

Section V

Appendix

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Appendix: Budget Process

Budget Process

The Town of Concord operates under state statutes in general; under the Town Charter as amended, which established the present Select Board-Town Manager form of government; and under various Town bylaws. The legislative body of Concord is an open Town Meeting, in which all voters registered in Concord are permitted to participate. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects, except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations adopted at a Town Meeting require subsequent approval at either a regular Town Meeting or Special Town Meeting. Only the Town Meeting can authorize the transfer of funds between appropriation accounts within the Town Government budget (Article 7, Line Items 1-39 on the 2016 Annual Town Meeting Warrant). Nevertheless, if there happens to be need for an “extraordinary or unforeseen” expenditure, the Finance Committee can authorize additions to appropriation accounts by transferring funds from the appropriated Reserve Fund (Article 7, Line Item 32, proposed at \$225,000).

For the Concord Public Schools budget, state law gives the School Committee the power to authorize transfers within the appropriation total voted by Town Meeting. The regional high schools both are separate political jurisdictions of the Commonwealth that can assess member municipalities but do not have separate taxing powers. The regional school committees have power to authorize transfers within their adopted budgets.

Under the Town Charter and Town bylaws, the Town Manager is required to submit a proposed budget to the Select Board. The Select Board in turn is required to transmit to the Finance Committee a copy of the Town Manager’s Proposed Budget, together with its recommendations. Finally, the Finance Committee must make budget recommendations to Town Meeting.

Like prior budgets, this budget has been developed based upon projected assumptions of available revenue. The budget is based upon a budget ceiling or levy limit of revenue derived from local property taxes in accordance with Proposition 2½. Added to these revenues are projections for state aid; miscellaneous revenues, such as fees, permits, and interest earned; and available funds, such as free cash and special revenues. This levy limit may be increased if the Town Meeting adopts a budget requiring an override and the override amount is approved by a majority of voters at the polls.

While the projection of available revenues creates a budget ceiling for the Town, an expenditure floor is created by calculating certain fixed or semi-fixed costs such as debt payments, employee benefits, and various assessments. These costs subtracted from projected revenues leave remaining funds that are available for discretionary spending, such as education, public safety, infrastructure maintenance, and community services.

For the past several fiscal years, this budget development framework has been altered to meet expected fiscal reductions. Departments have been instructed to provide budget requests that level fund non-personnel related line items. These requests were then further adjusted to meet revenue estimates while avoiding major service or personnel reductions.

Budget Schedule

Beginning in September each fiscal year, the key boards and committees discuss budget issues and provide policy guidance to the Town and School staff at a series of working meetings. The Finance Committee issues its budget guidelines to the Select Board and School Committees by November 30th. With input from these groups, the Town Manager submits the recommended budget to the Select Board at least 90 days prior to the beginning of the Annual Town Meeting, which begins this year on Monday, April 4, 2016.

In late February 2016, the Finance Committee holds public hearings on the Town Manager’s recommended budget and on the recommended School budgets. Prior to the first public hearing, all Concord households are mailed a copy of the Town Warrant containing all the financial and non-financial articles to be considered by Town Meeting. A Report from the Finance Committee is mailed to every Concord household prior to the first session of Town Meeting, with specific recommendations and background information. The precise timing of the process varies somewhat from year-to-year. Shown on the following pages are a chart of the budget schedule and a calendar of important dates for developing and acting on the budget.

Appendix: Budget Calendar

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
	Establish goals; hold planning meeting										
		Depts develop operating & CIP budget requests									
			Depts present budget requests; Finance Comm presents budget guidelines								
					Warrant is open						
					Town Manager reviews budgets & submits them to the Board of Selectmen						
						Departments develop & submit Enterprise Fund budgets to Town Manager					
							Finance Comm holds hearings & completes final recommendations on Town Govt. & School budgets & all articles				
								Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets			
											Town Meeting discusses & adopts Town Govt., Schools, & capital budgets
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

Appendix: Budget Process

FY17 Budget Calendar

This calendar describes the steps leading to adoption of the budget for those accounts overseen by the Town Manager under the jurisdiction of the Select Board and requiring appropriation by the Town Meeting. The School Superintendent and School Committees carry out similar steps.

2015

August 11	Capital Improvement Program Instructions issued (FY2017-21)
September 14	Budget Instructions issued to all departments, boards and committees
September 15	Capital Improvement Program (FY2017-21) requests due
September 17	FY2017 fiscal planning meeting with Selectmen Board, School Committee, Finance Committee
October 16	FY2017 General Fund Operating Budget Requests due
October 22	Board of Assessors meet to review draft Classification Report from the Town Assessor
November 2–13	Operating and Capital Budget Requests review: meetings with Town Department Heads and Budget Review Team
November 12	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2016 property tax rate or rates)
November 16	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2016 (based on FY2016 appropriations voted at April 2015 Town Meeting)
November 19	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 1	Preliminary FY2017 Operating and FY2017-21 Capital Budget recommendations compiled by Budget Review Team for Town Manager's review and adjustment
December 5 (Sat)	Selectmen/Committees Coordination Meeting; planning session for 2016 Annual Town Meeting
December 5	Warrant opened for 2016 Annual Town Meeting
December 28	Presentation of Preliminary FY2017 Operating and FY2017-21 Capital Budget recommendations by Town Manager to Select Board

Continued on next page

Appendix: Budget Process

2016

January 4	Warrant for Town Meeting closes at 4:00 PM
January 5	Completed PowerPoint Narratives for General Fund Departments due
January 5	90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2017 (General Fund operations and proposed appropriations) is set and submitted to Select Board. (Also, no later than this date, the Superintendent of Schools submits budgets for Concord Public Schools and Concord-Carlisle Regional High School to the respective School Committees.) Through February, these committees and Finance Committee conduct review
January 19	Town Manager's Proposed FY2017 General Fund Budget is published
January 20	Proposed FY2017 Enterprise Budget Requests due
January 21	Public Hearings advertised (for FY2017 General Fund operations)
January 22	Legal deadline for mailing of Town Meeting Warrant to residents (10 days prior to Public Hearing)
January 25-29	Enterprise Budget Requests review: meetings with Enterprise Directors and Budget Review Team
February 1	Finance Committee's Public Hearing on Town Manager's General Fund operating and capital budget proposals for FY2017 and other non-school and non-CPA financial articles on the Town Meeting Warrant
February 3	Finance Committee's Public Hearing on Education budget proposals for FY2017 (Concord Public Schools, Concord-Carlisle Regional High School, and Minuteman Career and Technical High School) and Community Preservation Act article
February 25	Town Manager's Proposed FY2017 Enterprise Budget published
February 29	Public Hearing on Enterprise Fund budgets and articles
February 29	Finance Committee completes its recommendations for Town Meeting
March 11	Finance Committee Report to printer
March 25	Finance Committee Report mailed (10 days prior to Town Meeting)
April 4	Town Meeting begins

Appendix: Finance Committee's Budget Guidelines



Town of Concord

Finance Department
22 Monument Square
P.O. Box 535
Concord, Massachusetts 01742

Date: November 30, 2015

To: Concord Board of Selectmen
Concord Public School Committee
Concord-Carlisle Regional School Committee
Mr. Christopher Whelan, Town Manager
Ms. Diana Rigby, Superintendent of Schools

From: Richard Giles, Chair, Concord Finance Committee
Linda Miller, Vice-Chair, and Chair, Guidelines Subcommittee

Subject: **FY 2017 Final Budget Guideline**

As required by Town bylaws, the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2016 (FY 2017). The Guideline was adopted with full consideration of the operating budget needs identified by each of the three primary budgeting entities, funding recommendations and requests for non-operating budgets, assumptions regarding non-property tax-revenues, use of unused property tax levy limit capacity, and ultimately the net impact to taxpayers.

The Guideline adopted by the Finance Committee directs \$2,396,160 of incremental funds to the operating budgets, a 3.31% increase over FY 2016 General Fund operating budget levels (see FY 2017 Operating Budget Guidelines and Total Budget Plan, page 3). The Finance Committee is proposing a total FY17 General Fund spending plan of \$98,445,665, which would be an increase of 2.20% over the adopted FY16 budget. To support this budget, the Finance Committee will be recommending the allocation of funds from available reserves as follows:

- \$1,000,000 from the High School Debt Stabilization Fund (\$1,000,000);
- \$409,878 from the Thoreau MSBA Grant Fund (\$409,878);
- \$1,000,000 from the Town's Free Cash balance.

The overall increase in the tax bill to existing taxpayers for FY 2017 is projected to be 2.99%. This guideline projects a tax levy totaling \$84,653,887, and an unused levy limit of \$3,208,579 (which is 3.9% under the projected levy limit).

The Guideline Subcommittee believes that it is important for the town to maintain flexibility to deal with future infrastructure needs as well as unanticipated expenses and other contingencies. Retaining a modest unused levy capacity helps to provide such flexibility.

Several overriding factors and concerns were considered by the Finance Committee at the outset of the guidelines process:

Appendix: Finance Committee's Budget Guidelines

- The Finance Committee is very aware of the cumulative impact of operating budget increases and the related rise in property tax assessments on Concord taxpayers. Income levels of individual taxpayers vary greatly. Continued property tax increases are particularly likely to cause hardship for taxpayers with fixed and/or low incomes. There remains an overall concern that even more moderate increases when sustained for a number of years could have an impact on the makeup of Concord's homeowners.
- The outlook for national economic growth remains cautiously optimistic but gross domestic product (GDP) for next year is once again projected to increase by less than 3%. The Massachusetts economy continues to show signs of growth which remain evidenced in Concord by increases in building permits and some local excise taxes. However, there exists concerns about the level at which local aid to cities and towns will be funded by the State.
- Growth in Concord's assessed real estate valuations between FY 2015 and FY 2016 saw an overall increase of 7.94% (based on the FY 2016 Tax Rate Analysis report of the Concord Board of Assessors). Residential valuations, representing 91.4% of total valuations, increased 8.4%. Market valuation changes were not consistent across the housing stock; thus, some taxpayers will experience larger increases while others will see reductions.
- New residential development in Concord impacts population growth as well as the mix and demand for town government and school services. Historically, new development has played an important role in providing additional income to the town. The exact timing and impact of currently contemplated projects is not completely measurable at this time.

Based on information provided to date, the Finance Committee anticipates the Town Government, the Concord Public Schools (CPS) and Concord-Carlisle Regional School District (CCRSD) will be able to prepare FY 2017 budgets that maintain core services and meet critical operating priorities within the recommended Budget Guideline. This year the Finance Committee is able to endorse both the CPS and CCRSD budgets as presented. However, the Finance Committee does recognize that the Guideline allocation falls short of the Town Manager's updated list of possible budget increases by about \$300,000.

The Finance Committee will continue, as always, to monitor the economic climate as well as the assumptions incorporated in its calculation of funds available for the FY 2017 Operating Budgets. We will continue to work collaboratively with budget authorities to monitor these factors and provide additional responses or recommendations that may be warranted as the FY 2017 budget finalization proceeds, leading up to Town Meeting in April 2016.

Appendix: Finance Committee's Budget Guidelines

FY 2017 Operating Budget Guidelines and Total Budget Plan						
Operating Budget	FY 2014	FY 2015	FY 2016	\$ increase	FY 2017	% change
Town	\$19,474,013	\$20,564,013	\$21,214,013	\$ 800,000	\$ 22,014,013	3.77%
CPS	31,140,538	32,440,538	34,542,735	1,117,376	35,660,111	3.23%
CCRSD*	15,356,221	15,856,221	16,556,221	478,784	17,035,005	2.89%
TOTAL operating	\$65,970,772	\$68,860,772	\$72,312,969	\$ 2,396,160	\$ 74,709,129	3.31%
Other accounts	14,073,267	14,828,948	16,288,536	(244,536)	16,044,000	(1.50)%
Excluded debt	6,176,300	6,354,473	7,720,712	(28,176)	7,692,536	(0.40)%
TOTAL BUDGET	\$86,220,339	\$90,044,193	\$96,322,217	\$ 2,123,448	\$98,445,665	2.20%

* Note that the CCRSD figure includes OPEB, health insurance and pension payments within the CCRSD Operating Budget, which for the Town Government & CPS are included in "other accounts". This difference reflects the fact that the CCRSD is a separate governmental entity, and therefore direct comparisons are not advisable.

Over the three most recent fiscal years (FY 2014, FY 2015 and FY 2016), the average annual increase in the total operating budget has been 4.40%. During this period the most significant factor driving the budget increases has been salaries. Other factors also driving increases include contributions for unfunded liabilities for OPEB ("Other Post-Employment Benefits", the town's share of retiree health insurance), additional costs for bus transportation and increases in debt expense driven primarily by the new high school. For both CPS and CCRSD, special education costs continue to be a major cost factor that is volatile and largely unpredictable. In the face of such pressures, providing budget increases that allow the Town and schools to maintain the level and quality of public and education services expected by taxpayers, yet alone identifying funds for any new programs or services, is a daunting challenge.

Key Assumptions of FY2017 Operating Budget Guideline

- Town Government:** Funding of Town salary adjustments remains a key priority as the Town is increasingly faced with competition for many key employees from both other municipalities and the private sector. The staffing of the 2nd ambulance in West Concord (8:00 am-8:00 pm) begins its third year as of July 1, 2016. The mitigation fund created in connection with the Concord Mews development has been used at decreasing levels to help defray the staffing cost of this service. However, the Town's General Fund operating budget continues to bear more of this cost and the day is coming when this need is likely to be the full 24 hours of each day. Additional operating funds will be needed to cover known cost increases for additional inspection services and necessary capital expenditures (including technology/software upgrades and vehicle and building repairs).

Appendix: Finance Committee's Budget Guidelines

- *Concord Public Schools (CPS) and Concord-Carlisle High School (CCRSD):* Budget requests at both CPS and CCRSD represent percentage increases that are well below last year's requested increases. Once again, contractual salary obligations represent the largest component of both budgets. At CPS, the contract negotiations with the Teacher's union have not been concluded. However, CPS remains optimistic that its anticipated budget for FY 2017 will be able to accommodate the final resolution with the union. Plans are moving forward with the new Transportation Depot on the recently acquired W.R.Grace land and the current expectation is for completion by January 2017. Special Education costs at both CPS and CCRSD and the funding of the long-term liability for Other Post-Employment Benefits (OPEB) at CCRSD remain significant components of the FY 2017 budgets.
- *Minuteman Vocational High School:* The budget plan for FY2017 has an estimate of \$500,000 as Concord's assessed share of the Minuteman High School budget. As Concord continues to send more students, this amount has risen from \$191,689 in FY 2015 and \$407,041 in FY2016 to this year's estimate. In addition, Minuteman is about to embark on a project to build a new school. This is an expensive undertaking and will require considerable coordination among the sixteen member towns. Project approval is likely to be addressed in a separate warrant article at Concord's annual town meeting.
- *The Group Insurance Account,* covering employee and retiree health insurance costs for town government and CPS employees is projected to remain level-funded again in FY 2017 (and has since FY 2012; see General Fund Budget, page 10, line 9). FY2017 is expected to be the last of these level years. The ability to control expenses in this area continues to assist both the Town government and CCRSD in establishing realistic and achievable funding schedules as they work to reach the Annual Required Contribution (ARC) for OPEB obligations. The Town budget reaches this goal with the FY17 proposed budget level (see page 10, line 9a), and CCRSD plans to reach this goal by the FY 2020 budget year.
- *State Aid* is anticipated to remain stable and reimbursement is generally expected to be at levels almost identical to the FY 2016 budget (see Resource Detail, page 12, line A.10, and the Regional School District's estimate at Page 9, "Financing Sources"). Circuit Breaker reimbursement from the state for high cost Special Education student placement is expected to remain just under the targeted statutory goal of 75%. Pursuant to 603 CMR 10.07 and subject to appropriation by the state legislature annually, local and regional school districts are eligible for reimbursement of special education costs, for each student, equal to 75% of the excess cost that is above four times the prior year's state average per pupil foundation budget. Thus, the ability of the state budget to continue to meet this funding goal is an important element in our long-term fiscal forecasting.
- *The tax levy in FY 2017 on new growth* (new construction and renovations/additions expected to be in place by June 30, 2016, valued by the Board of Assessors and added to the tax roll for FY 2016) is projected at a conservative \$900,000 which is below the near-record level of \$1,284,004 of new growth certified for FY 2016 .
- *The FY 2017 guideline* assumes \$1,000,000 in funding from the High School Debt Stabilization fund created by the Town to help offset Concord's share of the levy for excluded debt of CCRSD. In addition, \$409,878 from the Thoreau MSBA grant will be applied to offset the related tax impact of excluded debt (see Excluded Debt Tax Levy, page 18).

Appendix: Finance Committee's Budget Guidelines

- *Current Unused Levy Capacity* for FY 2017 is anticipated to increase by \$4,836 to \$3,208,579 (see Levy Limit Calculation, page 15) if the operating budget guidelines are adopted by the Town. Any part or all of the Unused Levy Capacity may be levied in FY 2017 or future years without a town-wide ballot.

Free Cash Requirements

Based on FY 2015 financial results compared to the budget, including town revenues, state aid and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$10.7 million as of June 30, 2015. While this estimate has yet to be certified by the Commonwealth, it remains above the Finance Committee's long-stated minimum goal of 5% of the total annual budget. To ensure ongoing town flexibility and the importance of maintaining the Town's Aaa "Triple-A" bond rating, the Finance Committee has in recent years recommended maintaining Free Cash reserves at a 10% level. Amounts in excess of this target have been considered for transfer to Elementary School and High School debt stabilization funds.

Property Tax Impact

The impact of the FY 2017 operating budget guideline on the property tax levy is projected at a 2.99% increase to existing taxpayers (see Property Tax Data, page 19). The components of the increase are as follows:

Allowed 2.5% increase	2.41%
Use of prior Unused Tax Levy	0%
Increased Debt Service on Excluded Debt*	0.58%
	2.99%

* *Net of planned allocation from stabilization funds and MSBA Thoreau grant.*

Based on the current FY 2016 median single family residential home assessed value of \$798,000 and the tax rate for FY 2016 of \$13.92 per thousand, the FY 2017 median tax bill is projected to increase by \$332 (\$42 per each \$100,000 of assessed value).

The estimated tax bill impact will continue to evolve as more information is received about projected revenues and new growth, and as final FY 2017 budgets are developed. The Finance Committee intends, over the next several months, to review all assumptions and recommendations driving the estimated impact of the tax levy on taxpayers for FY 2017, the results of which will be included in the Report of the Finance Committee to be issued prior to the first session of the Annual Town Meeting on April 4, 2016.

Appendix: Finance Committee's Budget Guidelines

On-going Issues

Controlling future tax increases:

The Finance Committee remains concerned with the annual rate at which taxes continue to increase. Specifically, the Finance Committee believes that the current rate of increase, although more moderate this year, is most likely not sustainable and over time could cause significant dislocation and adversely affect the current levels of diversity within the Town. Although future tax increases will also be driven in part by increases in town government and school expenses, evolving economic conditions, population changes and increasing demand for services, the major concern of the Finance Committee continues to be the rate at which salaries are contractually obligated to increase over the next few years. Salaries represent well over half of the town's and school's budgets, and contractually mandated increases have had a negative impact on the ability of these entities to address many of the issues and other needs they have identified. This is particularly acute at CPS which is still in contract negotiations and where salary costs alone represent nearly 80% of operating expenses.

The Finance Committee maintains a Five-Year Forecast model and uses this model to simulate the impact of various assumptions on both the current guideline recommendations and future tax levy increases. The Finance Committee has been increasingly concerned about whether the continued increases in real estate taxes, which exceed increases in incomes, property values or the CPI, are sustainable over the longer term for a diverse population, especially for those on fixed incomes or who are less affluent. The Town works hard to maintain a conservative approach to budgeting and has benefited in recent years from unexpected revenues. The increase on existing taxpayers has risen steadily from 1.2% in FY 2013 to 2.5% in FY 2014 to 3.2 % for FY 2015 and to 3.5% in FY2016. The Finance Committee is pleased that the projected increase for FY2017 has dropped to 2.99% but this overall trend is still a matter of serious concern.

Minuteman Vocational High School:

Minuteman Vocational High School is at a very difficult and important place in its evolution. A decision regarding a new facility is needed now as the high school is in danger of losing School Building Authority financial assistance. The cost to Concord, apart from a new facility, continues to rise as our enrollment has jumped from 9 to 17 students over the past two years. Concord's assessed share of the FY 2017 Minuteman budget is estimated at \$500,000. The current plan for a new building anticipates a 628-student facility at an estimated cost of \$144 million. Currently only 57% of the students at Minuteman are from the 16 member towns. In addition there are potential amendments to the Minuteman Regional Agreement that would change or facilitate the ability of towns to leave the district. These will have implications to the burden which member or remaining towns will assume for the potential new construction and financing.

Pension and OPEB:

An ongoing challenge for the Town is the financing of unfunded future liabilities for the employer share of pensions and retiree health insurance.

Appendix: Finance Committee's Budget Guidelines

OPEB

Operating budget allocations for funding of town OPEB obligations, covering town and CPS employees and retirees, began in FY2012 with a budgeted allocation of \$150,000 toward an OPEB Trust Fund created by the 2009 Town Meeting and with planned annual incremental funding increases of \$250,000. For FY2017, \$1,400,000 is budgeted to be contributed to the Town OPEB Trust Fund (which also covers the future liability for Concord Public School retirees). This \$1.4 million level is approximately the annual required contribution as measured by the most recent actuarial analysis of the town's future liability. CCRSD has also created a Trust Fund and has developed a revised contribution schedule as part of the FY2017 budget recommendation, which the Finance Committee has supported. Both entities have a strategy to meet their respective OPEB ARC, - the Town for FY 2017 and the CCRSD by FY 2020, which is a significant commitment and one that illustrates the strong and effective financial leadership of the Town and the Regional School District.

Pensions

The Town's most recent pension system actuarial valuation effective January 1, 2015 reports a funded ratio of 81% with an approved funding schedule designed to reach 100% funding by 2030 while keeping the annual budget impact manageable at a 3% annual rate of increase for the employer share financed from the General Fund.

The Committee notes that the Town's Pension Fund supports town employees as well as the non-teaching staff of CPS and CCRSD. The employer share of teacher pensions is paid by the state government as part of the annual state budget

Debt Obligations and repayment:

The Town needs to remain aware of the ongoing burden its existing and planned debt issuances will have on future tax levels and rates (see "Unfunded Long-term Liabilities and Outstanding Bonded Debt", page 22). This includes the bonded debt associated with the new Concord-Carlisle High School building, for which \$32,500,000 of bonded debt was issued in the spring of 2014, \$30,000,000 of bonded debt was issued in the spring of 2015 and a final estimated \$2.5 million of long-term bonds is expected to be issued in the spring of 2016., The resulting property tax impact of this \$92.5 million project is consistent with the financing plan impact presented to the Town at the November 2011 Special Town Meeting. Utilization of Concord's High School Debt Stabilization Fund, expected to be \$1,000,000 in FY 2017, has been an important tool in limiting the initial impact of the debt service expense on Concord taxpayers. The annual financing cost for the debt repayment will represent just under 4% of Concord's tax bill by FY 2018, with the debt fully repaid by 2038.

The Finance Committee appreciates the high level of cooperation and collaboration provided by the Town Manager, the Superintendent of Schools and their respective staffs in the development of the Guideline Recommendation. As the budgets progress, the Finance Committee encourages the town government, school administration, select board and school committees to continue to demonstrate fiscal discipline and to work creatively in controlling costs and developing budgets that are sustainable and continue to meet the needs of the town's citizens.

For the entire FY17 Finance Committee Budget Guideline, please visit:

[http://www.concordma.gov/pages/ConcordMA_BComm/Guideline%20memo%20and%20attachments%20pdf%20\(11-30-15%20rev%20%2012-3\).pdf](http://www.concordma.gov/pages/ConcordMA_BComm/Guideline%20memo%20and%20attachments%20pdf%20(11-30-15%20rev%20%2012-3).pdf)

Appendix: Community Profile

TOWN OF CONCORD COMMUNITY PROFILE

An excerpt from the Official Statement dated May 13, 2015

HISTORY

Purchased from the local Indians and founded in 1635, Concord was the first interior, non-tidewater town in Massachusetts Bay Colony. Though the origin of its name is unknown, one theory is that it derived from the peaceful manner in which the colonists and Indians reached agreement on its purchase and settlement. In fact, relations between the colonists and Indians during the 1600's were such that Concord was largely spared any hostile Indian actions during King Philip's War, which began in 1675. By 1775 Concord had evolved from a frontier town into a prosperous regional center with a mixed society, including small yeoman farmers, affluent gentry, and immigrants from Italy and Norway. In 1775 the town was witness to the famous Battle of Concord, which, along with the Lexington skirmish preceding it, ushered in the Revolutionary War for Independence. In the 19th century Concord became the leader of American literature and philosophy. Louisa May Alcott, Bronson Alcott, Ralph Waldo Emerson, Henry David Thoreau, and Nathaniel Hawthorne, among others, all lived in Concord.

As the 20th century progressed Concord evolved into primarily a suburban, residential community, with a mix of non-residential activities. The community has focused on preserving its rich Colonial and literary history as a means of promoting tourism and diversity in its economy. Diversity of population is also a major community focus. Concord is a part of the Boston Metropolitan Statistical Area, and a member of the Metropolitan Area Planning Council.

GEOGRAPHY

The Town of Concord in Middlesex County in eastern Massachusetts is located approximately 17 miles northwest of Boston, 34 miles northeast of Worcester, and 215 miles northeast of New York City. It is bordered by the towns of Maynard and Acton on the west, Carlisle on the north, Bedford and Lincoln on the east and southeast, and Sudbury and Wayland on the south. Of Concord's 25.89 square miles of gentle hills, valleys, fields, and ponds 24.92 square miles are land area. Concord is situated at the confluence of the Assabet and Sudbury Rivers, which join to flow northeast as the Concord River.

TRANSPORTATION AND ACCESS

Access to Concord is excellent, with east-west Route 2 traversing the town, and Route 128/95 (circumferential to Boston) just to the east, Interstate 90 (the Massachusetts Turnpike) several miles to the south, Interstate 93 several miles to the northeast, and Interstate 495 several miles to the west. In addition, there is regular commuter rail service from Boston to both Concord and West Concord, along with freight rail service. The Massachusetts Bay Transportation Authority (MBTA), of which Concord is a member community, provides a para-transit bus service for the elderly and disabled, while Yankee Lines provides bus service (1 trip daily) to Boston. Hanscom Field, a joint civil-military airport, is located in neighboring Bedford, and provides limited commercial air services.

FORM OF GOVERNMENT

Local legislative decisions are made by an open Town Meeting consisting of registered voters. Participation in Town Meeting, and volunteerism, are relatively high. Subject to town meeting decisions, and pursuant to the Town Charter adopted in 1956, the Town Manager handles the daily affairs of the Town of Concord and of the Municipal Light Plant. Matters of policy are referred first to the Town's five-member Select Board. Select Board members are elected at-large and serve three-year staggered terms. The Concord Municipal Light Plant is managed by a five-person board appointed by the Town Manager for staggered three-year terms. The Water/Sewer Division is part of the Public Works Commission managed by a five-person Board of Commissioners appointed by the Town Manager for staggered three-year terms. Local property taxes are assessed by a board of five assessors appointed for staggered three-year terms by the Town Manager with the approval of the Select Board.

Appendix: Community Profile

GOVERNMENT SERVICES

Concord provides a broad range of general governmental services, including police and fire protection; disposal of garbage and rubbish; water and sewer, including a secondary treatment plant; electricity; public works; parks and recreation; a community center; libraries; and a land conservation program. The Concord Housing Authority provides low-income and elderly housing.

EDUCATION

Concord's school system consists of the Concord Public Schools, grades kindergarten through 8, and the Concord-Carlisle Regional High School, grades 9 through 12. Concord contributes about 73% of the enrollment in the regional high school. Total enrollment is over 3,400, and has been slightly increasing since 1998. Technical education at the high school level is provided by the Minuteman Regional Vocational Technical School District, located in Lexington. Additionally, a number of fine private schools operate in Concord: Nashoba Brooks School, Concord Academy, the Fenn School, and the Middlesex School.

POPULATION

Although the 2010 Federal Census population figure for Concord is 17,668 (which includes the inmate population at MCI – Concord), a more representative number of residents is calculated by the January 2011 local census that shows a population of 15,627 (not including the prison population). The number of housing units in the Town has increased by 9% from 2000 to 2010, while the Town's population has increased. In addition, the average household size decreased from 2.62 persons per household in 2000 to 2.46 in 2010. Approximately 46% of the town's population in 2010 was between 25 and 54 years of age, with the largest age category being 45-54 years of age. From 2000 to 2010, the median age has increased 11% from 42.2 to 46.9, due in part to the expansion in residential nursing homes and assisted living facilities in the town.

HOUSING

Within Concord's 26 square miles of territory are approximately 16,000 acres—over 90%—of residentially zoned land, and 600 acres of commercially zoned land. About 45% of the land is developed; approximately 32% of the land is permanently protected open space in the form of private conservation land, trust land, and municipal, state, and federal park lands, and conservation and agricultural lands. Approximately 5,000 acres—about 28% of the land—have not been developed or permanently protected; the majority of these acres are zoned for one- and two-acre residential development. Approximately 35 acres of commercially zoned land remain undeveloped.

Concord's housing stock is in excellent condition. Over half of the housing units have been built since 1950. Those constructed before 1950 are well maintained due to the affluence of the owners, the high value of housing and land, and the increasing turnover rate. Concord has a low homeowner vacancy rate of approximately 0.9%, and a rental vacancy rate of 9.3%, which also factors into overall maintenance of the of housing stock condition. The rate of residential development in Concord has been relatively stable since the mid-1970s. From 1990 to the present, new residential construction activity has averaged from 25 to 30 units per year. With fewer developable lots available, an increasing number of these new houses are a result of the tear-down of existing homes. As of January 1, 2014 the average household single-family home assessed value was \$901,857, while the median assessed value was \$732,600.

Appendix: Community Profile

ECONOMIC DEVELOPMENT

Concord has long recognized the importance of balanced community development. In 1928, the Town adopted one of the first zoning bylaws in the United States, which included districts for residential, business, and industrial uses. Since that time the Town has continued to adopt or expand zoning and comprehensive planning designed to provide an optimum mix of residential and non-residential uses. In addition, the Town has invested considerable capital in providing infrastructure to serve its industrial areas. From 1990 to 2000, the number of firms in Concord reporting to the Massachusetts Department of Employment and Training increased approximately 22%, from 779 to 948. In 2006, there were 929 firms with an average monthly employment of 12,723 and an average weekly wage of \$1,119.

The major employers in Concord¹, excluding the Town itself, are:

Name	Nature of Business	Number of Employees
Emerson Hospital	Healthcare	1,650
300-310 Baker Avenue	Technology	1,050
Newbury Court	Healthcare	265
Concord Health Care	Healthcare	197
Middlesex School	Education	190
Concord Academy	Education	150
Hamilton, Brook, Smith & Reynolds	Professional Services	79

¹As of March, 19 2015.

INCOME AND EMPLOYMENT

Concord's population is relatively affluent. Median family income in 2011 was \$156,352, and per capita income was \$67,374 compared to \$83,371 and \$35,051, respectively, for the state as a whole. According to the state Department of Employment and Training, in March of 2014, the labor force living in Concord equaled 8,588 persons, of which 8,251 were employed and 337 or 3.9% were unemployed, as compared to the unemployment rate of 6.6% for the state.

Appendix: Financial Policies

TOWN OF CONCORD

FINANCIAL POLICIES

OVERVIEW

In order to ensure its financial well-being and fiscal stewardship, the Town Manager has established the following policies and procedures that are financially prudent and in the Town's best economic interest.

Overall, it is the policy of the Town of Concord that financial management be conducted with the objectives of providing municipal service in an efficient, effective, and consistent manner that aligns with public policy goals as set forth by the Board of Selectmen and the Annual Town Meeting. In adherence to this policy, the Town shall pursue the following objectives:

1. to set forth operational programs that minimize the cost of government to the extent consistent with services desired by the public;
2. to instill public confidence in the Town's financial management;
3. to protect and enhance the Town's credit rating and prevent default on any municipal debts;
4. to maintain effective financial management that conforms to generally accepted accounting principles for governmental entities as set forth by the Governmental Accounting Standards Board (GASB);
5. to simplify, clarify, and modernize the financial systems of the Town as the need occurs;
6. to provide safeguards to ensure the quality and integrity of the financial systems.

ACCOUNTING, AUDITING, AND FINANCIAL PLANNING POLICIES

1. The Town shall utilize accounting practices that conform to generally accepted accounting principles as set forth by GASB. In accordance with GASB Statement 34, the Town shall track, report, and depreciate capital assets as required.
2. All Town Government funds shall be placed at the highest possible rate, taking into account safety, liquidity, and yield, subject to the constraints established by State law and in compliance therewith.
3. An annual audit shall be performed by an independent public accounting firm.
4. A management letter, a list of areas for potential improvement in the Town's financial management, shall be provided by the independent public accounting firm. Additional findings and recommendations may be communicated in a separate letter.

Appendix: Financial Policies

GENERAL FUND POLICIES

1. The annual operating budget shall be balanced. A “balanced budget” for any given fund is defined as a plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues). In short, for a budget to be balanced, proposed expenditures shall not exceed projected resources for the period.
2. The Town shall explore the utilization of as broad a diversity of revenues as possible under state law to ensure the Town’s ability to handle fluctuations in the various sources of revenues with minimal negative impact on the overall budget.
3. One-time revenues shall not be used to fund ongoing expenditures. One-time and unpredictable revenues shall be utilized to fund one-time or intermittent expenditures, or shall be added to reserves.
4. In accordance with state law, debt shall not be used to fund current operating expenditures.
5. Adequate maintenance of reserves is a priority. Free cash, which is the available undesignated fund balance in the General Fund, shall be maintained at a level no less than 5% of the total budget.
6. The Reserve Fund, an appropriated contingency account that is allocated during the year by vote of the Finance Committee pursuant to a request by the Town Manager, shall be used to provide financing for extraordinary or unforeseen expenditures, as required by state law.
7. Property valuation for the purpose of taxation shall meet the annual market value standards set by the state Bureau of Local Assessment.
8. The Tax Collector shall follow a comprehensive policy of collecting property tax revenues. An average collection rate of at least 98 percent of current levy shall be maintained.
9. Charges and fees for services, and other revenues, shall, to the extent feasible, reflect the full cost of the services, and shall be examined periodically (preferably annually) by each department as deemed necessary to respond to changes in the cost of services. Recommendations for charge and fee adjustments shall be provided by the Town departments to the Town Manager for action.
10. The Town shall avoid budgetary procedures that defer the recognition of current expenditures at the expense of meeting future year’s expenditures, such as delaying the recognition of expenditure obligations until the next fiscal year.

FUND BALANCE POLICIES

The purpose of this policy is to establish a key element of the financial stability of the Town of Concord by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Town maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the Town’s general operations.

Definitions

Fund Equity – A fund’s equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that spendable and nonspendable. These are broken up into five categories:

Appendix: Financial Policies

1. Nonspendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds (e.g., funds in which the corpus cannot be spent).
2. Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include funds which have a restriction through debt covenants, grantors, contributors, or laws or regulation from other governments. The grant from the Massachusetts School Building Authority (MSBA) to mitigate the cost of the construction of new schools is placed in this category.
3. Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Concord Town Meeting. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. Examples are the School Construction Stabilization Funds and Special Revenue Funds such as the Solid Waste Fund.
4. Assigned fund balance – comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body, the Concord Town Meeting, or by an official or body to which the governing body delegates the authority, the Concord Town Manager. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. For the general fund, this amount included funds encumbered as authorized by the Town Manager or his designee for a specific purpose.
5. Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Policy

1. Committed Fund Balance – The Concord Town Meeting is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Town Meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
2. Assigned Fund Balance – The Concord Town Charter in Section 9F designates the Concord Town Manager (or his/her designee) as the official who is empowered to authorize all purchases and thus assign fund balance to a specific purpose as approved by this fund balance policy.
3. Certified Free Cash – The Commonwealth of Massachusetts certifies the amount of amount of available reserves that the Town has at the end of each fiscal year. The Free Cash amount is usually slightly less than the Unassigned Fund Balance in the Financial Statements due to the inclusion of various adjusting items.

It is the goal of the Town of Concord to achieve and maintain a Certified Free Cash balance in the General Fund equal to or greater than ten percent (10%) of the next year's total General Fund Budget. The Town considers a balance of less than five percent (5%) to be cause for concern , barring unusual or deliberate circumstances.

If Certified Free Cash falls below the above mentioned 5% threshold or has a deficiency, the Town Manager will appoint a committee comprised of Town and School officials and personnel with the charge to recommend actions to be taken to replenish the Certified Free Cash level.

Appendix: Financial Policies

4. Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Town Manager, and unassigned fund balance), the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

CAPITAL BUDGET POLICIES

1. A capital item shall be defined as a major, non-recurring expenditure involving one of the following:
 - a. Real Property – includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
 - b. Equipment – includes the replacement or addition of major items of equipment with a life expectancy of at least 2 years and a cost of at least \$5,000. Similar items can be bundled together.
 - c. Projects – include activities such as the following:
 1. Construction of new buildings or facilities (including architectural, engineering and related fees);
 2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities aside from routine maintenance;
 3. Studies or other activities (costing \$5,000 or more) that either relate to future “brick and mortar” projects or are part of a multi-year program of infrastructure improvements;
 4. An annual sum available for routine building improvements, renovations, or repairs.
2. The Town Manager shall prepare a 5-year capital improvement program annually.
3. For the Town Government and Concord Public Schools, the total budget allocation within the levy limit for capital needs (cash capital outlay, principal and interest repayment, related debt issuance costs, and short-term interest expense) shall be in the range of 7-8% of the total General Fund budget.
4. One-third of total capital needs (that is, of the above 7-8% allocation limit) shall be met from current resources, limiting the cost of borrowing to approximately 5% of the total General Fund budget.

GENERAL OBLIGATION DEBT POLICIES

1. As a general policy, the threshold for an item for debt financing shall be an expenditure of at least \$100,000 and a useful life in excess of 5 years.
2. The term of long-term debt shall not exceed the expected useful life of the capital asset being financed, and in general it shall not exceed 20 years.
3. A rapid debt repayment schedule shall be maintained, with a goal of 60% principal repayment within 5 years and 90% repayment within 10 years, for tax-supported non-excluded debt.
4. Debt supported outside the levy limit—that is, through a debt exclusion—may be above the 7-8% allocation limit, and may be structured for a longer repayment schedule; such debt shall be reserved for large capital improvements, generally those costing over \$1 million and bonded for 10 years or more.
5. For all debt exclusion items, the impact on property tax rates shall be calculated.
6. All debt of the Town shall be issued as general obligation debt. As a policy, debt for enterprises may be paid for from fee revenue rather than through taxes.

Appendix: Financial Policies

ENTERPRISE FUND POLICIES

1. Rates charged by an enterprise shall be designed to generate enough revenue to cover the full cost of the enterprise (including depreciation expense).
2. Renovation or replacement of an enterprise's capital assets shall be funded with current revenues. Capital assets associated with expansion of service may be funded through borrowing.

GIFTS AND GRANTS POLICIES

1. All gifts and grants shall be evaluated for suitability and consistency with Town policies.
2. All gifts and donations shall be managed and expended according to the wishes and instructions of the donor; all grants shall be managed to comply with the laws, regulations, and guidance of the grantor.
3. For amounts less than or equal to \$500, the Town Manager shall formally accept the gift. For amounts over \$500, the Board of Selectmen shall formally accept the gift.

INVESTMENT POLICIES

All funds of the Town, except for trust funds of the Town of Concord Employees' Retirement System, are invested in accordance with Section 55 of Chapter 44 of the Massachusetts General Laws (MGL). That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's Office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any securities that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems. A breakdown of such investments may be obtained from the Finance Director.

Pension funds are under the jurisdiction of the Town of Concord's Employees' Retirement System.

Fund Descriptions

Governmental Funds

Most Town functions are financed through what are called *governmental funds*. There are **four** types of governmental funds maintained by the Town: the General Fund, Enterprise Funds, Special Revenue Funds, and the Capital Projects Fund. The Town Meeting appropriates the General Fund, the Swim & Fitness Center Enterprise Fund, Stabilization Funds, and the Community Preservation Act Fund, in accordance with state law requirements. The Capital Projects Fund accounts for projects funded by issuance of tax-supported debt obligations ("bonds"). All other funds are not appropriated by Town Meeting but are expended under the direction of the Town Manager in accordance with state laws and the Town Charter..

General Fund: The General Fund is the major operating fund of the Town government, and it accounts for the majority of Town operations. The General Fund is supported by revenues from real estate and personal property taxes, state and federal aid, excise taxes, investment income, fines and forfeitures, and fees and charges. Most of the Town's departments, including the schools, are supported in whole or in part by the General Fund.

Enterprise Funds: The Town maintains four Enterprise Funds: the Sewer Fund, the Water Fund, the Beede Swim & Fitness Center Fund, and the Light Fund (Concord Municipal Light Plant). In addition, the Solid Waste Disposal Fund, which technically is a Special Revenue Fund, is operated as an Enterprise Fund but does not include any capital improvement activity. An enterprise operation is a business-type activity that is supported primarily by charges for services. Funds raised from charges are dedicated to the specific purpose of the enterprise operation and cannot be diverted to other unrelated uses. The concept of an enterprise operation also includes the maintenance of the capital facilities of the business. That is, fees for services are charged to recover not only the operating costs of the activity but also the "using up" (depreciation) of the capital assets supporting the service.

Budgeting and financial reporting for enterprise operations utilizes terms and concepts that differ significantly from those utilized for the General Fund . The purpose of enterprise financial reporting is to measure with reasonable accuracy and consistency the net income derived from operations, and then to measure the availability and use of capital acquisition and construction financing. The presentation of the enterprise budgets utilizes budgetary terms and reporting structure found in the audited financial statements. As such, the key measures are *Net Income* and *Capital Resource Availability*.

Special Revenue Funds: The Town maintains several Special Revenue Funds, which are used to account for those types of revenues that are legally restricted to being spent for a specific purpose (except expendable trusts, or major capital projects). These revenues must be accounted for separately from the General Fund for a variety of reasons. Special Revenue Funds include the following types of funds:

1. **Revolving Funds:** Revolving Funds allow the Town to raise revenues from a specific service, and use those revenues to support the service without appropriation. Revolving Funds are established by state statute or local bylaw, and may require re-authorization each year at Town Meeting. The Town maintains a number of Revolving Funds, such as the Cemetery Fund, the Parking Fund and the Recreation Fund.

2. **Receipts Reserved for Appropriation:** These receipts are special revenues that are restricted to a specific use, but also require annual appropriation by Town Meeting, The Road Repair Fund is a "Receipts Reserved" Fund

Appendix: Fund Descriptions

3. **School Grants:** These grants account for several specially-financed education programs under grants received from the federal or state governments, including professional development, SPED early childhood development, drug-free school programs, and certain capital improvements.

4. **Other Intergovernmental Funds:** These funds account for several grants or monies received by the Town from the federal or state governments, including a variety of community policing grants, Chapter 90 highway monies, state election grants, state library aid, and various Council on Aging programs, such as “meals-on-wheels.”

5. **Other Special Revenue Funds:** These funds account for miscellaneous special revenues often involving private donations for a specific purpose, such as the Arts & Technology Education Fund, departmental gifts for police and fire, various Council on Aging programs, and Planning Board gifts from developers for infrastructure improvements related to proposed projects.

Capital Projects Fund: The Capital Projects Fund is used to account for monies expended for the acquisition or construction of major capital facilities (buildings, roads, etc.) other than those financed by trust funds. The Town’s Capital Projects Fund is funded primarily by the receipt of bond proceeds resulting from the Town’s issuance of bonds for specific project grants, but may also be derived from private sources, grants, or transfers from other Town funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. Fiduciary Funds include expendable trusts, non-expendable trusts, and agency funds.

1. **Expendable Trusts:** Expendable Trusts are used to account for monies received by the Town in a trustee capacity where both the principal and the earnings of the fund may be expended.

2. **Non-expendable Trusts:** These trusts are used to account for funds where the principal must, by law or covenant, remain intact (that is, cannot be expended). Income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. An example is the Cemetery Perpetual Care Fund.

3. **Agency Funds:** Agency Funds are used to account for funds that are custodial in nature, collected and expensed on behalf of other units of government, such as sales taxes and other fees collected collected on behalf of and transmitted to the state government.

Basis of Accounting & Basis of Budgeting

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The accrual basis of accounting is utilized by non-expendable trust funds. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Basis of Budgeting

An annual budget is adopted by the Town Meeting for the Town's General Fund. Town Meeting approval is also required for certain special revenue funds and for capital projects funded from borrowing authorizations. The Town's General Fund annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principals (GAAP). The major differences between the budgetary basis and GAAP accounting basis are:

1. Budgeted revenues are recorded when cash is received (budgetary basis), as opposed to when susceptible to accrual (GAAP). The property tax levy is recorded as a receivable when levied but then is fully reserved until collected.
2. Encumbrances are treated as expenditures in the year the commitment is made. Certain appropriations, voted by Town Meeting apart from the main budget articles, are referred to as "Special Articles" and under state law are a continuing authorization until the purposes for which the appropriation was initially made have been certified as completed.. Special Articles are treated as budgetary expenditures in the year of authorization or the ensuing fiscal year as specified in the vote.

Appendix: Moody's Credit Rating Press Release



New Issue: Moody's assigns Aaa and MIG 1 to Concord, MA's \$8.3M GO Bonds and \$0.4M GO BANs; outlook stable

Global Credit Research - 08 May 2015

Affirms Aaa on outstanding GO bonds; post-sale \$63M in bonds outstanding

CONCORD (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2015 Bonds	Aaa
Sale Amount	\$8,300,000
Expected Sale Date	05/13/15
Rating Description	General Obligation

General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$400,000
Expected Sale Date	05/13/15
Rating Description	Note: Bond Anticipation

Moody's Outlook STA

NEW YORK, May 08, 2015 --Moody's Investors Service has assigned a Aaa rating to the Town of Concord's (MA) \$8.3 million General Obligation Municipal Purpose Loan of 2015 Bonds and a MIG 1 to \$400,000 General Obligation Bond Anticipation Notes (dated May 21, 2015 and payable May 20, 2016). Concurrently, Moody's has affirmed the Aaa long-term rating on the town's outstanding bonds. Post-sale the town has \$63 million in outstanding bonds. The outlook is stable.

SUMMARY RATING RATIONALE

The Aaa rating reflects a solid financial position supported by strong reserve levels, an affluent tax base, moderate debt burden and well-managed long-term liabilities.

The MIG 1 rating reflects the strength of the long-term rating, ample liquidity and sufficient management of refinancing risk. The rating also incorporates the town's frequent access to the capital market through the annual issuance of debt.

OUTLOOK

The stable outlook reflects the town's sound fiscal management including multi-year forecasting and effective policies. The outlook also incorporates a history of voter approved debt exclusions and general overrides to Proposition 2 ½.

WHAT COULD MAKE THE RATING GO DOWN

- Lack of voter support for operating and capital needs
- Erosion of reserves due to a trend of operating deficits
- Significant decline in tax base and demographic profile

Appendix: Moody's Credit Rating Press Release

STRENGTHS

- Wealthy, favorably located tax base
- Solid voter support for operating overrides and debt exclusions to Proposition 2 ½ levy limits
- Strong financial position with some flexibility including unused property tax levy capacity
- Effective approach to management including conservative budgeting and multi-year planning

CHALLENGES

- Rising assessments from regional school district and other education expenses

RECENT DEVELOPMENTS

The fiscal 2014 audited financials reflect continued stability in the town's financial operations with a \$523,000 operating surplus. The 2015 assessed value also represents a trend of positive growth. Please see the Detailed Rating Rationale for further information.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: STABLE RESIDENTIAL TAX BASE FAVORABLY LOCATED WITH AFFLUENT SOCIOECONOMIC INDICATORS

Concord's primarily residential (91% of 2015 assessed value) \$5.5 billion tax base is expected to remain stable with positive growth over the near term given moderate new development and a strong housing sector. The 2015 assessed value increased by 5.5%, reflecting limited but positive growth in four out of the last five years. The increase adjusted the five year compounded growth to 0.5%. Favorably located along the Route 128/I-95 corridor, the town is a mature suburb west of Boston (Aaa stable). The town does have a small commercial sector including health care, research and development and office space. The town's equalized value increased by 3.1% in 2015 which brings the six year average growth to -0.7%. The town's wealth levels remain strong with a median family income representing approximately 2.5 times the national median. The full value per capita of \$313,595 also remains strong reflecting the high-end housing stock. In addition, the town's unemployment rate of 3.4% (March 2015) remains well below the state (5.0%) and US (5.6%).

FINANCIAL OPERATIONS, RESERVES AND COVERAGE: SOUND FINANCIAL POSITION EXPECTED TO CONTINUE

The town's overall financial position is expected to remain stable given the effective management team, comfortable reserve levels and strong history of voter support. Concord enjoys additional financial flexibility to absorb future budgetary pressures due to a moderate excess property tax levy capacity that has increased to approximately \$3.6 million (4.1% of 2015 appropriations) in recent years. Operations in fiscal 2014 resulted in a surplus of \$523,000 attributed to positive revenue variance primarily from motor vehicle excise taxes. The town also benefited from turn-backs from all major line items. The 2014 audit reflects an increase in both the available General Fund balance to \$23.7 million or 25.7% of revenues and the unassigned fund balance to \$12.3 million or 13.3% of revenues. The General Fund reserves additionally include \$4.7 million in restricted fund balance designated for school debt service and \$7 million in committed fund balance designated as various stabilization funds for other debt, additional school capital, emergency response, insurance and other uses. The town plans to use some of the committed funds over the near term to offset larger increases in school assessments from the Concord-Carlisle Regional School District (RSD, Aaa stable) due to increased debt service for the new high school project which the town has excluded from Proposition 2 1/2. Concord's primary revenue source is property taxes (80% of 2014 revenues) and the town continues to benefit from a strong 99.5% collection rate.

The fiscal 2015 budget increased by 4.4% and was balanced with a 4.3% tax levy increase and an \$850,000 free cash appropriation. Year-to-date revenues are trending favorably again driven by strong excise tax receipts. Expenditures are on budget except for a snow and ice deficit of \$315,000. Year-end projections indicate a \$325,000 operating deficit after positive variance in revenues helps to offset a majority of reserve appropriations for debt service, ambulatory operations and the snow deficit.

The fiscal 2016 budget increased by 7% from the prior year due primarily to RSD debt exclusion, other education costs and one-time capital expenditures. The budget is balanced with a 5.5% tax levy increase and \$1.6 million appropriation from stabilization funds. The budget also calls for use of some of the unused levy capacity.

Appendix: Moody's Credit Rating Press Release

Liquidity

Concord's net cash position at the end of fiscal 2014 was \$33 million or a healthy 35.8% of revenues. The liquidity position is strong and provides very healthy coverage for the notes due in May 2016.

DEBT AND OTHER LIABILITIES

The town is expected to maintain an affordable debt position due to its modest 0.7% direct debt burden, an aggressive repayment schedule for non-excluded debt, and the town's commitment to pay-as-you-go capital financing, with roughly \$4.7 million budgeted in fiscal 2015, including enterprises. Future borrowing plans include approximately \$6.1 million in planned issuance in 2016 which includes various projects under the town's capital plan. The town also maintains a policy that restricts total pay-as-you-go capital spending and tax-supported non-excluded debt service to 8% of budget.

Debt Structure

The town's debt profile consists entirely of fixed rate debt. Debt service payments accounted for 8.6% of fiscal 2014 expenditures, and the town repays principal at a sound rate with 88% retired within 10 years.

Debt-Related Derivatives

Concord has no derivatives.

Pensions and OPEB

The town participates in the Concord Contributory Retirement System, a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plans was \$3.4 million in fiscal 2014, or 3.7% of General Fund expenditures. The town's 2013 adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$86 million, or a moderate 0.98 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the plan to be in proportion to its contributions to the plan.

The town continues to contribute to its OPEB liability on a pay-as-you-go basis, contributing 45% of the ARC in 2014, representing \$1.3 million. The OPEB UAAL as of June 30, 2014 was \$26.8 million. In addition to its annual pay-go contribution, the town annually contributes to an OPEB trust which as of the valuation date, provided a funded ratio of 19.7% of the unfunded liability. Going forward, the town will continue to increase budgeted OPEB funding as part of its plan to reach full funding by 2020.

MANAGEMENT AND GOVERNANCE

Massachusetts cities and towns have an institutional framework score of 'Aa' or strong. The primary revenue source for Massachusetts municipalities is property taxes which are highly predictable and can be increased annually as allowed under the Proposition 2 ½ levy limit. Expenditures are largely predictable and cities have the ability to reduce expenditures.

The town continues to abide by sound fiscal management policies which are detailed in the annual finance committee report. The policies include the maintenance of free cash of at least 5% of the total budget, a capital budget and debt policy which helps to develop the town's multi-year budget projections.

KEY STATISTICS

- 2015 Equalized Valuation: \$5.5 billion
- 2015 Equalized Value Per Capita: \$313,595
- Median Family Income as % of US Median: 244.58%
- Fiscal 2014 operating fund balance as a % of revenues: 25.72%
- 5-Year Dollar Change in Fund Balance as % of Revenues (2010-2014): 16.06%
- Fiscal 2014 Cash Balance as % of Revenues: 35.77%

Appendix: Moody's Credit Rating Press Release

- 5-Year Dollar Change in Cash Balance as % of Revenues (2010-2014): 16.37%
- Institutional Framework: "Aa"
- 5-Year Average Operating Revenues / Operating Expenditures (2010-2014): 1.02x
- Net Direct Debt as % of Full Value: 0.73%
- Net Direct Debt / Operating Revenues: 0.4x
- 3-Year Average of Moody's ANPL as % of Full Value: 1.51%
- 3-Year Average of Moody's ANPL / Operating Revenues: 0.9x

OBLIGOR PROFILE

Concord is primarily a residential community west of Boston with a population of 17,668.

LEGAL SECURITY

The notes are secured by the town's general obligation unlimited tax pledge as debt service has been exempt from the levy limitations of Proposition 2 ½.

The new money portion of the bonds are secured by the town's general obligation limited tax pledge as debt service has not been exempt from the levy limitations of Proposition 2 ½. The refunding component is secured by the town's general obligation unlimited tax pledge as debt service has been exempt from the levy limitations of Proposition 2 ½.

USE OF PROCEEDS

Note proceeds will be used to finance various town capital projects. The bonds will provide new money in the amount of \$3.6 million to fund town capital projects. The remaining bond proceeds will refund, in part, the town's outstanding 2004 and 2006 series for an estimated net present value savings of \$1 million or 12% of refunded par (net of an MSBA grant of \$3.4 million to fund the escrow) with no extension of maturity.

PRINCIPAL METHODOLOGY

The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the short-term rating was US Bond Anticipation Notes published in April 2014. Please see the Credit Policy page on www.moody.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody.com for additional regulatory disclosures for each credit rating.

Appendix: Comprehensive Annual Financial Report

TOWN OF CONCORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

(Except for the Electric Enterprise Fund, which is as of December 31, 2014)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 37,187,882	\$ 25,162,558	\$ 62,350,440
Investments	17,070,683	-	17,070,683
Receivables, net of allowance for uncollectibles:			
Property taxes	569,528	-	569,528
Excises	88,328	-	88,328
User fees	-	5,851,254	5,851,254
Betterments	-	59,000	59,000
Departmental and other	329,130	-	329,130
Intergovernmental	1,563,969	-	1,563,969
Inventory	-	1,048,569	1,048,569
Prepaid expenses	-	3,283,723	3,283,723
Other assets	11,542	230,222	241,764
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	418,669	-	418,669
Betterments	-	704,404	704,404
Restricted cash	-	6,023,360	6,023,360
Net OPEB asset	-	171,115	171,115
Capital assets being depreciated, net	102,104,350	80,682,104	182,786,454
Capital assets not being depreciated	<u>52,727,551</u>	<u>7,094,469</u>	<u>59,822,020</u>
TOTAL ASSETS	212,071,632	130,310,778	342,382,410
LIABILITIES			
Current:			
Warrants payable	2,381,894	3,481,768	5,863,662
Retainage payable	167,659	83,425	251,084
Accrued liabilities	2,579,537	336,278	2,915,815
Customer deposits	-	249,372	249,372
Provision for rate stabilization	-	3,179,711	3,179,711
Notes payable	18,139	-	18,139
Other current liabilities	233,536	251,059	484,595
Current portion of long-term liabilities:			
Bonds payable	6,468,165	2,198,324	8,666,489
Accrued employee benefits	378,871	29,873	408,844
Estimated landfill closure and postclosure care costs	10,000	-	10,000
Noncurrent:			
Bonds payable, net of current portion	35,620,634	19,335,201	54,955,835
Net OPEB obligation	7,391,340	-	7,391,340
Net pension liability	13,165,798	706,731	13,872,529
Accrued employee benefits, net of current portion	3,410,738	332,332	3,743,070
Estimated landfill closure and postclosure care costs, net of current portion	<u>160,000</u>	<u>-</u>	<u>160,000</u>
TOTAL LIABILITIES	71,986,411	30,184,074	102,170,485
DEFERRED INFLOWS OF RESOURCES	<u>1,210,387</u>	<u>894,987</u>	<u>2,105,374</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	73,196,798	31,079,061	104,275,859
NET POSITION			
Net investment in capital assets	115,573,285	67,974,268	183,547,553
Restricted for:			
Grants and other statutory restrictions	18,308,782	6,288,292	24,597,074
Permanent funds:			
Nonexpendable	4,929,898	-	4,929,898
Expendable	842,846	-	842,846
Unrestricted	<u>(779,977)</u>	<u>24,969,157</u>	<u>24,189,180</u>
TOTAL NET POSITION	<u>\$ 138,874,834</u>	<u>\$ 99,231,717</u>	<u>\$ 238,106,551</u>

Appendix: Comprehensive Annual Financial Report

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 28,473,174	\$ 8,714,708	\$ 37,187,882
Investments	11,402,725	5,667,958	17,070,683
Receivables:			
Property taxes	1,315,656	11,103	1,326,759
Excises	119,696	-	119,696
Departmental	-	329,130	329,130
Intergovernmental	101,204	1,462,765	1,563,969
Accrued interest and other	11,542	-	11,542
TOTAL ASSETS	<u>\$ 41,423,997</u>	<u>\$ 16,185,664</u>	<u>\$ 57,609,661</u>
LIABILITIES			
Warrants payable	\$ 1,488,545	\$ 893,349	\$ 2,381,894
Retainage payable	-	167,659	167,659
Accrued liabilities	2,926,466	38,316	2,964,782
Notes payable	-	18,139	18,139
Other liabilities	233,536	-	233,536
TOTAL LIABILITIES	4,648,547	1,117,463	5,766,010
DEFERRED INFLOWS OF RESOURCES	1,367,687	558,399	1,926,086
FUND BALANCES			
Nonspendable	-	4,929,898	4,929,898
Restricted	10,291,652	9,679,731	19,971,383
Committed	7,582,438	-	7,582,438
Assigned	5,167,430	-	5,167,430
Unassigned	12,366,243	(99,827)	12,266,416
TOTAL FUND BALANCES	<u>35,407,763</u>	<u>14,509,802</u>	<u>49,917,565</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 41,423,997</u>	<u>\$ 16,185,664</u>	<u>\$ 57,609,661</u>

Appendix: Comprehensive Annual Financial Report

TOWN OF CONCORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 77,422,884	\$ 1,028,021	\$ 78,450,905
Excise taxes	3,826,437	-	3,826,437
Penalties, interest and other taxes	459,477	-	459,477
Departmental	1,591,195	4,950,365	6,541,560
Licenses and permits	1,034,287	-	1,034,287
Fines and forfeitures	128,779	-	128,779
Intergovernmental	4,114,129	3,413,237	7,527,366
Investment income	473,251	96,839	570,090
Contributions	-	433,446	433,446
Other	115,509	500,178	615,687
Total Revenues	<u>89,165,948</u>	<u>10,422,086</u>	<u>99,588,034</u>
Expenditures:			
Current:			
General government	5,526,509	2,387,341	7,913,850
Public safety	8,599,841	864,865	9,464,706
Education	50,409,949	2,748,591	53,158,540
Public works	4,516,385	3,498,525	8,014,910
Health and human services	481,793	405,568	887,361
Culture and recreation	2,181,110	1,891,343	4,072,453
Employee benefits	10,088,531	-	10,088,531
Debt service	11,351,077	143,145	11,494,222
Intergovernmental	476,551	-	476,551
Total Expenditures	<u>93,631,746</u>	<u>11,939,378</u>	<u>105,571,124</u>
Excess (deficiency) of revenues over expenditures	(4,465,798)	(1,517,292)	(5,983,090)
Other Financing Sources (Uses):			
Issuance of bonds	-	3,022,457	3,022,457
Issuance of refunding bonds	4,560,000	-	4,560,000
Premium on refunding	302,289	-	302,289
Payment to refunded bond escrow agent	(4,810,754)	-	(4,810,754)
Transfers in	2,633,840	15,180	2,649,020
Transfers out	(94,472)	(386,990)	(481,462)
Total Other Financing Sources (Uses)	<u>2,590,903</u>	<u>2,650,647</u>	<u>5,241,550</u>
Changes in fund balances	(1,874,895)	1,133,355	(741,540)
Fund Balances, at Beginning of Year, as reclassified	<u>37,282,658</u>	<u>13,376,447</u>	<u>50,659,105</u>
Fund Balances, at End of Year	<u>\$ 35,407,763</u>	<u>\$ 14,509,802</u>	<u>\$ 49,917,565</u>

Appendix: Comprehensive Annual Financial Report

TOWN OF CONCORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Taxes	\$ 76,786,233	\$ 76,786,233	\$ 77,329,423	\$ 543,190
Excise taxes	3,550,000	3,550,000	3,826,437	276,437
Penalties, interest and other taxes	170,000	170,000	459,477	289,477
Departmental	1,310,400	1,310,400	1,591,195	280,795
Licenses and permits	860,000	860,000	1,034,287	174,287
Fines and forfeitures	90,000	90,000	128,779	38,779
Intergovernmental	4,147,519	4,147,519	4,114,129	(33,390)
Investment income	100,000	100,000	82,546	(17,454)
Other	73,100	73,100	115,509	42,409
Transfers in	458,650	2,095,171	2,095,171	-
Total Revenues and Transfers	87,545,902	89,182,423	90,776,953	1,594,530
Expenditures:				
General government	5,274,787	6,019,519	5,612,816	406,703
Public safety	8,420,305	8,532,841	8,504,872	27,969
Education	50,347,289	50,347,289	50,347,289	-
Public works	3,384,367	3,972,076	3,940,075	32,003
Snow and ice	555,000	555,000	865,773	(310,773)
Health and human services	476,570	497,178	495,883	1,295
Culture and recreation	2,137,984	2,308,418	2,280,586	27,832
Employee benefits	9,800,106	9,800,106	9,727,630	72,476
Debt service	7,416,340	10,844,406	10,799,542	44,866
Intergovernmental	528,484	528,484	476,551	51,933
Transfers out	929,186	929,686	929,366	320
Total Expenditures and Transfers	89,270,418	94,335,007	93,980,383	354,624
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,724,516)	(5,152,584)	(3,203,430)	1,949,154
Other Financing Sources/(Uses):				
Use of fund balance:				
For stabilization funding	750,000	750,000	750,000	-
For debt service	409,878	3,837,946	-	(3,837,946)
For other purposes	850,000	850,000	-	(850,000)
Raise prior year deficits	(285,362)	(285,362)	-	285,362
Excess of expenditures and other uses over revenues and other sources	\$ -	\$ -	\$ (2,453,430)	\$ (2,453,430)

Appendix: Glossary

A GLOSSARY OF TERMS COMMONLY USED IN MUNICIPAL FINANCE

Abatement: A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments.

Accrual Basis: In the context of accounting, practice in which expenses and income are accounted for as they are earned or incurred, whether or not they have been received or paid.

Actuarial Accrued Liability (AAL): Generally represents the portion of the present value of fully projected benefits attributable to service credit earned (or accrued) as of the valuation date.

Actuarial Value of Assets (AVA): The value of a pension plan investments and other property used by the actuary for the purpose of an actuarial valuation (sometimes referred to as valuation assets). Actuaries often select an asset valuation method that smoothes the effects of short-term volatility in the market value of assets.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Appropriation: An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time when it may be expended. Only a vote of Town Meeting or the School Committee can authorize money appropriated for one purpose to be used for another. Any amount which is appropriated may be encumbered. Any part of the general appropriation not spent or encumbered by June 30 automatically reverts to surplus. A specific or particular appropriation is carried forward from year to year until spent for the designated purpose or transferred by Town Meeting vote to another account.

Assessed Valuation: The value placed upon a particular property by the local Board of Assessors for the purpose of apportioning the Town's tax levy among individual property owners equitably and in accordance with the legal requirement that property be assessed at "full and fair cash value," certified periodically by the Commonwealth's Commissioner of Revenue (no less frequently than once every three years).

Audit: Work done by accountants in examining financial reports, reviewing compliance with applicable laws and regulations, reviewing efficiency and economy of operations, and reviewing effectiveness in achieving program results. A basic audit examines only the financial reports and legal compliance. An outside Certified Public Accountant (CPA) audit is directed primarily toward the expression of an opinion as to the fairness of the financial statements and submission of a management letter. An auditor must be independent of the executive branch of government. A state auditor, private CPA, or public accountant, or elected auditor meets this test.

Balance Sheet: A statement which discloses the assets, liabilities, reserves, and equities of a fund or government unit at a specified date.

Balanced Budget: A plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues).

Appendix: Glossary

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period (usually a 12-month period referred to as the Fiscal Year, or FY) and the proposed means of financing them. A budget may be preliminary (the financial plan presented to the Town Meeting) or final (the plan approved by that body).

Capital Budget: A plan of proposed capital outlays, and the means of financing them for the current fiscal period. It is usually a part of the current budget but may also be a multi-year plan.

Capital Improvement: A major, non-recurring expenditure involving one of the following:

- a. Real Property - Includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
- b. Equipment - Includes the replacement or addition of major items of equipment with a life expectancy of at least two years and a cost of at least \$5,000. Similar items can be bundled together.
- c. Projects - Include activities such as the following:
 1. Construction of new buildings or facilities (including architectural, engineering, and related fees).
 2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities, aside from routine maintenance.
 3. Studies or other activities (costing \$5,000 or more) that either relate to future “brick and mortar” projects, or are a part of a multi-year program of infrastructure improvements.
 4. An annual sum available for routine building improvements, renovations, or repairs.

Cherry Sheet: An annual statement received from the Massachusetts Department of Revenue (DOR) detailing estimated receipts for the next fiscal year from the various state aid accounts, and estimated state and county government charges payable by the Town, and included by the local Assessors in setting the tax rate. The actual receipts and charges may vary from the estimates.

Classification: The division of property valuations by type of property. There are five classes: Residential, Open Space, Commercial, Industrial, and Personal. The Selectmen may set as many as three different tax rates (within limits set forth in state law): for residences, for business and personal, and for open space.

Cooling Degree Days: Are a measure of how much (in degrees), and for how long (in days), outside air temperature was *higher* than a specific base temperature. They are used for calculations relating to the energy consumption required to *cool* buildings

Debt Service: Payment of interest and principal related to long term debt.

Depreciation: A non-cash expense (also known as non-cash charge) that provides a source of available funds. Amount allocated during the period to amortize the cost of acquiring long-term assets over the useful life of the assets. This is an accounting expense not a real expense that demands cash.

Encumbrance: Obligations such as purchase orders, contracts, or salary commitments that are chargeable to an appropriation, and for which a part of the appropriation is reserved.

Appendix: Glossary

Enterprise Fund: A fiscal entity with a self-balancing set of accounts that is utilized to account for a governmental service when it is the intent to recover the total cost of service, including depreciation, primarily through user charges imposed on the consumers of the service. Examples in Concord include: electricity provided by the Concord Municipal Light Plant, and Water and Sewer services provided by the Department of Public Works.

Equalized Valuation (EQV): The value of all property as determined by the Commissioner of Revenue biennially, using a standard of "full and fair value"; also referred to as EQV.

Expenditure: The spending of money by the Town for the programs or projects within the approved budget.

Fiscal Year (FY): A 12-month period, commencing July 1 and ending June 30, to which the annual budget applies, and at the end of which a governmental unit determines its financial position and the results of its operations. The number of the fiscal year is that of the calendar year in which it ends; FY2016 is the fiscal year which ends June 30, 2016.

Free Cash: Free cash refers to the amount of Fund Balance that is available for appropriation. It is certified each July 1 by the state. Because of the stringent way that the state makes these calculations, Free Cash more closely represents Cash (actual dollars held) than does Fund Balance, which includes a variety of receivables (i.e., cash due).

Fund: An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Balance: The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to the stockholders equity account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected (see **Free Cash**).

General Fund: The fund into which the general (non-earmarked) revenues of the Town are deposited, and from which money is appropriated to pay expenses.

General Obligation Bonds: Bonds issued by the Town that are backed by the full faith and credit of its taxing authority.

Governmental Funds: Funds used to organize and separate the finances of various Town activities and objectives. Governmental Fund categories include: the General Fund; Enterprise Funds; Special Revenue Funds; and the Capital Projects Fund.

Heating Degree Days: Are a measure of how much (in degrees), and for how long (in days), outside air temperature was *lower* than a specific "*base temperature*" (or "*balance point*"). They are used for calculations relating to the energy consumption required to *heat* buildings.

Kilowatt-hour (kWh): Kilowatt-hour is an energy unit (symbol kWh). One kilowatt-hour is defined as the energy consumed by power consumption of 1kW during 1 hour. The Town of Concord uses kWh to measure electric output for facilities.

Appendix: Glossary

Land Fund: A fund established by Town bylaw in FY1986 to which may be added an annual appropriation, gifts, and grants. The use of the fund is restricted to the acquisition of land, debt service on designated land purchases, and related costs, such as legal and appraisal fees.

Massachusetts School Building Authority (MSBA): A quasi-independent government authority created to reform the process of funding capital improvement projects in the Commonwealth's public schools.

Net OPEB Obligation (NOO): The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. (GASB 45 only)

Other Post-Employment Benefits (OPEB): Post-employment benefits that an employee will begin to receive at the start of retirement. This does not include pension benefits paid to the retired employee. Other post-employment benefits that a retiree can be compensated for are life insurance premiums, healthcare premiums and deferred-compensation arrangements

Overlay: The amount raised from the property tax levy in excess of appropriations and other charges. It cannot exceed 5 percent of the levy, and is used to cover abatements and exemptions granted locally or on appeal.

Overlay Surplus: The unused portions of **overlay** accounts from previous years; at the end of each fiscal year, this amount is computed from information provided by the Board of Assessors. Any sum so designated is transferred to, and becomes part of, the General Fund undesignated fund balance.

Override: A vote to increase the amount of property tax revenue that may be raised over the levy limit set by **Proposition 2½**.

Payment in lieu of Taxes (PILOT): made to compensate a local government for some or all of the tax revenue that it loses because of the nature of the ownership or use of a particular piece of real property. Usually it relates to the foregone property tax revenue.

Personal Services: The cost of salaries, wages, and related employment benefits.

Property Tax Levy: The amount produced by multiplying the assessed valuation of property by the tax rate. The tax rate is expressed per thousand dollars of assessed valuation. For example: (based on \$14.29 tax rate)

<i>House Value:</i>	\$700,000
<i>Tax Rate:</i>	\$14.29 (which means \$14.29 per thousand \$\$ of valuation)
<i>Levy Calculation:</i>	\$14.29 multiplied by \$700,000 divided by \$1,000.
<i>Result, Property Tax Levy:</i>	\$10,003

Proposition 2½ (see below): A tax limitation measure passed by Massachusetts voters in 1980 that limits the growth of the total property tax levy to 2.5% per year. New construction values are added to this limit. Two provisions of Prop 2½, so-called, allow the Town to raise taxes above this tax levy limit, upon approval by a Town-wide vote: an operating override or a debt exclusion.

Appendix: Glossary

Public Employee Retirement Administration Commission (PERAC): A government agency that was created for and is dedicated to the oversight, guidance, monitoring, and regulation of the Massachusetts Public Pension Systems.

Purchased Services: The cost of services that are provided by a vendor.

Reserve Fund: A fund appropriated each year that may be used only by vote of the Finance Committee for "extraordinary or unforeseen expenditures."

Revolving Fund: Those funds that may be used without **appropriation**, and that are established for special uses. Fees (such as for recreation) may be paid into a revolving fund. Revolving funds are established directly by state law or by Town bylaw consistent with state law.

Tax Levy: Total amount of dollars assessed in property taxes by the Town each **fiscal year**.

Therm: A unit of measure for heating energy. In Concord this can be linked to facility natural gas output.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any of the **Actuarial Accrued Liability** over the **Actuarial Value of Assets**. In other words, the present value of benefits earned to date that are not covered by current plan assets.

Warrant: A list of items to be voted upon at Town Meeting.

Terms Associated with Proposition 2½

Excess Levy Capacity: The difference between the Town's maximum annual tax levy limit as established by Proposition 2½, and its actual **tax levy** for the current year. It is additional **tax levy** that a town could raise without asking voters for an **override** or debt exclusion.

Growth Revenue: The amount of property tax revenue that the Town can add to its allowable tax levy as a result of new construction, alterations, subdivision, or change of use of a parcel.

Primary Levy Limit, or Absolute Limit: 2.5 percent of certified full and fair cash value of taxable property.

Secondary Levy Limit, or Annual Levy Limit: Prior levy limit plus 2.5 percent (base) plus **growth revenue**.