

# **Section VIII**

## **Appendix**

## 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 Beede 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 Beede Swim and Fitness Center Fund is authorized under MGL c. 44, s. 53F $\frac{1}{2}$ , 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 CY11/FY12 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 CY11/FY12 budgets, including the enterprise/special revenue budgets.

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

### Town of Concord FY2012 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.*

#### 2010

September 10	Capital Improvement Program FY12-16 requests due
September 17	Budget Instructions issued to all departments, boards and committees
September 23	FY2012 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
October 15	FY2012 Operating Budget Requests due
November 1 – 19	Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team
November 10	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2011 property tax rate or rates)
November 15	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2011 (based on FY2011 appropriations voted at April 2010 Town Meeting)
November 18	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 4 (Sat)	Selectmen/Committees Coordination Meeting; planning session for April 2012 Annual Town Meeting
December 6	Warrant opened for 2011 Annual Town Meeting
December 10	Preliminary FY2012 Operating Budget recommendations and final recommendations for FY12-16 CIP compiled by Budget Review Team for Town Manager's review and decisions

## 2011

January 3	Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2012 Operating Budget submitted to Board of Selectmen
January 3	Warrant for Town Meeting closes at 4:00 PM
January 25	90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2012 (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 4	Proposed budgets for FY2012 operations of Enterprise Funds are due.
February 17	Public Hearings advertised (for FY2012 General Fund operations)
February 18	Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
February 28	Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2012 and all other non-school financial articles on the Town Meeting Warrant
March 2	Finance Committee's Public Hearing on Education budget proposals for FY2012 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
March 11	Town Manager's Proposed Budget for FY2012 Enterprise Operations published (10 days prior to Public Hearing)
March 21	Public Hearing on Enterprise Fund budgets and Articles
March 24	Finance Committee completes its recommendations for Town Meeting
April 4	Finance Committee Report to printer
April 15	Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
April 25	Town Meeting - consideration of budget; enactment of appropriations (first session)

## TOWN OF CONCORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2010

(DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<b>ASSETS</b>					
Current:					
Cash and short-term investments	\$ 3,494,851	\$ 3,936,979	\$ 16,928,102	\$ 3,283,332	\$ 27,643,264
Investments	-	-	1,112,192	-	1,112,192
User fees, net of allowance for uncollectibles	815,313	401,400	3,498,109	-	4,714,822
Betterment receivables	-	83,000	-	-	83,000
Inventory	38,322	-	-	-	38,322
Materials and supplies, at average cost	-	-	750,561	-	750,561
Prepaid expenses	-	-	3,202,584	-	3,202,584
Other assets	-	-	331,727	-	331,727
Total current assets	4,348,486	4,421,379	25,823,275	3,283,332	37,876,472
Noncurrent:					
Betterment receivables, net of current portion	-	1,417,761	-	-	1,417,761
Capital assets being depreciated, net	15,221,870	25,762,621	30,016,623	8,824,937	79,826,051
Capital assets not being depreciated	3,270,467	101,625	2,833,415	-	6,205,507
Total noncurrent assets	18,492,337	27,282,007	32,850,038	8,824,937	87,449,319
<b>TOTAL ASSETS</b>	<b>22,840,823</b>	<b>31,703,386</b>	<b>58,673,313</b>	<b>12,108,269</b>	<b>125,325,791</b>
<b>LIABILITIES</b>					
Current:					
Warrants payable	144,170	249,425	2,511,568	127,924	3,033,087
Accrued liabilities	64,738	125,189	222,335	1,595	413,857
Unearned revenue	-	-	226,669	986,889	1,213,558
Customer deposits	-	-	353,191	-	353,191
Provision for rate stabilization	-	-	13,219,004	-	13,219,004
Current portion of long-term liabilities:					
Bonds payable	550,000	761,275	540,000	100,000	1,951,275
Accrued employee benefits	9,872	2,468	-	4,771	17,111
Total current liabilities	768,780	1,138,357	17,072,767	1,221,179	20,201,083
Noncurrent:					
Bonds payable, net of current portion	4,025,000	12,836,637	1,910,000	-	18,771,637
Accrued employee benefits, net of current portion	88,843	22,211	120,188	42,940	274,182
Net OPEB obligation	-	-	124,449	-	124,449
Total noncurrent liabilities	4,113,843	12,858,848	2,154,637	42,940	19,170,268
<b>TOTAL LIABILITIES</b>	<b>4,882,623</b>	<b>13,997,205</b>	<b>19,227,404</b>	<b>1,264,119</b>	<b>39,371,351</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	13,917,337	12,266,334	30,400,038	8,724,937	65,308,646
Restricted - betterments	-	2,128,342	-	-	2,128,342
Restricted - capital improvements	-	2,054,748	-	-	2,054,748
Unrestricted	4,040,863	1,256,757	9,045,871	2,119,213	16,462,704
<b>TOTAL NET ASSETS</b>	<b>\$ 17,958,200</b>	<b>\$ 17,706,181</b>	<b>\$ 39,445,909</b>	<b>\$ 10,844,150</b>	<b>\$ 85,954,440</b>

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<b>Operating Revenues:</b>					
Charges for services	\$ 3,719,334	\$ 2,447,770	\$ 19,590,144	\$ 2,503,352	\$ 28,260,600
Total Operating Revenues	3,719,334	2,447,770	19,590,144	2,503,352	28,260,600
<b>Operating Expenses:</b>					
Personnel services	958,697	312,448	-	1,301,418	2,572,563
Non-personnel services	828,944	915,448	-	668,223	2,412,615
Depreciation	731,506	1,722,262	1,398,264	273,092	4,125,124
Electric operations	-	-	16,904,313	-	16,904,313
Total Operating Expenses	2,519,147	2,950,158	18,302,577	2,242,733	26,014,615
Operating Income (Loss)	1,200,187	(502,388)	1,287,567	260,619	2,245,985
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	23,813	23,080	250,840	18,737	316,470
Interest expense	(192,843)	(204,445)	(123,804)	(9,750)	(530,842)
Other nonoperating expense, net	-	-	(428,483)	-	(428,483)
Total Nonoperating Revenues (Expenses), Net	(169,030)	(181,365)	(301,447)	8,987	(642,855)
Income Before Transfers	1,031,157	(683,753)	986,120	269,606	1,603,130
Transfers in	-	-	-	129,750	129,750
Transfers out - overhead allocations	(513,281)	(175,632)	(355,000)	(56,014)	(1,099,927)
Transfers out - other transfers	(40,511)	-	-	-	(40,511)
Change in Net Assets	477,365	(859,385)	631,120	343,342	592,442
Net Assets at Beginning of Year	17,480,835	18,565,566	38,814,789	10,500,808	85,361,998
Net Assets at End of Year	\$ 17,958,200	\$ 17,706,181	\$ 39,445,909	\$ 10,844,150	\$ 85,954,440

See notes to financial statements.

TOWN OF CONCORD, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (DECEMBER 31, 2009 FOR THE MUNICIPAL LIGHT PLANT ENTERPRISE FUND)

	Business-Type Activities				Total
	Water Fund	Sewer Fund	Electric Fund	Swim Fund	
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 3,586,729	\$ 2,572,834	\$ 21,860,958	\$ 2,448,140	\$ 30,468,661
Payments to vendors and employees	(1,802,374)	(1,214,359)	(18,547,368)	(1,966,065)	(23,530,166)
Receipts from noncurrent deposits	-	-	6,003	-	6,003
Net Cash Provided By Operating Activities	1,784,355	1,358,475	3,319,593	482,075	6,944,498
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers in	-	-	-	129,750	129,750
Transfers out	(553,792)	(175,632)	(355,000)	(56,014)	(1,140,438)
Net Cash Provided by (Used for) Noncapital Financing Activities	(553,792)	(175,632)	(355,000)	73,736	(1,010,688)
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(437,826)	(382,384)	-	(66,679)	(886,889)
Acquisition and construction of utility plant	-	-	(1,652,421)	-	(1,652,421)
Net additions to construction in progress	-	-	(319,834)	-	(319,834)
Principal payments on bonds and notes	(560,000)	(748,179)	(540,000)	(100,000)	(1,948,179)
Interest expense	(192,843)	(204,445)	(123,804)	(9,750)	(530,842)
Net additions to customer advances for construction	-	-	(17,122)	-	(17,122)
Net Cash (Used For) Capital and Related Financing Activities	(1,190,669)	(1,335,008)	(2,653,181)	(176,429)	(5,355,287)
<b>Cash Flows From Investing Activities:</b>					
Investment income	23,813	23,080	250,840	18,737	316,470
Sales of investment shares	-	-	3,318	-	3,318
Net Cash Provided By Investing Activities	23,813	23,080	254,158	18,737	319,788
Net Change in Cash and Short-Term Investments	63,707	(129,085)	565,570	398,119	898,311
Cash and Short-Term Investments, Beginning of Year	3,431,144	4,066,064	16,362,532	2,885,213	26,744,953
Cash and Short-Term Investments, End of Year	\$ 3,494,851	\$ 3,936,979	\$ 16,928,102	\$ 3,283,332	\$ 27,643,264
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$ 1,200,187	\$ (502,388)	\$ 1,287,567	\$ 260,619	\$ 2,245,985
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	731,506	1,722,262	1,398,264	273,092	4,125,124
Changes in assets and liabilities:					
User fees receivables	(132,605)	125,064	111,164	-	103,623
Inventory	18,761	-	-	-	18,761
Materials and supplies	-	-	9,831	-	9,831
Deferred costs	-	-	(14,506)	-	(14,506)
Prepaid expenses	-	-	(2,737,773)	-	(2,737,773)
Noncurrent deposits with Town Treasurer	-	-	479,466	-	479,466
Warrants payable	50,916	143,717	-	25,485	220,118
Accrued liabilities	(29,212)	(116,380)	495,479	(12,357)	337,530
Other liabilities	(55,198)	(13,800)	-	(9,552)	(78,550)
OPEB	-	-	124,449	-	124,449
Unearned revenue	-	-	6,003	(55,212)	(49,209)
Provisions	-	-	2,159,649	-	2,159,649
Net Cash Provided By Operating Activities	\$ 1,784,355	\$ 1,358,475	\$ 3,319,593	\$ 482,075	\$ 6,944,498

See notes to financial statements.

**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, <b>Property Tax Levy:</b></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**.