Provision for Boston Edison overcharge	-	-	320,055	320,055
Provision for purchased power adjustment	-	-	1,453,354	1,453,354
Provision for rate stabilization	-	-	1,129,322	1,129,322
Notes payable	500,000	2,414,019	-	2,914,019
Other current liabilities	-	-	586,401	586,401
Current portion of long-term liabilities:				
Bonds payable	405,000	-	580,000	985,000
Accrued employee benefits	15,037	3,250	-	18,287
Total current liabilities	1,220,320	3,329,715	6,597,336	11,147,371
Noncurrent:				
Bonds payable, net of current portion	1,605,000	-	3,140,000	4,745,000
Accrued employee benefits, net of current portion	60,148	15,547	86,399	162,094
Total noncurrent liabilities	1,665,148	15,547	3,226,399	4,907,094
TOTAL LIABILITIES	2,885,468	3,345,262	9,823,735	16,054,465
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	10,757,787	11,844,245	25,265,677	47,867,709
Unrestricted	3,249,827	5,838,253	5,713,007	14,801,087
TOTAL NET ASSETS	\$ 14,007,614	\$ 17,682,498	\$ 30,978,684	\$ 62,668,796

See notes to financial statements.

Proof: Total assets = liabilities + net assets (always zero)

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

(DECEMBER 31, 2004 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>	
Operating Revenues:				
Charges for services	\$ <u>3,356,331</u>	\$ <u>1,872,870</u>	\$ <u>14,825,982</u>	\$ <u>20,055,183</u>
Total Operating Revenues	3,356,331	1,872,870	14,825,982	20,055,183
Operating Expenses:				
Personnel services	749,739	249,948	-	999,687
Non-personnel services	653,559	664,126	-	1,317,685
Depreciation	473,583	628,376	1,178,262	2,280,221
Electric operations	-	-	13,378,202	13,378,202
Total Operating Expenses	<u>1,876,881</u>	<u>1,542,450</u>	<u>14,556,464</u>	<u>17,975,795</u>
Operating Income	1,479,450	330,420	269,518	2,079,388
Nonoperating Revenues (Expenses):				
Investment income	65,094	121,578	95,673	282,345
Interest expense	(101,070)	-	(190,682)	(291,752)
Other nonoperating income, net	-	-	372,085	372,085
Total Nonoperating Revenues (Expenses), Net	<u>(35,976)</u>	<u>121,578</u>	<u>277,076</u>	<u>362,678</u>
Income Before Transfers	1,443,474	451,998	546,594	2,442,066
Transfers:				
Operating transfers out	<u>(435,245)</u>	<u>(148,040)</u>	<u>(608,163)</u>	<u>(1,191,448)</u>
Change in Net Assets	1,008,229	303,958	(61,569)	1,250,618
Net Assets at Beginning of Year	<u>12,999,385</u>	<u>17,378,540</u>	<u>31,040,253</u>	<u>61,418,178</u>
Net Assets at End of Year	\$ <u><u>14,007,614</u></u>	\$ <u><u>17,682,498</u></u>	\$ <u><u>30,978,684</u></u>	\$ <u><u>62,668,796</u></u>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005
(DECEMBER 31, 2004 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 3,190,766	\$ 1,784,217	\$ 15,826,096	\$ 20,801,079
Payments to vendors and employees	(1,495,829)	(78,283)	(11,875,022)	(13,449,134)
Receipts from noncurrent deposits	-	-	68,364	68,364
Payments of refunds to customers	-	-	(230,567)	(230,567)
Net Cash Provided By Operating Activities	1,694,937	1,705,934	3,788,871	7,189,742
<u>Cash Flows From Noncapital Financing Activities:</u>				
Operating transfers out	(435,245)	(148,040)	(340,000)	(923,285)
Net Cash Used for Noncapital Financing Activities	(435,245)	(148,040)	(340,000)	(923,285)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Proceeds from issuance of bonds and notes	500,000	2,414,019	-	2,914,019
Acquisition and construction of capital assets	(1,177,073)	(3,063,592)	-	(4,240,665)
Acquisition and construction of utility plant	-	-	(3,149,028)	(3,149,028)
Net additions to construction in progress	-	-	1,963,552	1,963,552
Principal payments on bonds and notes	(420,000)	-	(580,000)	(1,000,000)
Interest expense	(101,070)	-	(190,682)	(291,752)
Net reductions to customer advances for construction	-	-	54,437	54,437
Net Cash (Used For) Capital and Related Financing Activities	(1,198,143)	(649,573)	(1,901,721)	(3,749,437)
<u>Cash Flows From Investing Activities:</u>				
Investment income	65,094	121,274	103,837	290,205
Net Cash Provided By Investing Activities	65,094	121,274	103,837	290,205
Net Change in Cash and Short-Term Investments	126,643	1,029,595	1,650,987	2,807,225
Cash and Short-Term Investments, Beginning of Year	2,686,096	5,359,706	3,310,721	11,356,523
Cash and Short-Term Investments, End of Year	\$ 2,812,739	\$ 6,389,301	\$ 4,961,708	\$ 14,163,748
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating income	\$ 1,479,450	\$ 330,420	\$ 880,680	\$ 2,690,550
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other Income	-	-	376,173	376,173
Depreciation	473,583	628,376	1,178,262	2,280,221
Changes in assets and liabilities:				
User fees receivables	(165,566)	(88,956)	(225,164)	(479,686)
Inventory	2,632	-	-	2,632
Materials and supplies	-	-	(155,395)	(155,395)
Prepaid expenses	-	-	(873)	(873)
Noncurrent deposits with Town Treasurer	-	-	(230,567)	(230,567)
Warrants and accounts payable	(226,586)	508,917	-	282,331
Accrued liabilities	56,239	308,076	1,048,286	1,412,601
Other liabilities	75,185	19,101	68,363	162,649
Provisions	-	-	849,106	849,106
Net Cash Provided By (Used For) Operating Activities	\$ 1,694,937	\$ 1,705,934	\$ 3,788,871	\$ 7,189,742

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Pension Trust Fund (As of <u>December 31, 2004</u>)	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 556,154	\$ -	\$ 83,741
Investments	68,985,990	1,081,120	-
Accounts receivable	<u>362,019</u>	<u>-</u>	<u>77,786</u>
Total Assets	69,904,163	1,081,120	161,527
<u>LIABILITIES AND NET ASSETS</u>			
Other liabilities	<u>38,426</u>	<u>-</u>	<u>161,527</u>
Total Liabilities	<u>38,426</u>	<u>-</u>	<u>161,527</u>
<u>NET ASSETS</u>			
Total net assets held in trust for pension benefits and other purposes	<u>\$ 69,865,737</u>	<u>\$ 1,081,120</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, 2005

	Pension Trust Fund (For the Year Ended <u>December 31, 2004</u>)	Private Purpose <u>Trust Funds</u>
Additions:		
Contributions:		
Employers	\$ 2,818,185	\$ -
Other systems and Commonwealth of Massachusetts	150,769	-
Plan members	1,605,865	-
Other	304,820	-
Total contributions	<u>4,879,639</u>	<u>-</u>
Investment Gain:		
Increase in fair value of investments	6,605,277	64,136
Less: management fees	(280,156)	-
Net investment gain	<u>6,325,121</u>	<u>64,136</u>
Total additions	11,204,760	64,136
Deductions:		
Benefit payments to plan members and beneficiaries	3,992,865	-
Refunds to plan members	164,344	-
Administrative expenses	248,946	-
Other	-	33,711
Total deductions	<u>4,406,155</u>	<u>33,711</u>
Net increase	6,798,605	30,425
Net assets:		
Beginning of year	<u>63,067,132</u>	<u>1,050,695</u>
End of year	<u>\$ 69,865,737</u>	<u>\$ 1,081,120</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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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.

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 2005 tax levy reflected an excess capacity of approximately \$ 593,723.

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	40
Building improvements	20
Water/sewer/electric infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

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)	\$ 61,449,289	\$ 61,243,110
Other financing sources/uses (GAAP basis)	<u>1,521,378</u>	<u>50,000</u>
Subtotal (GAAP Basis)	62,970,667	61,293,110
Adjust tax revenue to accrual basis	(133,933)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,872,721)
Add end of year appropriation carryforwards to expenditures	-	2,997,684
To reverse the effect of non-budgeted State contributions for teachers retirement	<u>(3,023,527)</u>	<u>(3,023,527)</u>
Budgetary basis	\$ <u>59,813,207</u>	\$ <u>59,394,546</u>

D. Excess of Expenditures Over Appropriations

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

Public Works (Snow & Ice)	\$ (338,937)
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2005 (in thousands):

Major governmental funds:

Alcott School Project Fund	\$ (6,890)
Thoreau School Project Fund	\$ (5,792)

Nonmajor governmental funds:

Land Acquisition	\$ (1,917)
School Design	\$ (36)
Hunt Gym	\$ (9)

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 deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent 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." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2005, \$ 38,178,785 of the Town's bank balance of \$ 35,440,533 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts

general law, chapter 44, section 55, limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Corporate bonds	\$ 314	\$ -	\$ -	\$ 212	\$ 102
Federal agency securities	11,835	-	11,835	-	-
Bond mutual funds	<u>1,456</u>	<u>1,456</u>	-	-	-
Total investments	\$ <u>13,605</u>	\$ <u>1,456</u>	\$ <u>11,835</u>	\$ <u>212</u>	\$ <u>102</u>

Presented below is the actual rating as of year end of the Contributory Retirement System (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>Aa3</u>
U.S. Treasury notes	\$ 3,375	\$ -	\$ 3,375	\$ -
Mortgage-backed securities	2,877	-	2,877	-
Corporate bonds	17,089	-	-	17,089
Federal agency securities	1,777	-	1,777	-
Pooled investments	<u>43,868</u>	<u>43,868</u>	-	-
Total investments	\$ <u>68,986</u>	\$ <u>43,868</u>	\$ <u>8,029</u>	\$ <u>17,089</u>

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 the Contributory Retirement 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 Home Loan Bank	\$ 988,080	25%
Federal Home Loan Mtg. Corp.	\$ 990,130	25%

The Contributory Retirement System has no investments in any one issuer that represents more than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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:					
Corporate bonds	\$ 314	\$ 102	\$ 212	\$ -	\$ -
Federal agency securities	11,835	11,835	-	-	-
Bond mutual funds	<u>1,456</u>	<u>1,456</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>13,605</u>	\$ <u>13,393</u>	\$ <u>212</u>	\$ <u>-</u>	\$ <u>-</u>

Information about the sensitivity of the fair values of the Retirement System'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	\$ 3,375	\$ -	\$ -	\$ 3,375	\$ -
Mortgage-backed securities	2,877	-	2,877	-	-
Corporate bonds	17,089	-	17,089	-	-
Federal agency securities	<u>1,777</u>	<u>-</u>	<u>1,777</u>	<u>-</u>	<u>-</u>
Total	\$ <u>25,118</u>	\$ <u>-</u>	\$ <u>21,743</u>	\$ <u>3,375</u>	\$ <u>-</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2005 consist of the following (in thousands):

Real Estate		
2005	352	
2004	15	
Prior	<u>106</u>	
		473
Personal Property		
2005	7	
2004	5	
2003	11	
2002	6	
Prior	<u>11</u>	
		40
Tax Liens, Municipal Liens and Foreclosures		227
Deferred Taxes		<u>214</u>
Total		\$ <u>954</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	\$ 174
Excises	19

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2005.

8. Interfund Transfers In and (Out)

Although the total of interfund transfers balance throughout the year, the Balance Sheet of the Municipal Light Plant Enterprise Fund is presented at December 31, 2004, not June 30, 2005. Therefore, a timing difference of

\$ 250,899 exists in the accompanying Statement of Activities and Statements of Revenues and Expenditures and changes in Fund Balance.

9. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 32,813	\$ 551	\$ -	\$ 33,364
Machinery, equipment, and furnishings	8,691	877	-	9,568
Infrastructure	<u>14,987</u>	<u>1,001</u>	<u>-</u>	<u>15,988</u>
Total capital assets, being depreciated	56,491	2,429	-	58,920
Less accumulated depreciation for:				
Buildings and improvements	(6,954)	(762)	-	(7,716)
Machinery, equipment, and furnishings	(6,099)	(652)	-	(6,751)
Infrastructure	<u>(5,275)</u>	<u>(774)</u>	<u>-</u>	<u>(6,049)</u>
Total accumulated depreciation	<u>(18,328)</u>	<u>(2,188)</u>	<u>-</u>	<u>(20,516)</u>
Total capital assets, being depreciated, net	38,163	241	-	38,404
Capital assets, not being depreciated:				
Land	44,687	-	-	44,687
Construction in progress	<u>12,262</u>	<u>9,897</u>	<u>-</u>	<u>22,159</u>
Total capital assets, not being depreciated	<u>56,949</u>	<u>9,897</u>	<u>-</u>	<u>66,846</u>
Governmental activities capital assets, net	<u>\$ 95,112</u>	<u>\$ 10,138</u>	<u>\$ -</u>	<u>\$ 105,250</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,641	\$ 1,063	\$ -	\$ 20,704
Machinery, equipment, and furnishings	2,876	521	-	3,397
Infrastructure	8,346	751	-	9,097
Light plant	<u>39,972</u>	<u>3,170</u>	<u>(2,662)</u>	<u>40,480</u>
Total capital assets, being depreciated	70,835	5,505	(2,662)	73,678
Less accumulated depreciation for:				
Buildings and improvements	(6,766)	(636)	-	(7,402)
Machinery, equipment, and furnishings	(892)	(229)	-	(1,121)
Infrastructure	(2,188)	(237)	-	(2,425)
Light plant	<u>(14,728)</u>	<u>(1,179)</u>	<u>2,288</u>	<u>(13,619)</u>
Total accumulated depreciation	<u>(24,574)</u>	<u>(2,281)</u>	<u>2,288</u>	<u>(24,567)</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	46,261	3,224	(374)	49,111
Capital assets, not being depreciated:				
Land	3,370	-	-	3,370
Light plant construction in progress	4,448	-	(1,964)	2,484
Construction in progress	<u>-</u>	<u>1,906</u>	<u>-</u>	<u>1,906</u>
Total capital assets, not being depreciated	<u>7,818</u>	<u>1,906</u>	<u>(1,964)</u>	<u>7,760</u>
Business-type activities capital assets, net	\$ <u>54,079</u>	\$ <u>5,130</u>	\$ <u>(2,338)</u>	\$ <u>56,871</u>

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

Governmental Activities:

General government	\$ 341,357
Public safety	202,353
Education	326,366
Public works	1,181,139
Culture and recreation	71,560
Health and human services	<u>65,817</u>

Total depreciation expense - governmental activities \$ 2,188,592

Business-Type Activities:

Water	\$ 473,583
Sewer	628,376
Electric	<u>1,178,262</u>

Total depreciation expense - business-type activities \$ 2,280,221

10. Warrants Payable

Warrants payable represent 2005 expenditures paid by July 15, 2005 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, 2005 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, 2005:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2005</u>
Bond anticipation	3.00%	09/30/04	09/29/05	\$ 17,200,000
Bond anticipation	3.50%	06/23/05	03/03/06	85,000
Bond anticipation	3.00%	06/23/05	06/22/06	1,690,000
Bond anticipation	.83%	02/10/05	11/16/05	697,295
Bond anticipation	.83%	05/19/05	11/16/05	452,511
Bond anticipation	.83%	06/20/05	11/16/05	<u>264,213</u>
Total				\$ <u>20,389,019</u>

The following summarizes activity in notes payable during fiscal year 2005:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>13,645,000</u>	\$ <u>20,389,019</u>	\$ <u>(13,645,000)</u>	\$ <u>20,389,019</u>
Total	\$ <u>13,645,000</u>	\$ <u>20,389,019</u>	\$ <u>(13,645,000)</u>	\$ <u>20,389,019</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. 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, 2005</u>
Land Acquisition	2006	3.50	\$ 25,000
School	2006	2.00	15,000
Road Improvements	2006	4.85	30,000
Equipment	2006	3.70	105,000
School Building Design	2006	2.125	910,000
School	2007	4.85 - 5.00	205,000
Building Renovations	2007	3.90 - 4.00	40,000
Road Improvements	2007	3.70	400,000
Modular Classrooms	2007	2.13 - 2.25	60,000
School	2008	3.90 - 4.10	225,000
Road Improvements	2008	4.20 - 4.35	165,000

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	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
	Through		as of
<u>Governmental Activities:</u>			<u>June 30, 2005</u>
Building Renovations	2008	4.20 - 4.35	60,000
Building Renovations	2008	3.90 - 4.10	330,000
Road Improvements	2008	3.90 - 4.10	150,000
Police and Fire Station	2008	2.13 - 2.40	130,000
School	2009	1.50 - 2.15	20,000
Planning	2009	1.50 - 2.15	240,000
Modular Classrooms	2009	1.50 - 2.15	160,000
Equipment	2009	1.50 - 2.15	320,000
Land Acquisition	2009	4.20 - 4.40	475,000
Road Improvements	2010	5.10 - 5.15	250,000
Building	2010	5.10 - 5.15	175,000
Building Renovations	2010	5.10 - 5.15	75,000
Building Renovations	2010	5.10 - 5.15	75,000
School Remodeling	2011	2.13 - 3.30	820,000
Drainage	2011	1.50 - 2.88	60,000
Road Improvements	2011	2.13 - 3.30	570,000
Road Improvements	2014	1.50 - 3.50	540,000
Building Renovation (School)	2016	1.50 - 3.75	385,000
Title V Loans	2021	-	173,384
Building Renovation	2016	1.50 - 3.75	1,100,000
Building Renovation	2016	1.50 - 3.75	1,060,000
School	2025	2.88 - 4.25	7,000,000
School Remodeling	2010	3.25 - 3.50	340,000
School Remodeling	2011	3.25 - 3.50	400,000
Road Improvements	2015	3.25 - 3.88	650,000
Building Renovation	2015	3.25 - 3.88	1,850,000
Planning	2007	3.50	<u>100,000</u>
Total Governmental Activities:			<u>\$ 19,688,384</u>
			Amount
	Serial	Interest	Outstanding
	Maturities	Rate(s)%	as of
	Through		June 30, 2005
<u>Business-Type Activities:</u>			
Water	2007	3.90 - 4.00	\$ 100,000
Light	2008	5.25 - 5.30	90,000
Light	2008	5.25 - 5.30	210,000
Water	2008	4.85 - 5.00	360,000
Water	2010	5.10 - 5.15	150,000
Light	2011	2.13 - 3.30	440,000
Water	2012	3.70 - 4.00	1,400,000
Light	2014	4.50 - 5.00	<u>2,700,000</u>
Total Business-Type Activities:			<u>\$ 5,450,000</u>
Grand Total			<u>\$ 25,138,384</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2005 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,705,852	\$ 646,441	\$ 4,352,293
2007	2,515,852	537,930	3,053,782
2008	2,035,852	460,924	2,496,776
2009	1,660,852	398,466	2,059,318
2010	1,355,852	347,961	1,703,813
2011 - 2015	4,603,931	1,199,913	5,803,844
2016 - 2020	2,049,143	555,110	2,604,253
2021 - 2025	<u>1,761,050</u>	<u>182,815</u>	<u>1,943,865</u>
Total	\$ <u>19,688,384</u>	\$ <u>4,329,560</u>	\$ <u>24,017,944</u>

The general fund has been designated as the sole source to repay the government-type obligation debt outstanding as of June 30, 2005.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 880,000	\$ 233,767	\$ 1,113,767
2007	880,000	196,318	1,076,318
2008	830,000	158,013	988,013
2009	610,000	121,476	731,476
2010	585,000	95,660	680,660
2011 - 2015	<u>1,665,000</u>	<u>145,945</u>	<u>1,810,945</u>
Total	\$ <u>5,450,000</u>	\$ <u>951,179</u>	\$ <u>6,401,179</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer	\$ 11,000,000
School remodeling	630,000
School remodeling	60,000
Road and traffic signal	900,000
Land acquisition	2,750,000
Electric system remodeling	1,500,000
Sewer	4,190,000
CPS building renovations	55,000
New Thoreau school	6,175,000
Department equipment	515,000
Septic system	1,000,000
Water	5,250,000
Remodeling and equipment	100,000
Alcott school	3,695,000
Outdoor recreational facility	300,000
Planning	<u>75,000</u>
Total	\$ <u>38,195,000</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:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
CCRS	\$ 3,815,000	71.46%	\$ <u>1,948,142</u>
Total			\$ <u>1,948,142</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, 2005, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/05</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/05</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 12,569	\$ 10,365	\$ (3,245)	\$ 19,689	\$ (3,706)	\$ 15,983
Other:						
Accrued employee benefits	2,674	61	-	2,735	(137)	2,598
Landfill closure	<u>280</u>	<u>-</u>	<u>(10)</u>	<u>270</u>	<u>(10)</u>	<u>260</u>
Governmental Activities	15,523	10,426	(3,255)	22,694	(3,853)	18,841
<u>Business-Type Activities</u>						
Bonds payable	6,450	-	(1,000)	5,450	(880)	4,570
Other:						
Accrued employee benefits	<u>166</u>	<u>-</u>	<u>(75)</u>	<u>91</u>	<u>(18)</u>	<u>73</u>
Business-Type Activities	<u>6,616</u>	<u>-</u>	<u>(1,075)</u>	<u>5,541</u>	<u>(898)</u>	<u>4,643</u>
Grand total	\$ <u>22,139</u>	\$ <u>10,426</u>	\$ <u>(4,330)</u>	\$ <u>28,235</u>	\$ <u>(4,751)</u>	\$ <u>23,484</u>

14. Landfill Closure and Postclosure Care Costs

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 \$ 270,000 reported as landfill closure and postclosure care liability at June 30, 2005 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 closure and postclosure care in 2005. 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, 2005:

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. Subsequent Events

Debt

Subsequent to June 30, 2005, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 21,200,000	4.00%	09/29/05	09/28/06
Bond anticipation note	2,500,000	3.85%	07/28/05	07/27/06
Bond anticipation note	500,000	3.50%	07/28/05	03/03/06
Water pollution abatement revenue bond	4,190,000	2.00%	11/16/05	07/15/25

18. **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.

19. **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. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2005 was not available.

20. **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 Sys-

tem issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	252
Terminated plan members entitled to but not yet receiving benefits	88
Active plan members	<u>438</u>
Total	<u>778</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. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

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

Employees are required to contribute at actuarially determined rates 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 2005, the Commonwealth of Massachusetts contributed \$ 3,023,527 to the MTRS on behalf of the Town. This is included in the employee benefit expenditures and intergovernmental revenues in the general fund.

21. 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.

22. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2005, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2004 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity June 30, 2004 (as restated)
Alcott School Fund	(10,553,356)	\$ (1,223,489)	\$ (11,776,845)
Nonmajor funds	<u>9,808,942</u>	<u>1,223,489</u>	<u>11,032,431</u>
Total	\$ (<u>744,414</u>)	\$ <u>-</u>	\$ (<u>744,414</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, 2004 and 2003

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.

The Light Plant has adopted the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, in 2003.

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 2004 and 2003 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. Nonutility Property

Nonutility property consists of the cost of property owned by the Light Plant, that is neither used nor held for future use in utility service. The property was purchased in order to build a sub-station. The sub-station was subsequently built at another location. The property was transferred to the Town in 2004 and subsequently sold by the Town. The Light Plant

did not receive any proceeds from the transfer nor the sale of the property by the Town.

I. 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.

It is the Light Plant's policy to record an amount which reflects the over (liability) or under (receivable) collected power costs at the end of the year. These amounts will be used to build a reserve for future power costs. The amount due to customers was \$ 1,453,354 and \$ 414,977 at December 31, 2004 and 2003, respectively.

J. 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.

K. 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.

L. 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.

M. 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.

N. 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 \$ 46,504 and \$ 54,668 for 2004 and 2003, respectively.

3. Long-Term Debt

A summary of the long-term debt at December 31, 2002:

	<u>2004</u>	<u>2003</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	\$ 200,000
\$ 2,000,000, 5.3% electric bonds, issued April 15, 1993, with annual payments of principal and interest due through April 15, 2008.	120,000	350,000
\$ 500,000, 5.3% electric bonds, issued April 15, 1993, with annual payments of principal and interest through April 15, 2008.	280,000	150,000
\$ 6,000,000, 4.7% electric bonds, issued July 15, 1994, with annual payments of principal and interest through July 15, 2013.	2,700,000	3,000,000
\$ 6,000,000, 2.7% electric bonds, issued February 15, 2003, with annual payments of principal and interest through February 15, 2011.	<u>520,000</u>	<u>600,000</u>
Total long-term debt	3,720,000	4,300,000
Less current installments of long-term debt	<u>580,000</u>	<u>580,000</u>
Long-Term Debt, Excluding Current Installments	\$ <u>3,140,000</u>	\$ <u>3,720,000</u>

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

2005	\$ 580,000
2006	475,000
2007	475,000
2008	475,000
2009	375,000
Later years	<u>1,340,000</u>
Total	\$ <u>3,720,000</u>

Total interest cost was \$ 181,649 in 2004 and \$ 205,089 in 2003.

4. **Deposits with Town Treasurer**

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

A. Worker's Compensation Insurance Fund

The Light Plant transfers annual amounts to this fund equal to .09% to 1.66% of certain payroll costs. These transfers amounted to \$ 12,997 and \$ 13,196 in 2004 and 2003, 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.

5. **Special Deposits**

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

	<u>2004</u>	<u>2003</u>
Customer advances for construction	\$ 85,183	\$ 30,746
Customer deposits	229,354	160,991
Funds held to retire long-term debt	455,292	465,396
Rate stabilization	<u>1,129,322</u>	<u>1,129,322</u>
Total Deposits	\$ <u>1,899,151</u>	\$ <u>1,786,455</u>

6. 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 the Interconnection Agreement with Boston Edison. The Light Plant's total OM&T charges were \$ 69,000 and \$ 68,475 for the years ended December 31, 2004 and 2003.

Purchased power expense under the Constellation Power agreement was \$ 7,914,181 and \$ 8,133,074 in 2004 and 2003, respectively.

B. Contingencies

Certain disputes are pending against the Light Plant at December 31, 2004. 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 no timetable is set for their decision.

7. Pension Plan

The employees of the Light Plant participate in the Town of Concord Contributory Retirement System (the "System") covering Concord Town employees. Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). In addition to investments made by the System, there is a separate trust fund maintained by the Town to provide supplemental funding of the Town's unfunded past service cost. Under an actuarial method, the cost of pension benefits is borne by the Town at the time employee services are rendered. Each year, the Light Plant is assessed by the Town for its share of such pension costs. The Light Plant's contribution to the plan amounted to approximately \$ 269,483 and 261,984 in 2004 and 2003, respectively.

Additional information can be obtained from the separately issued Town of Concord Contributory Retirement System actuarial valuation report.

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 Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/01/04	\$ 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
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	1/1/04
Actuarial cost method	Entry age normal
Amortization method	Approximate level percent of payroll
Remaining amortization period	11 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.