

Budget Process

The Town of Concord operates under state statutes in general; and under the Town Charter as amended, which established the present Selectmen-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. While Town Meeting has the sole authority to appropriate funds for the General Fund operating budget and capital projects, it does not appropriate funds for the electric, sewer, and water enterprise funds, or for the special revenue funds. For the three existing enterprise funds and Solid Waste Special Revenue Fund, the responsible department heads, with review by the Town Manager, develop the proposed budgets. The Town Manager then submits these proposed budgets to the Board of Selectmen and Finance Committee, and to the public, prior to the Annual Town Meeting. Each budget is approved by the responsible policy committee as a spending plan, and the Town Meeting authorizes the Town Manager to expend the funds. The new Swim and Fitness Center enterprise fund follows this same pattern, with the additional requirement that the Town Meeting enacts this budget as an appropriation. The Swim and Fitness Center Fund is authorized under MGL c. 44, s. 53F½, a state law enacted in 1986 that sets forth conditions for newly-established enterprise funds. The fiscal year for the electric utility begins on January 1, while the fiscal year for all other funds begins on July 1.

Like prior budgets, these CY12/FY13 budgets have been developed based upon projected assumptions of available revenue. These budgets are based primarily upon fees charged for the services provided by each activity. Added to these service fees are projections for grants and miscellaneous non-operating revenues, such as interest earnings.

The projected expenditures are calculated based upon the costs of operating the existing service. These operating costs include salaries and employee benefits, debt interest payments, and infrastructure repair and maintenance, including depreciation expense.

Budget Schedule

Beginning in September each fiscal year, the responsible boards and commissions discuss budget issues and provide policy guidance to the staff at a series of working meetings. By February, the responsible departments develop and submit their budgets to the Town Manager. With input from these parties, the Town Manager submits the proposed budgets to the public at a hearing held in mid to late March.

Shown on the following pages are a calendar of important dates and a chart of the budget schedules for developing and acting on the CY12/FY13 budgets, including the enterprise/special revenue budgets.

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Implement Adopted FY10 Budget (Ongoing)											
		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 Mgr & education budgets & all articles				
								Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets			
									Town Meeting discusses & adopts Town, education, & CIP budgets		
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

Appendix: Budget Process

FY13 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 Board of Selectmen and requiring appropriation by the Town Meeting. The School Superintendent and School Committees carry out similar steps leading to Town Meeting.

2011

September 15	Capital Improvement Program FY13-17 requests due
September 15	Budget Instructions issued to all departments, boards and committees
September 22	FY2013 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
October 14	FY2013 Operating Budget Requests due
October 31– November 18	Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team
November 9	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY11 property tax rates)
November 14	Public Hearing (“Classification Hearing”), proposed property tax rates for FY12 (based on FY12 appropriations voted at April 2011 Town Meeting)
November 17	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 3 (Sat)	Selectmen/Committees Coordination Meeting; planning session for April 2012 Annual Town Meeting
December 5	Warrant opened for 2012 Annual Town Meeting
December 9	Preliminary FY2013 Operating Budget recommendations and final recommendations for FY13-17 CIP compiled by Budget Review Team for Town Manager’s review and decisions

FY2013 Budget Calendar continued on next page

Appendix: Budget Process

2012

January 2	Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2013 Operating Budget submitted to Board of Selectmen
January 3	Warrant for Town Meeting closes at 4:00 PM
January 24	90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2013 (General Fund operations and proposed appropriations) is published and submitted to Selectmen. (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.
February 3	Proposed budgets for FY2013 operations of Enterprise Funds are due.
February 16	Public Hearings advertised (for FY2013 General Fund operations)
February 17	Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
February 27	Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2013 and all other non-school financial articles on the Town Meeting Warrant
February 29	Finance Committee's Public Hearing on Education budget proposals for FY2013 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
March 9	Town Manager's Proposed Budget for FY2013 Enterprise Operations published (10 days prior to Public Hearing)
March 19	Public Hearing on Enterprise Fund budgets and Articles
March 22	Finance Committee completes its recommendations for Town Meeting
April 2	Finance Committee Report to printer
April 13	Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
April 23	Town Meeting - consideration of budget; enactment of appropriations (first session)

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

(DECEMBER 31, 2010 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
ASSETS					
Current:					
Cash and short-term investments	\$ 5,625,787	\$ 4,104,437	\$ 14,298,456	\$ 3,595,278	\$ 27,623,958
Investments	-	-	4,299,383	-	4,299,383
User fees, net of allowance for uncollectibles	841,714	473,215	3,886,462	-	5,201,391
Betterment receivables	-	77,450	-	-	77,450
Inventory	42,455	-	-	-	42,455
Materials and supplies, at average cost	-	-	793,133	-	793,133
Prepaid expenses	-	-	3,321,021	-	3,321,021
Other assets	-	-	337,189	-	337,189
Total current assets	6,509,956	4,655,102	26,935,644	3,595,278	41,695,980
Noncurrent:					
Betterment receivables, net of current portion	-	1,239,230	-	-	1,239,230
Capital assets being depreciated, net	15,209,845	24,192,920	29,539,035	8,577,423	77,519,223
Capital assets not being depreciated	3,273,783	100,000	4,298,798	-	7,672,581
Total noncurrent assets	18,483,628	25,532,150	33,837,833	8,577,423	86,431,034
TOTAL ASSETS	24,993,584	30,187,252	60,773,477	12,172,701	128,127,014
LIABILITIES					
Current:					
Warrants payable	259,934	132,650	3,912,180	124,517	4,429,281
Accrued liabilities	63,534	118,014	166,553	-	348,101
Unearned revenue	-	-	264,253	926,771	1,191,024
Customer deposits	-	-	387,123	-	387,123
Provision for rate stabilization	-	-	9,528,361	-	9,528,361
Notes payable	-	-	4,000,000	-	4,000,000
Current portion of long-term liabilities:					
Bonds payable	670,000	774,634	530,000	-	1,974,634
Accrued employee benefits	10,255	2,564	-	5,499	18,318
Total current liabilities	1,003,723	1,027,862	18,788,470	1,056,787	21,876,842
Noncurrent:					
Bonds payable, net of current portion	4,855,000	12,062,003	1,380,000	-	18,297,003
Accrued employee benefits, net of current portion	92,293	23,073	126,825	49,492	291,783
Net OPEB obligation	-	-	194,397	-	194,397
Total noncurrent liabilities	4,947,293	12,085,076	1,701,322	49,492	18,783,183
TOTAL LIABILITIES	5,951,016	13,112,938	20,489,792	1,106,279	40,660,025
NET ASSETS					
Invested in capital assets, net of related debt	12,958,628	11,956,283	27,927,833	8,577,423	61,420,167
Restricted - betterments	-	2,014,336	-	-	2,014,336
Restricted - capital improvements	-	2,123,260	-	-	2,123,260
Unrestricted	6,083,940	980,435	12,355,852	2,488,999	21,909,226
TOTAL NET ASSETS	\$ 19,042,568	\$ 17,074,314	\$ 40,283,685	\$ 11,066,422	\$ 87,466,989

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

(DECEMBER 31, 2010 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Operating Revenues:					
Charges for services	\$ 4,374,329	\$ 2,648,063	\$ 28,048,826	\$ 2,391,610	\$ 37,462,828
Total Operating Revenues	4,374,329	2,648,063	28,048,826	2,391,610	37,462,828
Operating Expenses:					
Personnel services	967,322	345,570	-	1,181,734	2,494,626
Non-personnel services	913,400	859,536	-	696,853	2,469,789
Depreciation	740,219	1,717,711	1,425,021	285,744	4,168,695
Electric operations	-	-	25,152,554	-	25,152,554
Total Operating Expenses	2,620,941	2,922,817	26,577,575	2,164,331	34,285,664
Operating Income (Loss)	1,753,388	(274,754)	1,471,251	227,279	3,177,164
Nonoperating Revenues (Expenses):					
Investment income	18,111	12,242	82,172	12,385	124,910
Interest expense	(177,465)	(186,609)	(109,935)	(4,875)	(478,884)
Other nonoperating income, net	43,872	-	-	-	43,872
Other nonoperating expense, net	-	-	(225,712)	-	(225,712)
Total Nonoperating Revenues (Expenses), Net	(115,482)	(174,367)	(253,475)	7,510	(535,814)
Income Before Transfers	1,637,906	(449,121)	1,217,776	234,789	2,641,350
Transfers in	-	-	-	124,875	124,875
Transfers out - overhead allocations	(553,538)	(182,746)	(380,000)	(137,392)	(1,253,676)
Change in Net Assets	1,084,368	(631,867)	837,776	222,272	1,512,549
Net Assets at Beginning of Year	17,958,200	17,706,181	39,445,909	10,844,150	85,954,440
Net Assets at End of Year	\$ 19,042,568	\$ 17,074,314	\$ 40,283,685	\$ 11,066,422	\$ 87,466,989

TOWN OF CONCORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

(DECEMBER 31, 2010 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 4,347,928	\$ 2,760,329	\$ 23,959,134	\$ 2,331,492	\$ 33,398,883
Payments to vendors and employees	(1,766,482)	(1,329,098)	(23,893,545)	(1,876,309)	(28,864,414)
Receipts from noncurrent deposits	-	-	33,932	-	33,932
Net Cash Provided By Operating Activities	2,581,466	1,432,231	99,521	455,183	4,568,401
Cash Flows From Noncapital Financing Activities:					
Premium from sale of bonds	43,872	-	-	-	43,872
Transfers in	-	-	-	124,875	124,875
Transfers out	(553,538)	(182,746)	(380,000)	(137,392)	(1,253,676)
Net Cash Provided by (Used for) Noncapital Financing Activities	(509,666)	(182,746)	(380,000)	(12,517)	(1,084,929)
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(728,194)	(148,010)	-	(38,230)	(914,434)
Acquisition and construction of utility plant	-	-	(1,171,592)	-	(1,171,592)
Net additions to construction in progress	(3,316)	1,625	(1,465,383)	-	(1,467,074)
Proceeds from issuance of bonds and notes	1,500,000	-	4,000,000	-	5,500,000
Transfers from (to) restricted deposits with Town	-	-	(3,183,507)	-	(3,183,507)
Principal payments on bonds and notes	(550,000)	(761,275)	(540,000)	(100,000)	(1,951,275)
Interest expense	(177,465)	(186,609)	(109,935)	(4,875)	(478,884)
Net additions to customer advances for construction	-	-	33,900	-	33,900
Net Cash (Used For) Capital and Related Financing Activities	41,025	(1,094,269)	(2,436,517)	(143,105)	(3,632,866)
Cash Flows From Investing Activities:					
Investment income	18,111	12,242	82,172	12,385	124,910
Sales of investment shares	-	-	5,178	-	5,178
Net Cash Provided By Investing Activities	18,111	12,242	87,350	12,385	130,088
Net Change in Cash and Short-Term Investments	2,130,936	167,458	(2,629,646)	311,946	(19,306)
Cash and Short-Term Investments, Beginning of Year	3,494,851	3,936,978	16,928,102	3,283,332	27,643,264
Cash and Short-Term Investments, End of Year	\$ 5,625,787	\$ 4,104,437	\$ 14,298,456	\$ 3,595,278	\$ 27,623,958
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 1,753,388	\$ (274,754)	\$ 1,471,251	\$ 227,279	\$ 3,177,164
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	740,219	1,717,711	1,425,021	285,744	4,168,695
Changes in assets and liabilities:					
User fees receivables	(26,401)	112,266	(399,049)	-	(313,184)
Inventory	(4,133)	-	-	-	(4,133)
Materials and supplies	-	-	(42,572)	-	(42,572)
Deferred costs	-	-	(1,497)	-	(1,497)
Prepaid expenses	-	-	(122,121)	-	(122,121)
Noncurrent deposits with Town Treasurer	-	-	33,932	-	33,932
Warrants payable	115,764	(116,775)	-	(3,407)	(4,418)
Accrued liabilities	2,629	(6,217)	1,355,251	5,685	1,357,348
OPEB	-	-	69,948	-	69,948
Unearned revenue	-	-	-	(60,118)	(60,118)
Provisions	-	-	(3,690,643)	-	(3,690,643)
Net Cash Provided By Operating Activities	\$ 2,581,466	\$ 1,432,231	\$ 99,521	\$ 455,183	\$ 4,568,401

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.

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).

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.

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.

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; FY2006 is the fiscal year which ends June 30, 2006.

Free Cash: Referred to by statute as "undesignated fund balance". Certified each July 1 by the state, this is the portion of **Fund Balance** available for appropriation. It is not cash, but rather is approximately the total of cash and receivables, less current liabilities and earmarked reserves, reduced also by reserves for uncollected taxes.

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.

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.

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**.

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:

<i>House Value:</i>	\$500,000
<i>Tax Rate:</i>	\$9.83 (which means \$9.83 per thousand \$\$ of valuation)
<i>Levy Calculation:</i>	\$9.83 multiplied by \$500,000 divided by \$1,000.
<i>Result, Property Tax Levy:</i>	\$4,915

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.

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.

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**.